

REPORT MADE BY THE NOMINATING AND COMPENSATION COMMITTEE TO THE BOARD OF DIRECTORS OF ENCE ENERGÍA Y CELULOSA, SA REGARDING THE PROPOSAL OF THE BOARD TO RE-ELECT MEMBERS OF THE BOARD OF DIRECTORS AND THE PROPOSAL OF THIS COMMITTEE TO RE-ELECT AND APPOINT INDEPENDENT DIRECTORS

1. PURPOSE OF THE REPORT

The nominating and compensation committee of ENCE ENERGÍA Y CELULOSA, SA (the "**Company**") makes this report in accordance with articles 529 decies (section 6) and 529 quindecies (section 3.d) of the Capital Companies Act, which establish that the proposal for the nomination and re-election of Non-Independent Directors must be preceded by a report issued by the nominating and compensation Committee. The foregoing shall also apply to the proposal for the appointment of natural persons who act as representatives of a legal entity Director.

Likewise, this report complies with section 4 of article 529 decies of the Capital Companies Act, which assigns the nominating and compensation committee the right to make proposals for the appointment or re-election of Independent Directors.

It is provided that the proposal for the appointment and re-election of members of the Board of Directors will be submitted for approval by the General Shareholders' Meeting of the Company called for March 22 and 23, 2018, at 12:30 p.m. in first and second call, respectively, under the fourth point of the agenda.

2. REPORT ON THE NOMINATION AND THE RE-ELECTION OF NON-INDEPENDENT DIRECTORS

The Chairman of the Board of Directors has asked the nominating and compensation committee to report on the appointment and re-election of various Directors that are planned to be proposed to the General Shareholders' Meeting.

For this purpose, the committee has evaluated the skills necessary for the performance of the position of Director of the Company and, among them, those related to the training, professional experience and suitability of the Directors, as well as the dedication of the necessary time. In accordance with the Board of Directors Regulations of the Company, the proposals for the appointment and re-election of Directors that the Board of Directors decides to submit to the General Shareholders' Meeting must be subject to a formal preparation process, of which a report issued by the Nominating and compensation Committee will necessarily be a party.

On this basis, and in accordance with the policy for the selection of Directors and the current needs of the Company's bodies, the Nominating and compensation Committee has agreed to report favourably on the proposals for the appointment and re-election of Non-Independent Directors, as explained below.

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

The Nominating and compensation Committee has highly valued the quality of work and dedication to the position of Mr. Arregui Ciarso since his first appointment in 2006, and understands that his extensive experience, especially in the field of energy and forestry, and his work as Chairman for the last twelve years, has made a valuable contribution to the board, something it would like to continue.

Therefore, the committee has agreed to submit its favourable report to the board so that it may propose 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 an External Director

The commission reports favorably on the proposal to re-elect Mr. Javier Echenique, since it has highly valued the quality of his work and his dedication to the position since he joined in 2005 and considers that he will continue to contribute his considerable experience and knowledge of the business sector to the Company. For this reason, it has agreed to submit his favorable report to the board so that he can propose to the General Shareholders' Meeting his re-election as another External Director for the statutory period of three years.

Bearing in mind the fact that Mr. Javier Echenique has held the position of Proprietary Director in the past at the proposal of the majority shareholder Alcor Holding, SA, if the Board of Directors proposes his re-election, the commission notes that, pursuant to article 529k (section 4, letter j) of the Capital Companies Act, Mr. Echenique must maintain the status of other External Director while Alcor Holding, SA 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

The Nominating and compensation Committee considers that Retos Operativos XXI, SL meets the conditions, the capacity, the history and the adequate disposition to continue satisfactorily performing, through its natural person, the functions of member of the Board of Directors of the society.

In addition, the nominating and compensation committee considers that the quality of the work and dedication to the position of Mr. Óscar Arregui Abendivar as the natural person representing Retos Operativos XXI, S.L. have been very positive.

Therefore, the committee has agreed to submit its favorable report to the board so that it may propose to the General Shareholders' Meeting the re-election of Retos Operativos XXI, S.L. as Proprietary Director for the statutory period of three years, as well as the continuance of Mr. Oscar Arregui as the natural person of Retos Operativos XXI, SL in the performance of the position of Director, in the event of its re-election as Proprietary Director of the Company.

2.4 Confirmation of the appointment of Turina 2000, S.L. as Proprietary Director, following its co-option by the Board of Directors of the Company on 20 December 2017, and the appointment of Mr Javier Arregui Abendivar as the natural person representing Turina 2000, S.L. in holding the office of Director

The committee reports favorably on the ratification of the appointment of Turina 2000, S.L. as Proprietary Director of the Company, which was appointed to the Board of Directors by co-opting, at its meeting of December 20, 2017, at the proposal of Retos Operativos XXI, S.L., covering the vacancy produced therein after the resignation of Director Mr. Pascual Fernández Martínez.

The commission considers that the experience accumulated by this company as a result of its corporate activity can make contributions of interest to the functioning of the board. Likewise, the experience of its representative, Mr. Javier Arregui Abendivar, as General Manager of international development and forestry heritage, as part of the management committee and the forestry and international development department of the Company, is highly appreciated by the committee, which considers it could make a significant contribution to the board's activity.

Therefore, the committee has agreed to submit its favorable report to the board so that it can propose to the General Shareholders' Meeting the ratification of the appointment of Turina 2000, S.L. as Proprietary Director for the statutory period of three years, and the appointment of Mr. Javier Arregui Abendivar as the natural person of Turina 2000, SL in the performance of the position of Director, in the event of its ratification and appointment as Proprietary Director of the Company.

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

This Committee has been informed of the decision of Mendibea 2002, S.L. to resign 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 as Mendibea 2002, S.L. and direct holder of 5.68% of the Company's shares, whose nomination is expected to be proposed at that General Shareholders' Meeting.

After analysing the characteristics of La Fuente Salada, S.L., the commission has agreed to submit its favorable report to the board so that it can propose to the General Shareholders' Meeting the appointment of this entity as Proprietary Director, for the statutory period of three years, replacing Mendibea 2002, S.L.

The Nominating and compensation Committee has also positively assessed the quality of the work and dedication that Mr. Ignacio Comenge Sánchez-Real has shown for the last 5 years as a natural person of Mendibea 2002, S.L., giving its favorable report to the board for his appointment as natural person of La Fuente Salada, S.L. in the performance of the position of Director, in the event of its appointment as Proprietary Director of the Company.

3. PROPOSAL FOR RE-ELECTION OF INDEPENDENT DIRECTOR

The Nominating and compensation Committee has decided to submit the proposal to Board of Directors for submission to the General Shareholders' Meeting for re-election of Mr. José Carlos del Álamo Jiménez as an Independent Director of the Company.

The Nominating and compensation Committee has very positively assessed the quality of the work and the dedication to the position of Mr. del Álamo (whose curriculum vitae is attached as [Appendix I](#) to this report) as an Independent Director since joining the board in 2009.

In view of his personal and professional conditions and the performance of his position as Director, the Nominating and compensation Committee considers that Mr. del Álamo has the necessary competence, experience and merits that justify its proposal to the Board of Directors for re-election of Mr. del Álamo as an Independent Director for the statutory period of three years, for submission to the General Shareholders' Meeting.

4. PROPOSAL FOR APPOINTMENT OF INDEPENDENT DIRECTOR

The Nominating and Compensation Committee has deemed it advisable to incorporate a new Independent Director, for which it has carried out a selection process on the advice of a reputable external consultant, in which the other members of the Board have also participated.

Based on said selection process, the Nominating and compensation Committee has decided to submit 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 II 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.

In view of her personal and professional conditions, which respond to the profile that was set when it was decided to start the selection process, the Nominating and compensation Committee considers that Mrs. Rosa María García Piñeiro has the necessary skills, experience and merits to justify submitting to the Board of Directors for submission to the General Shareholders' Meeting the proposal for her appointment 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.

Appendix I

Curriculum vitae of Mr. Jose Carlos Del Álamo Jiménez

José Carlos Del Álamo Jiménez is an Independent Director of Ence, Chairman of its Nominating and compensation 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 TYPASA and Chairman of TYPASA Estadística y Servicios.

Appendix II

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

Mrs. Rosa María García Piñeiro (whose curriculum vitae is attached as Annex II 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.