

REPORT PREPARED BY THE BOARD OF DIRECTORS OF ENCE ENERGÍA Y CELULOSA, S.A. REGARDING AMENDMENTS TO THE COMPANY'S BOARD OF DIRECTORS REGULATIONS IN ITS MEETING HELD ON 27 MAY 2014 AND INCLUDED AS ITEM EIGHT ON THE AGENDA FOR THE GENERAL MEETING OF SHAREHOLDERS

1. PURPOSE OF THIS REPORT

This report was prepared by the board of directors of Ence Energía y Celulosa, S.A. (the "**Company**") in order to inform the shareholders at the general meeting called for 30 June 2014 at 12:30 pm at first and sole call, of the amendments to certain articles of the board of directors regulations approved by the board of directors in its meeting held on 27 May 2014.

2. GROUNDINGS FOR THE AMENDMENT

The amendment of certain articles of the regulations proposed by the Appointments and Remuneration Committee, the members of which represent a third of all of the directors, and communicated by the audit committee, has the following dual purpose:

- a) Firstly, it updates, as is fitting, the definition of independent director contained in the Company's board of directors regulations in order to adapt it to the new developments incorporated by Order ECC/461/2013, of 20 March, which determines the content and the structure of the annual corporate governance report, the annual remuneration report and the other reporting documents for listed companies, savings banks and other entities that issue securities traded on official securities markets.
- b) Secondly, the amendment of the regulations includes the decision to update the age at which directors cease to discharge their duties in order to emphasise the value of the experience that older directors can contribute to the Company and, for such purposes, distinguishes between executive and non-executive directors based on the type of tasks that each performs at the Company.

3. ANALYSIS OF THE AMENDMENTS

3.1 Amendment to the wording of section 3 of article 8 bis of the regulations

The purpose of changing article 8 bis of the regulations is to update the rules regarding the qualifications of independent directors in order to adapt them to the regulations contained in article 8.4 of Order ECC/461/2013, of 20 March, which was also included in the recommendations of the Evaluation from 14 October 2013 of the regulatory amendments proposed by the Expert Committee on Corporate Governance matters and in Bill X/2014, of XX, amending the Spanish Companies Law to improve corporate governance.

For these purposes a new section j) was included in section 3 of article 8 bis of the regulations, which is worded as follows:

Previous version	Current version
<i>3. Independent directors are considered to be persons who, designated on the basis of their personal and professional conditions, are able to discharge their functions without being influenced by any relationships with</i>	<i>3. Independent directors are considered to be persons who, designated on the basis of their personal and professional conditions, are able to discharge their functions without being influenced by any relationships with</i>

Previous version	Current version
<p><i>the company, its significant shareholders or its executives.</i></p> <p><i>Independent director status cannot be granted to directors who:</i></p> <p><i>a) Have been employees or executive directors of group companies, unless three or five years, respectively, have elapsed since this relationship was terminated.</i></p> <p><i>b) Receive from the company or from another company from its Group any amount or benefit other than remuneration as directors, unless this amount or benefit is not material.</i></p> <p><i>Neither dividends nor supplementary pensions which the director receives due to a former professional or employment relationship shall be taken into consideration for the purposes of the provisions of this section provided that such supplements are of an unconditional nature and consequently, the company paying them cannot, without failing to comply with their obligations, discretionally suspend, modify or revoke payment.</i></p> <p><i>c) Are, or have been in the last three years, a partner at the external auditors or the partner in charge of the auditors' report, either that relating to the audit for the year of the company or that of any other company in its group.</i></p> <p><i>d) Persons who are executive directors or senior executives of a different company in which an executive director or senior executive of the company is a non-executive director.</i></p> <p><i>e) Persons who maintain or have maintained over the last year an important business relationship with the company or with any company of its group, whether it is in their own name or as a significant shareholder, director or senior executive of an entity which maintains or has maintained this relationship.</i></p> <p><i>“Business relationship” shall be taken to be</i></p>	<p><i>the company, its main shareholders or its executives.</i></p> <p><i>Independent director status cannot be granted to directors who:</i></p> <p><i>a) Have been employees or executive directors of group companies, unless three or five years, respectively, have elapsed since this relationship was terminated.</i></p> <p><i>b) Receive from the company or from another company from its Group any amount or benefit other than remuneration as directors, unless this amount or benefit is not material.</i></p> <p><i>Neither dividends nor supplementary pensions which the director receives due to a former professional or employment relationship shall be taken into consideration for the purposes of the provisions of this section provided that such supplements are of an unconditional nature and consequently, the company paying them cannot, without failing to comply with their obligations, discretionally suspend, modify or revoke payment.</i></p> <p><i>c) Are, or have been in the last three years, a partner at the external auditors or the partner in charge of the auditors' report, either that relating to the audit for the year of the company or that of any other company in its group.</i></p> <p><i>d) Persons who are executive directors or senior executives of a different company in which an executive director or senior executive of the company is a non-executive director.</i></p> <p><i>e) Persons who maintain or have maintained over the last year an important business relationship with the company or with any company of its group, whether it is in their own name or as a significant shareholder, director or senior executive of an entity which maintains or has maintained this relationship.</i></p> <p><i>“Business relationship” shall be taken to be</i></p>

Previous version	Current version
<p><i>that of a supplier of goods or services, including financial, advisory or consulting services.</i></p> <p><i>f) Are significant shareholders, executive directors or senior executives of an entity that receives, or has received in the last three years, significant donations from the company or from its group.</i></p> <p><i>Persons who are mere trustees of a foundation which receives donations will not be included.</i></p> <p><i>g) Are spouses, spousal equivalents, or relatives of up to the second degree of kinship, of an executive director or a senior executive of the company.</i></p> <p><i>h) Have not been proposed, for either appointment or renewal, by the Appointments and Remuneration Committee.</i></p> <p><i>i) Persons who, with respect to any significant shareholder or shareholder represented on the Board of Directors, are in any of the situations indicated in letters a), e), f) or g) of this section. In the case of the relationship of kinship indicated in letter g), the limitation shall be applied not only with respect to the shareholder, but also with respect to the non-executive directors in the investee.</i></p>	<p><i>that of a supplier of goods or services, including financial, advisory or consulting services.</i></p> <p><i>f) Are significant shareholders, executive directors or senior executives of an entity that receives, or has received in the last three years, significant donations from the company or from its group.</i></p> <p><i>Persons who are mere trustees of a foundation which receives donations will not be included.</i></p> <p><i>g) Are spouses, spousal equivalents, or relatives of up to the second degree of kinship, of an executive director or a senior executive of the company.</i></p> <p><i>h) Have not been proposed, for either appointment or renewal, by the Appointments and Remuneration Committee.</i></p> <p><i>i) Persons who, with respect to any significant shareholder or shareholder represented on the Board of Directors, are in any of the situations indicated in letters a), e), f) or g) of this section. In the case of the relationship of kinship indicated in letter g), the limitation shall be applied not only with respect to the shareholder, but also with respect to the non-executive directors in the investee.</i></p> <p><i><u>j) Are directors during a continuous period of more than 12 years.</u></i></p>

3.2 Amendment to the wording of article 24 of the regulations

The purpose of amending the aforementioned article of the Company's board of directors regulations is to redefine the age limits set for executive directors and for non-executive directors, as well as to eliminate the express reference to the chairman in the paragraph where the regime of the executive directors is established, since the chairman may or may not be an executive director.

In line with that envisaged in the Unified Good Governance Code and the practice adopted by the majority of listed companies, it is understood that it is not required, as a general rule, for directors to cease discharging their duties due merely to the fact that they have reached a certain age. In this connection, it was determined to be positive and beneficial for the Company's interests to have directors who, although beyond a certain age limit, may continue contributing their knowledge and their experience to governing the Company.

Thus, it was agreed that the age limit for discharging the function of non-executive director would be eliminated. However, with respect to executive directors and based on the nature of their duties, it was deemed appropriate to maintain the age limit of 65 with the possibility of being re-elected annually until the age of 70, without prejudice to the fact that they may subsequently continue to discharge the function of non-executive director with no age limit.

Consequently, sections 2 and 3 of article 24 are worded as follows:

Previous version	Current version
<p>2. <i>The directors who reach the age of 70 shall complete their mandate, but may not be proposed for re-election by the Board.</i></p> <p>3. <i>The Chairman and the Executive Directors who reach the age of 65 shall cease to hold office when their respective mandates expire, unless the Board, by a majority of two-thirds, proposes or approves their re-election as Chairman or Executive Directors, in which case they must be duly ratified and in their respective positions on the Board with the indicated majority on an annual basis. The directors must place their office at the disposal of the Board and, if the Board sees fit, tender the related notice of resignation in the following cases:</i></p> <p style="margin-left: 20px;"><i>a) when they are subject to any applicable incompatibility or prohibition;</i></p> <p style="margin-left: 20px;"><i>b) when they are indicted or an order is issued to initiate a trial against them for any of the offences specified under Article 213 of the Spanish Companies Law, which will be disclosed in the Annual Corporate Governance Report, or if they are penalised in disciplinary proceedings brought against them by the supervisory authorities as a result of serious or very serious misconduct;</i></p> <p style="margin-left: 20px;"><i>c) when they have been seriously reprimanded by the Audit Committee for having infringed any of their obligations as directors;</i></p>	<p>2. <i>The directors who reach the age of 70 shall complete their mandate, but may not be proposed for re-election by the Board.</i></p> <p>2. <i>The Chairman and</i> <i>The Executive Directors who reach the age of 65 shall cease to hold office when their respective mandates expire, unless the Board, by a majority of two-thirds, proposes or approves their re-election as Chairman or as Executive Directors, in which case they must be duly ratified in their respective positions on the Board with the indicated majority on an annual basis. <u>However, under no circumstance may the Executive Directors be re-elected as such once they reach the age of 70.</u></i></p> <p>3. <i>The directors must place their office at the disposal of the Board and, if the Board sees fit, tender the related notice of resignation in the following cases:</i></p> <p style="margin-left: 20px;"><i>a) when they are subject to any applicable incompatibility or prohibition;</i></p> <p style="margin-left: 20px;"><i>b) when they are indicted or an order is issued to initiate a trial against them for any of the offences specified under Article 213 of the Spanish Companies Law, which will be disclosed in the Annual Corporate Governance Report, or if they are penalised in disciplinary proceedings brought against them by the supervisory authorities as a result of serious or very serious misconduct;</i></p> <p style="margin-left: 20px;"><i>c) when they have been seriously</i></p>

<p><i>d) when their continuity on the Board may seriously jeopardise the company's interests or when the reasons for which they were appointed cease to exist; or</i></p> <p><i>e) when, in the case of proprietary directors, the shareholder they represent or who proposed their appointment transfers its entire shareholding or reduces its shareholding to a level which requires the proportionate reduction of the number of its proprietary directors.</i></p>	<p><i>reprimanded by the Audit Committee for having infringed any of their obligations as directors;</i></p> <p><i>d) when their continuity on the Board may seriously jeopardise the company's interests or when the reasons for which they were appointed cease to exist; or</i></p> <p><i>e) when, in the case of proprietary directors, the shareholder they represent or who proposed their appointment transfers its entire shareholding or reduces its shareholding to a level which requires the proportionate reduction of the number of its proprietary directors.</i></p>
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In Madrid, on 27 May 2014