

REPORT SUBMITTED BY THE APPOINTMENTS AND REMUNERATION COMMITTEE TO THE BOARD OF DIRECTORS OF ENCE ENERGÍA Y CELULOSA, S.A. CONCERNING THE PROPOSED REAPPOINTMENT OF MEMBERS OF THE BOARD OF DIRECTORS AND PROPOSED REAPPOINTMENT OF AN INDEPENDENT DIRECTOR

1. PURPOSE OF THE REPORT

The Appointments and Remuneration Committee of ENCE ENERGÍA Y CELULOSA, S.A. (the “**Company**”) is issuing this report in due compliance with the provisions of Articles 529 *decies* (section 6) and 529 *quindecies* (section 3.d) Spain's Corporate Enterprises Act ("Ley de Sociedades de Capital"), which stipulate that a prior report by the Appointments and Remuneration Committee is required for proposed reappointments of non-independent directors. This shall also apply to the proposed reappointments of individuals acting as the representatives of directors that are legal entities.

This report also complies with section 4 of Article 529 *decies* of the Corporate Enterprises Act, which empowers the Appointments and Remuneration Committee to propose the appointment or reappointment of independent directors.

This proposal to reappoint Board members shall be submitted for approval at the Company's General Shareholders' Meeting scheduled for 27 and 28 April 2015 at 12:30 h, on first and second call respectively, as item five on the agenda.

2. REPORT ON THE REAPPOINTMENT OF NON-INDEPENDENT DIRECTORS

The Chairman of the Board of Directors has asked the Appointments and Remuneration Committee to issue a report on the reappointment of a number of directors that the Board intends to submit to the General Meeting.

To this end the Committee has analysed the current composition of the Board of Directors, and considers that its members have the overall knowledge, competence and experience to enable it to carry out its functions after the proper fashion.

The Committee has also assessed the aptitudes required to carry out the functions of a Company director, including the qualifications, professional experience and suitability of directors, in addition to allocation of their time as necessary. Pursuant to Board regulations, the proposed reappointments of directors the Board intends to present for approval by the General Meeting must be submitted to an official process, which shall necessarily include a report by the Appointments and Remuneration Committee to assess the quality of work and dedication to the post by the directors proposed, during their preceding terms.

On this basis, in accordance with the current needs of corporate bodies, the Appointments and Remuneration Committee has resolved to issue a favourable report on the proposed reappointment of non-independent directors, as explained below.

2.1 Reappointment of Mr. Juan Luis Arregui Ciarsolo as proprietary director

The Appointments and Remuneration Committee has produced an extremely positive assessment of the quality of work and dedication to the post by Mr. Arregui Ciarsolo since he was first appointed in 2006, and considers that his wide experience, particularly in the fields of energy and forestry, and his

work as Chairman over the last eight years have made a valuable contribution to the Board, a contribution it is considered necessary to maintain.

The Committee has therefore resolved to submit a favourable report to the Board to enable it to propose that the General Meeting reappoint him as proprietary director for the period stipulated in Company by-laws of three years.

2.2 Reappointment of Mr. Javier Echenique Landiribar as other external director

The Committee has pronounced itself in favour of the reappointment of Mr. Javier Echenique, as it has produced an extremely positive assessment of the quality of work and dedication to the post by Mr. Echenique as a member of the Board since he was first appointed in 2005, and considers he shall continue to contribute his wide experience and knowledge of the business sector to the Company. It has therefore resolved to submit a favourable report to the Board to enable it to propose that the General Meeting reappoint him as other external director for the period stipulated in Company by-laws of three years.

With regard to his reappointment status, it is stipulated that Mr. Javier Echenique had acted as proprietary director on the proposal of the major shareholder Alcor Holding, S.A. As he has been proposed for reappointment, it is stipulated that, following the reduction of the stake in the Company's equity of Alcor Holding, S.A. as it had already proposed the appointment of Mr. Pascual Fernández Martínez as proprietary director, this shareholder did not reiterate the proposal for Mr. Echenique to maintain his category as proprietary director on reappointment.

However, if the Board proposes his reappointment, the Committee notes that, by virtue of Article 529 *duodecies* (section 4 j) of the Corporate Enterprises Act, Mr. Echenique may not be reappointed as an independent director if Alcor Holding, S.A. continues to hold a stake in the Company, and therefore he must be reappointed as other external director.

2.3 Reappointment of Retos Operativos XXI, S.L. as proprietary director

The Appointments and Remuneration Committee considers that Retos Operativos XXI, S.L. meets the conditions of commercial and professional honourability, and has the capacity, trajectory and disposition to continue to carry out its functions satisfactorily as a member of the Company's Board through its representative.

It has therefore resolved to submit a favourable report to the Board to enable it to propose that the General Meeting reappoint it as proprietary director for the period stipulated in Company by-laws of three years.

2.4 Maintenance of Mr. Óscar Arregui Abendivar as the individual representing the director Retos Operativos XXI, S.L.

The Appointments and Remuneration Committee considers that the quality of work and dedication to the post by Mr. Arregui Abendivar as Echenique as the individual representing the director Retos Operativos XXI, S.L. are extremely positive, and it has therefore resolved to submit a favourable report to the Board to maintain him as the individual representing the director Retos Operativos XXI, S.L., if the latter is reappointed as proprietary director of the Company.

3. PROPOSED REAPPOINTMENT OF AN INDEPENDENT DIRECTOR

The Appointments and Remuneration Committee has resolved to issue a proposal to the Board for submission to the Company's General Meeting to reappoint Mr. José Carlos del Álamo Jiménez as an independent director of the Company.

Mr. del Álamo holds a degree in Forestry from Madrid Polytechnic and an ESADE managerial diploma. He also studied two doctorates at the Higher School of Forestry Management. He lectures on energy efficiency, environmental project engineering and forestry management, among other subjects, he is President of the Professional Union of Engineering Associations (UPCI), and has held positions of great responsibility in Spain's central government. He also holds posts at a number of companies operating in the environmental sector.

The Appointments and Remuneration Committee has produced an extremely positive assessment of the quality of work and dedication to the post by Mr. del Álamo as independent director since he joined the Board in 2009.

In view of his personal and professional merits and his performance as a director, the Appointments and Remuneration Committee considers that Mr. del Álamo has the necessary competence, experience and merits for the Board of Directors to propose that the General Meeting reappoint Mr. del Álamo as independent director for the period stipulated in Company by-laws of three years.