



Energía y Celulosa

ANNUAL REPORT ON BOARD MEMBER REMUNERATION AS PROVIDED UNDER ARTICLE 61 TER OF THE SECURITIES MARKET LAW

The board of directors of Grupo Empresarial ENCE, S.A. (The "Company") has prepared this report on the Company's remuneration policy for the members of its board of directors.

This report, which contains the applicable legal and statutory system, the principles followed for its implementation, and details of remuneration for 2011, shall be distributed and voted upon in an advisory capacity and as a separate agenda item at the Company's general meeting of shareholders.

1. REGULATORY FRAMEWORK

This report is based on Article 61 ter of the Securities Market Law introduced by Law 2/2011, of March 4, on Sustainable Economy, which provides:

"Article 61 ter. Annual report on remuneration of board members.

1. Together with the Corporate Governance Report, the Board of Directors for listed companies must prepare an annual report on the remuneration of its board members, which shall include complete, clear and understandable information on the Company's remuneration policy approved by the Board of Directors for the current year, and, where appropriate, planned for future years. It shall also include an overall summary of how the remuneration policy was applied during the financial year and details of the individual remuneration accrued by each of the board members.

2. The annual report on the remuneration of board members, the Company's remuneration policy approved by the Board Directors for the current year, the policy forecasted for future years, the overall summary of how the remuneration policy was applied during the financial year and details of individual remuneration accrued by each of the board members, shall be distributed and voted upon in an advisory capacity and as a separate item on the agenda at the General Meeting of shareholders."

JAVIER GONZÁLEZ LÓPEZ
TRADUCTOR -INTÉRPRETE JURADO DE INGLÉS
C/ García de Paredes 88, Bajo Dcha
28010 MADRID
TEL: 91 702 27 97
j.gonzalez@mc-lehm.com

The Limited Liability Companies Act provides in Articles 217 to 219 the basic rules for the remuneration of the directors.

Additionally, the remuneration of the Company's board members is regulated by Article 42 of the bylaws which states:

"Article 42.-Remuneration

1. The position of director is remunerated by means of a fixed and periodic payment of allowances and expenses for attending meetings of the Board of Directors and its Commissions and Committees. The amount of remuneration that may be made by the Company on an annual basis to all its board members for such items shall not exceed the amount set for that purpose by the General Meeting, subject to the provisions of Article 43.2 below. The amount so determined shall be maintained until changed by a new resolution of the General Meeting. Establishing the exact amount to be paid within that limit, its distribution among the various members and the frequency of payment shall be decided by the Board of Directors.

2. Additionally and independently of the remuneration provided under the previous section, the directors may also be paid by an issuance of shares or options on the same or any other remuneration system linked to the value of the shares, whether that of the Company itself or its affiliates. The application of such remuneration systems must be approved by the General Meeting in accordance with the provisions of the Limited Liability Companies Act.

3. The remuneration provided under this article shall be compatible with and independent of wages, salaries, severance pay, pensions or compensation of any kind, established generally or specifically for those members of the Board of Directors that maintain with the Company a standard or special senior management employment relationship or provide a service to the company, relationships which shall be compatible with the membership to the Board of Directors, notwithstanding that such remuneration items shall be recorded in the annual accounts, under the terms set forth in the Limited Liability Companies Act and other applicable provisions."

For its part, Article 28 of the Company's Board of Directors Regulations states:

"Article 28. Remuneration of Directors.

1. Board Members shall be entitled to the remuneration set by the Board of Directors in accordance with the statutory provisions and the provisions of these Regulations, and the report of the Appointments and Remuneration Committee.

2. The Board shall ensure that the remuneration is moderate when compared with the circumstances of the market and is in line with these circumstances. If the Board should find that during a period of strict enforcement of the statutory regulations, remuneration is paid that does not meet the criteria of moderation, it shall approve the waiver to receive the amounts that it deems excessive, a waiver which shall be submitted to the General Meeting which must decide on remuneration.

The remuneration of each board member shall be transparent. To that end, together with the Corporate Governance Report, the Board of Directors shall prepare an annual report on the remuneration of its board members, whose content and structure shall be established by law. This report shall be made available to shareholders upon convening of the Annual General Meeting and shall be submitted to a vote, in an advisory capacity and as a separate agenda item."

Finally, Article 17 of the Company's Board of Directors Regulations, on the functions of studies and proposals made by the Appointments and Remuneration Committees, provides:

"2. Without prejudice to any other duties assigned by the Board, the Appointment and Remuneration Committee shall have the following responsibilities:

i) proposing to the Board of Directors the system and the amount of annual remuneration for board members and directors of those determined by the Board of Directors and other conditions of their contracts, and ensuring compliance with the remuneration policy established by the company;

j) proposing periodic reviews of the remuneration systems of those Directors set by the Board of Directors, assessing their suitability and performance and ensuring compliance;

k) proposing measures for transparency of remuneration and ensuring compliance with the same; [...]."

2. IMPLEMENTATION OF THE BOARD MEMBER REMUNERATION POLICY FOR THE 2011 FINANCIAL YEAR

2.1. Fixed remuneration and allowances

The allocation of remuneration for board members during the 2011 financial year was partially comprised by a fixed remuneration and allowances for attending meetings. The breakdown is as follows:

Board of Directors (until 31 March 2011)

Chairman: Fixed Remuneration: €6,667/gross (11 payments per year).
Attendance allowance: €4,033/gross.
Members: Fixed remuneration: €1,834/gross (11 payments per year).
Attendance allowance: €2,017/gross.

Board of Directors (from 1 April 1 2011)¹

Chairman: Fixed Remuneration: €10,302/gross (11 payments per year).
Attendance allowance: €4,033/gross.
Members: Fixed remuneration: €2,834/gross (11 payments per year).
Attendance allowance: €2,017/gross.

Executive Committee

Chairman: Attendance allowance: €4,033/gross.
Members: Attendance allowance: €2,017/gross.

Appointments and remuneration Committee

Chairman: Attendance allowance: €4,033/gross.

¹ New remuneration approved at the Board of Directors meeting on 24 March 2011.

Members: Attendance allowance: €2,017/gross.

Audit committee

Chairman: Attendance allowance: €4,033/gross.

Members: Attendance allowance: €2,017/gross.

Commission to develop regional forest plans

Chairman: Attendance allowance: €4,033/gross.

Members: Attendance allowance: € 2,017/gross.

2.2. Variable Remuneration

In accordance with the provisions of the Company's Long-Term Incentives for Plan for 2010-2015 referred to in section 4.2.2 below, the board of directors approved in its meetings of 22 December 2010 and of 29 April 2011 as 1,000,000 being the maximum target stock that may be held by the CEO for the duration of the Plan².

Also, the general meeting of shareholders at its meeting on 29 April 2011 agreed to extend by one year the term of said Long Term Incentive Plan for 2010-2015 for the CEO, so that he could be assigned, for the financial year 2013, an allocation of outstanding options as provided in the aforementioned Plan, in order to reach the maximum number of options authorized to the CEO.

3. DETAILS OF REMUNERATION ACCRUED BY EACH INDIVIDUAL BOARD MEMBER DURING THE 2011 FINANCIAL YEAR

Below is a breakdown of the remuneration received by each of the board members during the 2011 financial year in connection with the duties of their membership to the board of directors and its committees. This payment is within the limit set by the general meeting as explained in the following section 4.2.³

² The Chief Executive Officer is the only board member who is also a beneficiary of the Long-Term Incentive Plan for the period 2010-2015.

³ Not being considered as proper remuneration for the performance of functions in his capacity as board member, the CEO's remuneration under his service lease agreement is not included. Said information is contained in the Notes to the Financial Statements and the Corporate Governance Report.

Director	Class	Thousands of Euros		
		Fixed Remuneration	Allowances	Total
Juan Luis Arregui Ciarsolo	Executive	112,719	72,594	185,313
Ignacio de Colmenares y Brunet	Executive	0	0	0
Retos Operativos XXL, S.L.	Proprietary	31,008	28,238	59,246
José Manuel Serra Peris	Independent	31,008	36,306	67,314
Pedro Barato Triguero	Independent	28,008	26,221	54,229
Fernando Abril-Martorell Hernández	External	31,008	42,353	73,361
Gustavo Matías Clavero	Independent	31,008	30,255	61,263
José Guillermo Zubía Guínea	Independent	31,008	70,586	101,594
José Carlos del Álamo Jiménez	Independent	31,008	26,221	57,229
Atalaya de Inversiones, S.R.L. ⁴	Proprietary	14,004	16,136	30,140
Norteña Patrimonial, S.L.	Proprietary	31,008	26,221	57,229
Pedro José López Jiménez	Proprietary	31,008	26,221	57,229
Pascual Fernández Martínez	Proprietary	31,008	30,255	61,263
Javier Echenique Landiribar ⁵	Proprietary	31,008	42,357	73,365
		464,8111	473,964	938,775

The above table shows that the Company has not granted any advances or loans to board members, nor has it any contracted any obligation with board members in terms of pensions or alternative insurance systems.⁶

4. THE COMPANY'S REMUNERATION POLICY FOR THE CURRENT FINANCIAL YEAR.

4.1. Bodies competent to fix the remuneration of board members

As indicated in the first section, the bylaws and the Company's board of directors regulations, the Board of Directors shall have, within the ceiling fixed by the general meeting, the authority to determine the remuneration of board directors, based on a report issued by the Appointments and Remuneration Committee.

⁴ Atalaya de Inversiones, S.R.L. communicated its decision to cease its position as board member in July 2011 and as such on the date of this report is not included in the Company's board of directors.

⁵ Mr. Echenique has received €10.085 for allowances not received in 2010.

⁶ The CEO, under his service lease agreement, participates in social benefits, being included in the corresponding contributions and pension payments. Said information is contained in the Corporate Governance Report and the Notes to the Financial Statements.

Exceptions to the above remuneration are those consisting of the delivery of the Company's shares or stock options on these shares or any other system linked to the value of the Company's shares, which must be approved by the general meeting of shareholders.

4.2. Fixing the remuneration of board members for their activity

4.2.1. Remuneration for the position of Board Members

Pursuant to the bylaws and the board of directors regulations, the remuneration of board directors for the discharge of their duties as such must be fixed taking into account two main items of remuneration:

- (i) Annual Fixed amount appropriate to the industry standard, which will vary depending on the specific functions performed by each board member.
- (ii) Allowances for attendance at meetings of the board, commissions, and committees to which each board member belongs.

Additionally, in terms of insurance and welfare, the Company may take any or all of the following measures:

- (i) contract life, accident and health insurance, and healthcare for its board members, in which case the premiums paid by such concepts shall be calculated within the limit set by the general meeting of shareholders pursuant to the provisions of Article 43 of the bylaws.
- (ii) Establish a pension system for board members in the event of death, retirement, disability, inability to hold the office or retirement, the amount, conditions and characteristics being determined by the board of directors, without the amount of the provisions being able to be greater, per person per year, than the annual sum for all items received by the interested party in the last financial year (or calendar year if the resulting amount is greater) as a result of his position as board member.

(iii) Contracting liability insurance on behalf of board members.

Finally, the aforementioned remuneration shall be compatible with and independent of wages, salaries, allowances, pensions or compensation of any kind, established generally or specifically for those board members maintaining with the Company an employment, senior officer, or service provision relationship, such relationships being compatible with the position of board member, notwithstanding that such remunerations items shall be recorded in the notes to the financial statements.

The directors' remuneration for the performance of his activities for the current year is the same as that applied in the 2011 financial year from April as referred to in section 2.1 above without changes being forecasted for the 2012 financial year.

4.2.2. Payment linked to shares

For executive board members, by reason of the special functions carried out, the payment made to the board of directors of the Company provides, as an incentive, that they may be beneficiaries of remuneration systems that comprise the delivery of shares or stock options thereof, or any other remuneration system linked to the value of the shares of the Company or its affiliates, the application of such remuneration systems being approved by the general meeting.

In this respect, the Long-Term Incentive Plan for 2010-2015 shall be effective, which aims to encourage compliance by beneficiaries of the plan, including the Chief Executive Officer, with the objectives set by the Company's board of directors for each of these during the years 2010, 2011 and 2012.

Depending on the objectives achieved, beneficiaries shall receive, on an annual basis, a number of share options under the ceiling assigned for each beneficiary by the board of directors, which in the case of the CEO is 1,000,000 as provided in section 2.2 above.

In accordance with the provisions of the Incentive Plan, the Board of Directors in its meeting held on 28 February 2012 and following a favourable report from the Appointments and Remuneration Committee, assessed the degree of compliance with the objectives set for 2011 and has granted 232,053 options to the CEO, which will be exercisable within two years from the deadline for its assignment as provided under the Plan itself.

4.3. Overall remuneration ceiling

According to Article 42.1 of the bylaws, the overall remuneration ceiling for board members (including the fixed remuneration and attendance fees referred to in point 2.1 above) shall be that set for such purpose by the general meeting of shareholders, the board being responsible for fixing the exact amount to be paid to board members within that limit, the distribution among them and the frequency of payment.

This limit was set at 1,500,000 Euros by the annual general meeting of 2006, remaining in force today and not having been subject to a modification by any subsequent general meeting.

Excluded from this limit is the value of the shares or stock options and those remunerations that are benchmarked against the market price, which in all cases must be agreed by the general meeting of shareholders, as well as wages, salaries, allowances, pension or compensation of any kind for those board members maintaining with the Company an employment, senior officer, or service provision relationship.

5. REMUNERATION POLICY FORECASTED FOR FUTURE YEARS

For future financial years the Appointments and Remuneration Committee has issued a favourable report to the board of directors on the maintenance of the remuneration policy followed to date based on the principles of moderation, compensation for the dedication of the board member, and correspondence with the evolution of the company's income.

Madrid, 28 February 2012

**I, Javier González, Sworn English Translator,
hereby certify that this document is an accurate
and complete translation into English of a
document written in Spanish.
Madrid, 30 May 2012.**

**Yo, Javier González, Intérprete Jurado de
Inglés, certifico que la que antecede es una
traducción fiel y completa al inglés
de un documento redactado en español.
En Madrid, a 30 de mayo de 2012.**

JAVIER GONZÁLEZ LOPEL
TRADUCTOR-INTÉRPRETE JURADO DE INGLÉS
C/ García de Paredes 88, Bajo Dcha.
28010 MADRID
TEL: 91 702 27 97
j.gonzalez@mc-lehm.com