

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

1. PURPOSE OF THE REPORT

The appointments and remuneration committee of ENCE ENERGÍA Y CELULOSA, S.A. is now issuing this report in due compliance with the provisions of articles 529 *decies* (section 6) and 529 *quindecies* (section 3.d) of 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 report is also intended to comply with article 529.4 *decies* of the Corporate Enterprises Act, which vests powers in the appointments and remuneration committee to propose the appointment or reappointment of independent directors.

This proposal to appoint board members shall be submitted for approval at the Company's general shareholders' meeting scheduled for 15 and 16 March 2016, at 12:30 pm, on first and second call, respectively, as item four on the agenda.

In issuing this report in relation to the proposed reappointments or appointments of board members, the committee has paid due regard to the Company's board member selection policy and the specific and current needs of the board of directors.

2. REPORT ON THE REAPPOINTMENT OF A NON-INDEPENDENT DIRECTOR

The chairman of the board of directors has instructed the appointments and remuneration committee to issue a report on the reappointment of "other non-executive" board member, Fernando Abril-Martorell Hernández, which the board intends to lay before the general shareholders' meeting.

To such end, and following an appraisal of the current membership of the board of directors and the aptitudes needed to serve as Company director, including requirements concerning the training, professional experience and suitability of the board member and his or her ability to dedicate sufficient time to board business, the appointments and remuneration committee believes that Mr Abril-Martorell possesses the necessary knowledge, competencies and experience, of all which will enable him to carry out the functions to be entrusted to him.

Accordingly, the appointments and remuneration committee has resolved to issue a favourable report proposing the reappointment of Fernando Abril-Martorell Hernández as "other non-executive director".

3. PROPOSED APPOINTMENT OF AN INDEPENDENT DIRECTOR

The appointments and remuneration committee has decided to submit a proposal to the board of directors to appoint Mr. Luis Lada Díaz as an independent director of the Company, with the participation of an external consultant in the process.

Mr. Lada Díaz is a Telecommunications Engineer, with a broad professional career in Telefónica Group where he has been chairman of Telefónica Móviles and Telefónica of Spain. Additionally, he

has served as a board director and active member of numerous companies and associations related to the IT sector. He is currently non-executive chairman of Segur Group, a director of Gamesa Corporación Tecnológica and Indra Systems, an advisor of Assia Inc., and member of the Círculo de Empresarios in Spain.

In view of his personal and professional merits, the appointments and remuneration committee believes that Mr. Lada Díaz possesses the necessary competencies, experience and merit for it to submit a report to the board of directors proposing the appointment of Mr. Luis Lada Díaz as independent director for the three-year term of office stipulated in the bylaws, so that the board may then lay the relevant motion before the general meeting.

4. PROPOSED REAPPOINTMENT OF INDEPENDENT DIRECTORS

The appointments and remuneration committee has decided to submit a proposal to the board of directors to reappoint José Guillermo Zubía Guinea and Isabel Tocino Biscarolasaga as independent directors of the Company, so that the board may then lay the relevant motions before the general meeting.

4.1 Reappointment of José Guillermo Zubía Guinea as independent director

The appointments and remuneration committee has reached an extremely positive assessment of the quality of work and dedication shown by Mr. Zubía Guinea as independent director since he joined the board back in 2007, particularly his valuable work on the executive committee and as chairman of the Company's audit committee.

Accordingly, the committee believes that his professional experience and sound work to date as board member more than warrants its decision to submit a report proposing his reappointment as independent board member for the three-year term of office stipulated in the bylaws, so that the board may then lay the relevant motion before the general meeting.

4.2 Reappointment of Isabel Tocino Biscarolasaga as independent director

The appointments and remuneration committee has reached an extremely positive assessment of the quality of work and dedication shown by Ms Tocino Biscarolasaga as independent director since she joined the board in 2013 and also as member of the audit committee and of the advisory committee for forest and regulatory policy.

In view of her personal and professional merits, the committee believes that Ms Tocino Biscarolasaga possesses the necessary competencies, experience and merit warranting its decision to propose to the board of directors her reappointment as independent director for the three-year term of office stipulated in the bylaws, so that the board may then lay the relevant motion before the general meeting.