

**REPORT PREPARED BY THE BOARD OF DIRECTORS OF ENCE ENERGÍA Y CELULOSA, S.A. ON THE PROPOSED RE-ELECTION, RATIFICATION, AND NOMINATION OF MEMBERS OF THE BOARD OF DIRECTORS**

**1. PURPOSE OF THE REPORT**

The Board of Directors of ENCE ENERGÍA Y CELULOSA, S.A. (the “**Company**”) has prepared this report in order to comply with Article 529 *decies* (Clause 5) of the Capital Companies Act, under which the proposed re-election and nomination of Directors must be supported in all cases by an explanatory report from the Board evaluating the skills, experience and merits of the proposed candidate. It is foreseen that this proposed re-election will be subject to the approval of the Company's General Shareholders' Meeting originally convened for 22 March 2018, and if not quorate, for 23 March 2018, under item 4 of the agenda.

Prior to this report, the Nominating and Compensation Committee issued in its meeting of the same day the statutory report proposing the nomination or reelection of Independent Directors and indicating the Non-Independent Directors whose nomination this Board will propose.

This report also complies with Article 518.e) of the Capital Companies Act covering the general information the company must publish when convening a General Shareholders' Meeting. In the event of the nomination, ratification or re-election of members of the Board of Directors, that information must include the identity of each member, their CV and the category to which they belong, in addition to the proposal and reports referred to in Article 529i (Clauses 6 and 7). In the event the Director is a legal person, information must also be included regarding the natural person to be nominated representing that Director.

**2. JUSTIFICATION OF THE PROPOSAL**

**2.1 Re-election of Mr. Juan Luis Arregui Ciarsolo as Proprietary Director**

Subject to a favorable report by the Nominating and Compensation Committee, the Board of Directors proposes re-election of Mr. Juan Luis Arregui Ciarsolo as Proprietary Director of the company, it being noted that he has been proposed to the Board of Directors by the shareholder Retos Operativos XXI, S.L.

Mr. Arregui Ciarsolo (whose curriculum vitae is attached as Appendix I of this report) performed very satisfactorily the role of Chairman of the Board of Directors for 11 years, a period during which he has accumulated experience which is very valuable to the Company at this time.

Therefore, the Board of Directors believes Mr. Arregui Ciarsolo possesses the necessary skills, experience and merits and proposes to the General Shareholders' Meeting his re-election as Proprietary Director for the statutory period of three years.

**2.2 Re-election of Mr. Javier Echenique Landiribar as External Director**

Subject to a favorable report by the Nominating and Compensation Committee, the Board of Directors proposes re-election of Mr. Javier Echenique Landiribar as an External Director.

The Board of Directors believes Mr. Echenique (whose curriculum vitae is attached as Appendix II of this report) possesses the necessary skills, experience and merits justifying his proposed re-election to the Company's General Shareholders' Meeting.

Therefore, the Board proposes to the General Shareholders' Meeting his re-election as External Director for the statutory period of three years.

As indicated in the aforementioned report of the Nominating and Compensation Committee, the board proposes re-election of Mr. Javier Echenique Landiribar as External Director given that he held the office of Proprietary Director at the behest of the significant shareholder Alcor Holding, S.A.

Therefore, Mr. Echenique must remain as External Director whilst Alcor Holding, S.A. holds a stake in the Company.

### 2.3 Re-election of Retos Operativos XXI, S.L. as Proprietary Director and re-appointment of Mr. Óscar Arregui Abendivar as the natural person representing Retos Operativos XXI, S.L. in holding the office of Director

Subject to a favorable report by the Nominating and Compensation Committee, the Board of Directors proposes the re-election of Retos Operativos XXI, S.L. as Proprietary Director of the Company.

The Board has evaluated the performance as Director of Retos Operativos XXI, S.L. through the natural person representing it as very satisfactory as far as the Company is concerned, and it believes that its record and ability may help the Board run smoothly.

Furthermore, the Board of Directors greatly values the contribution of Mr. Óscar Arregui Abendivar (who has demonstrated experience in technical and economic planning as evidenced in his curriculum vitae attached as Appendix III) as the natural person representing Retos Operativos XXI, S.L.

Therefore, the Board believes that both Retos Operativos XXI, S.L. and Mr. Oscar Arregui Abendivar (as the natural person representing it) possess the necessary skills, experience and merits justifying its proposed re-election as Proprietary Director to the Company's General Shareholders' Meeting and his re-appointment as the natural person representing it holding the office of Director.

### 2.4 Re-election of Mr. José Carlos del Álamo Jiménez, as Independent Director, at the behest of the Nomination and Remuneration Committee.

The Nominating and Compensation Committee has raised with the Board of Directors the proposed re-election of Mr. José Carlos del Álamo Jiménez (whose curriculum vitae is attached as Appendix IV) as Independent Director of the Company.

Based on his personal and professional assets, the Board of Directors believes that Mr. del Álamo possesses the necessary skills, experience and merits justifying his proposed re-election to the Company's General Shareholders' Meeting as Independent Director for the statutory period of three years.

2.5 Ratification of the nomination of Turina 2000, S.L. as Proprietary Director and appointment of Mr. Javier Arregui Abendivar as the natural person representing Turina 2000, S.L. in holding the office of Director

Subject to a favorable report by the Nominating and Compensation Committee, the Board of Directors proposes the re-election of Turina 2000, S.L. as Proprietary Director of the Company.

Turina 2000, S.L. was co-opted as a member of the Board of Directors in its meeting of 20 December 2017 at the behest of Retos Operativos XXI, S.L., to cover the vacancy caused by the resignation of the Director Mr. Pascual Fernández Martínez.

The Board values the activity performed by this company, and specifically, the record of its representative, Mr. Javier Arregui Abendivar (whose curriculum vitae is attached as Appendix V of this report), in companies in the sector and in the Company itself.

Therefore, the Board believes that both Turina 2000, S.L. (through the natural person representing it) and Mr. Arregui Abendivar possess the necessary skills, experience and merits justifying its proposed nomination as Proprietary Director and his proposed nomination as the natural person representing Turina 2000, S.L. to the General Shareholders' Meeting for the statutory period of three years.

2.6 Nomination of La Fuente Salada, S.L. as Proprietary Director

Mendibea 2002, S.L. has informed this Board of its resignation as Proprietary Director with effect from the next General Shareholders' Meeting of the Company to take place on the 22 and 23 March 2018 so that it can be replaced by La Fuente Salada, S.L., a company in the same group and direct holder of 14,000,000 shares representing 5.68% of the Company's capital, whose nomination is expected to be proposed at that General Shareholders' Meeting.

Based on a favorable report by the Nominating and Compensation Committee, the Board believes that La Fuente Salada, S.L. possesses the necessary skills and experience justifying its proposed nomination as Proprietary Director to the General Shareholders' Meeting for the statutory period of three years as replacement for Mendibea 2002, S.L.

In turn, La Fuente Salada, S.L. wishes Mr. Ignacio Comenge Sánchez-Real to continue as the natural person representing it.

Based on a favourable report by the Nominating and Compensation Committee, the Board believes that Mr. Comenge (whose curriculum vitae is attached as Appendix VI) has performed his job as the natural person representing Mendibea 2002, S.L. very satisfactorily and that he possesses the necessary skills and merits justifying his proposed appointment as the natural person representing La Fuente Salada, S.L. in holding the office of Director.

2.7 Nomination of Mrs. Rosa María García Piñeiro as Independent Director at the behest of the Nomination and Remuneration Committee.

With the involvement in the process of an external consultant, the Nominating and Compensation Committee has forwarded to the Board of Directors for submission to the General Shareholders' Meeting the proposed nomination of Mrs. Rosa María García Piñeiro as Independent Director of the Company.

Mrs. Rosa María García Piñeiro (whose curriculum vitae is attached as Annex VII to this report) is an industrial engineer from the University of Vigo and also has a master's degree in business

management from the University of Geneva as well as a master's degree of environmental engineering by the School of Industrial Organization. He has extensive experience in the industrial sector, highlighting his focus on environment and sustainability and his international vision. She has developed her professional career at Alcoa, where she has held positions as environmental engineer, internal environmental auditor, occupational safety and health, Director of Occupational Health and Safety, Director of Government Affairs and Sustainability for Europe and President of Alcoa Inespal, S.L. in Spain. She is currently the Global Sustainability Director of Grupo Alcoa and President of the Alcoa Foundation. In addition, she is an independent director on the board of directors of Acerinox, S.A.

Based on her personal and professional assets, the Board of Directors believes that Mrs. Rosa María García Piñeiro possesses the necessary skills, experience and merits to justify acceptance of the recommendation of the Nominating and Compensation Committee that her nomination be proposed to the Company's General Shareholders' Meeting as Independent Director for the statutory period of three years.

The effectiveness of this appointment is subject to the fact that before April 30, 2018, Mrs. García Piñeiro obtains from Alcoa Corp. the mandatory internal authorization to be appointed as a director of the Company. Said authorization must be communicated in writing to the board of directors, which will verify compliance with the condition by means of the corresponding agreement in which it declares it. In the event that the aforementioned authorization is not obtained before the indicated period, the resulting vacancy could be covered by co-optation after the holding of the meeting or a nomination of a new candidate would be proposed to a subsequent general meeting of shareholders.

### **3. AGREED PROPOSALS**

The complete text of the agreed proposals on the re-election of Directors, which will be subject to separate votes at the General Shareholders' Meeting, follows below:

**“FOURTH A.- RE-ELECTION OF MR. JUAN LUIS ARREGUI CIARSOLO AS PROPRIETARY DIRECTOR.**

*To re-elect, at the behest of the Board of Directors, as a member of the Company's Board of Directors, Mr. Juan Luis Arregui Ciarsolo, in the capacity of Proprietary Director for the statutory period of three years from the approval of this resolution.*

**FOURTH B.- RE-ELECTION OF MR. JAVIER ECHENIQUE LANDIRIBAR AS AN EXTERNAL DIRECTOR.**

*To re-elect, at the behest of the Board of Directors, as a member of the Company's Board of Directors, Mr. Javier Echenique Landiribar, in the capacity of External Director for the statutory period of three years from the approval of this resolution.*

**FOURTH C.- RE-ELECTION OF MR. JOSÉ CARLOS DEL ÁLAMO JIMÉNEZ AS AN INDEPENDENT DIRECTOR.**

*To re-elect, at the behest of the Nomination and Remuneration Committee, as a member of the Company's Board of Directors, Mr. José Carlos del Álamo Jiménez, in the capacity of Independent Director for the statutory period of three years from the approval of this resolution.*

**FOURTH D.- RE-ELECTION OF RETOS OPERATIVOS XXI, S.L. AS PROPRIETARY DIRECTOR AND RECORDING OF THE RE-APPOINTMENT OF MR. ÓSCAR ARREGUI ABENDIVAR AS THE NATURAL PERSON REPRESENTING RETOS OPERATIVOS XXI, S.L. IN HOLDING THE OFFICE OF DIRECTOR.**

*To re-elect, at the behest of the Board of Directors, as a member of the Company's Board of Directors, Retos Operativos XXI, S.L., in the capacity of Proprietary Director for the statutory period of three years from the approval of this resolution and the recording of the re-appointment of Mr. Óscar Arregui Abendivar as the natural person representing that Director.*

**FOURTH E.- RATIFICATION OF THE NOMINATION OF TURINA 2000, S.L. AS PROPRIETARY DIRECTOR, APPOINTED BY CO-OPTION BY THE BOARD OF DIRECTORS ON 20 DECEMBER 2017, AND RECORDING OF THE APPOINTMENT OF MR JAVIER ARREGUI ABENDIVAR AS THE NATURAL PERSON REPRESENTING TURINA 2000, S.L. IN HOLDING THE OFFICE OF DIRECTOR.**

*To ratify, at the behest of the Board of Directors, the nomination of Turina 2000, S.L., appointed as Proprietary Director by co-option in the meeting of the Board of Directors of 20 December 2017, and to nominate it as proprietary shareholder for the statutory period of three years from the approval of this resolution. Furthermore, to record the appointment of Mr. Javier Arregui Abendivar as the natural person representing that Director.*

**FOURTH F.- NOMINATION OF LA FUENTE SALADA, S.L. AS PROPRIETARY DIRECTOR AND RECORDING OF THE APPOINTMENT OF MR. IGNACIO COMENGE SÁNCHEZ-REAL AS THE NATURAL PERSON REPRESENTING LA FUENTE SALADA, S.L. IN HOLDING THE OFFICE OF DIRECTOR.**

*To nominate, at the behest of the Board of Directors, as a member of the Company's Board of Directors, La Fuente Salada, S.L., in the capacity of Proprietary Director for the statutory period of three years from the approval of this resolution and recording of the re-appointment of Mr. Ignacio Comenge Sánchez-Real as the natural person representing that Director.*

**FOURTH G.- NOMINATION OF MRS. ROSA MARÍA GARCÍA PIÑEIRO AS INDEPENDENT DIRECTOR.**

*To nominate, at the behest of the Nomination and Remuneration Committee, as a member of the Company's Board of Directors, Mrs. Rosa María García Piñeiro, in the capacity of Independent Director for the statutory period of three years from the approval of this resolution.*

*The effectiveness of this appointment is conditional on the fact that before April 30, 2018, Mrs. García Piñeiro obtains from Alcoa Corp. the mandatory internal authorization to be appointed as a director of the Company. Said authorization must be communicated in writing to the board of directors, which will verify compliance with the condition by means of the corresponding agreement in which it declares it.*

*In the event that the aforementioned authorization is not obtained before the indicated period, the resulting vacancy could be covered by co-optation after the holding of the meeting or a nomination of a new candidate would be proposed to a subsequent general meeting of shareholders."*

## Appendix I

### **Curriculum vitae of Mr. Juan Luis Arregui Ciarsolo**

Juan Luis Arregui Ciarsolo was born in Mallavia (Vizcaya). He is Proprietary Director of Ence, Chairman of the Board of Directors of Ence, Chairman of the Executive Committee of Ence and Member of the Forestry and Regulatory Policy Advisory Committee of Ence.

He qualified as a technical engineer at the Higher Technical School of Engineering in Bilbao, has a degree in Numerical Control from Wandsdorf (Germany) and a Master's Degree in Micro-Mechanical Engineering from Besançon (France).

Until 1995 he was Chairman of Gamesa Corporación Tecnológica, a company which he founded in 1976. Until 2017 he also occupied the offices of Vice-Chairman of the Board of Directors, Member of the Delegated Executive Committee and Member of the Nomination and Remuneration Committee of that company.

He was a Director of Iberdrola (1993-2010), also holding the offices of Member of the Audit Committee (1999-2001), Member of the Executive Committee (2002-2010), Member of the Nomination and Remuneration Committee (2004-2010) and Vice-Chairman of the Board of Directors (2006-2010) in that company.

He founded Corporación Eólica Cesa, of which he was Chairman until 2006. He has been Chairman of Guascor, a group specializing in cogeneration and environmentally friendly technology, a Director of Gestora de Proyectos y Contratos, a company which he co-founded, a Director of GRL Aceite and Chairman of Viña Izadi.

He was Chairman of Foresta Capital (2002-2009), a company devoted to the production of hardwood forests (black walnut and black cherry) and to the development of energy crops since 2006 with its own clones. He has been Chairman of ARTEVINO and First Vice-Chairman of Cartera Industrial Rea since 2008.

## Appendix II

### **Curriculum vitae of Mr. Javier Echenique Landiribar**

Javier Echenique Landiribar is a Director of Ence and member of the Audit Committee and Executive Committee of Ence.

He holds a degree in Economics and Actuarial Science and has been a Director and CEO of Allianz-Ercos and CEO of Grupo BBVA. He has also been a member of the Board of Directors of Telefónica Móviles, S.A., Telefónica Móviles México, Sevillana Electricidad, S.A., Acesa, Hidroeléctrica del Cantábrico, Metrovacesa, Corporación Patricio Echevarría, Corporación IBV, Grupo BBVA Seguros, Uralita, Abertis Infraestructuras, S.A., Banco Guipuzcoano, S.A. (of which he was Chairman) and Celistics.

He is currently Vice-Chairman of Banco Sabadell, and a Director of ACS Actividades de Construcción y Servicios, ACS Servicios, Comunicaciones y Energía and Telefónica, S.A.

He is also the representative on the Board of Telefónica for the Basque Country, a consultant to Calcinor, S.A., a patron of the Fundación Novia Salcedo and a Director of the Deusto Business School.

### **Appendix III**

#### **Curriculum vitae of Mr. Óscar Arregui Abendivar**

Óscar Arregui Abendivar qualified as an industrial engineer at the Higher Technical School of Engineering in Bilbao (specializing in electrical engineering). He holds a Master's Degree in Business Administration (MBA) from IESE Business School. He is the natural person representing Ence's Proprietary Director Retos Operativos XXI, S.L. and is a member of the Forestry and Regulatory Policy Advisory Committee.

He has occupied several positions of responsibility within Grupo Guascor in the fields of both research and development and its expansion into the North American market.

He is currently Director of Cermanca XXI, S.L., Deputy Secretary of Torneados Numéricos, S.A. and Daima Global, S.L., and Member of Turina 2000, S.L.



#### **Appendix IV**

#### **Curriculum vitae of Mr. Jose Carlos Del Álamo Jiménez**

José Carlos Del Álamo Jiménez is an Independent Director of Ence, Chairman of its Nomination and Remuneration Committee and member of its Forestry and Regulatory Policy Advisory Committee.

He qualified as a Forestry Engineer at the Technical University of Madrid, holds the ESADE Course for Directors diploma, and has completed two doctorate courses in the Higher Technical School of Forestry Engineering. He also a Lecturer on the Master's Degree in Energy Efficiency and Climate Change in the University Institute of Environmental Sciences of the Complutense University of Madrid, the Master's Degree in Environmental Project Engineering at the Technical University of Madrid, the advanced course in the Fundación Carolina de Políticas e Instrumentos de Gestión Forestal, in the CEU San Pablo University in Madrid and in other academic institutions.

He has occupied positions of great responsibility in central government, such as General Manager of Nature Conservation (Ministry of the Environment), and in the Regional Government of Galicia, where he was Director of the Environment from 1997 to 2003 and General Manager of Forestry and the Natural Environment from 1990 to 1996. He was also Vice-Chairman of the National Parks Authority, Chairman of the Atlantic Islands National Park, member of the Environmental Advisory Council of the Ministry of the Environment, Chairman of the Environmental Council of Galicia, Chairman of the Professional Engineers Union (UPCI) and Chairman of the Professional Association of Forestry Engineers.

He is Chairman of the Spanish Engineering Institute, Member of the Council of the National Parks Network (MAPAMA), patron of the trust of the Sierra de Guadarrama National Park, Secretary of the "Forests and Climate Change" Forum, Chairman of the "Environmental Forum for Economic and Social Progress" and Member of the Environmental Council of Castile and Leon and the Community of Madrid.

He is currently Vice-Chairman of Grupo TYPESA and Chairman of TYPESA Estadística y Servicios.

### **Appendix V**

#### **Curriculum vitae of Mr. Javier Arregui Abendivar**

Javier Arregui is the natural person representing Ence's Proprietary Director TURINA 2000, S.L., is Secretary of the Company's Nomination and Remuneration Committee, and is a member of the Company's Forestry and Regulatory Policy Advisory Committee.

He has an undergraduate degree in Business Administration from the University of Saint Louis (Missouri, USA) and a postgraduate degree in Finance from San Andrés University (Buenos Aires, Argentina), he has occupied different positions of responsibility within Grupo Seche, and he has been a member of Board of Directors amongst other bodies of Cesa, Grupo Guascor and Foresta Capital.

Before his appointment as the natural person representing TURINA 2000, S.L., the office he held in Ence was General Manager of international development and forestry assets, forming part of the company's management committee.

He is currently sole Director of Grupo Foresta, S.L.

## Appendix VI

### **Curriculum vitae of Mr. Ignacio Comenge Sánchez-Real**

Ignacio Comenge Sánchez-Real is an economist who held several positions in the Banco Hispano Americano between 1973 and 1983, such as Deputy Director of Foreign Trade and Director of Large Companies.

From 1984 to 2002 he occupied the following positions in MUTUA MADRILEÑA AUTOMOVILISTA: Director responsible for the Financial Area and Vice-Chairman of the Board of Directors.

He currently occupies the position of Chairman in the company Ball Beverage Can Iberica, S.L. and Director of the companies COCA-COLA EUROPEAN PARTNERS, plc; EBRO FOODS S.A.; BARBOSA & ALMEIDA, S.A., AZORA EUROPA I, SA, Compañía Vinícola del Norte de España, S.A. and OLIVE PARTNERS, S.A. (the Director in these last two companies is MENDIBEA 2002, S.L.)

## **Appendix VII**

### **Curriculum vitae de Mrs. Rosa María García Piñeiro**

Mrs. Rosa María García Piñeiro is an industrial engineer from the University of Vigo and also has a master's degree in business management from the University of Geneva as well as a master's degree of environmental engineering by the School of Industrial Organization. He has extensive experience in the industrial sector, highlighting his focus on environment and sustainability and his international vision. She has developed her professional career at Alcoa, where she has held positions as environmental engineer, internal environmental auditor, occupational safety and health, Director of Occupational Health and Safety, Director of Government Affairs and Sustainability for Europe and President of Alcoa Inespal, S.L. in Spain. She is currently the Global Sustainability Director of Grupo Alcoa and President of the Alcoa Foundation. In addition, she is an independent director on the board of directors of Acerinox, S.A.