

ANNUAL CORPORATE GOVERNANCE REPORT

LISTED COMPANIES

ISSUER'S PARTICULARS

YEAR ENDED: 31/12/2011

Tax Code: A-2821264

Company Name: GRUPO EMPRESARIAL ENCE, S.A.

(Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails)

MODEL FOR THE ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES

For a better understanding of the model and subsequent preparation of the report, please read the instructions at the end before filling it out.

A.- OWNERSHIP STRUCTURE

A.1 Complete the following table showing the company's share capital:

Date of last change	Share capital (euros)	Number of shares	Number of voting rights
29/03/2010	232,211,601.00	258,012,890	258,012,890

Indicate whether different there are any different classes of shares.

NO

A.2 List the direct and indirect holders of significant ownership interests in the company at the reporting date, excluding directors:

Name or company name of shareholder	Number of direct voting rights	Number of indirect voting rights(*)	% of total voting rights
ALCOR HOLDING, S.A.	31,392,145	21,254,200	20.405
LIBERBANK, S.A.	0	16,143,167	6.257

Name or company name of the indirect holder of the ownership interest	Held through: Name or company name of the direct holder of the ownership interest	Number of direct voting rights	% of total voting rights

Name or company name of the indirect holder of the ownership interest	Held through: Name or company name of the direct holder of the ownership interest	Number of direct voting rights	% of total voting rights
ALCOR HOLDING, S.A.	IMVERNELIN PATRIMONIO, S.L.	21,254,200	8.238
LIBERBANK, S.A.	BANCO DE CASTILLA LA MANCHA, S.A.	3,233,897	1.253
LIBERBANK, S.A.	CANTABRICA DE INVERSIONES DE CARTERA, S.L.	12,908,540	5.003
LIBERBANK, S.A.	NORTEÑA PATRIMONIAL, S.L.	730	0.000

Detail any significant variations in the shareholder structure during the year:

Name or company name of the shareholder	Transaction date	Description of the transaction
ATALAYA INVERSIONES, S.R.L.	05/07/2011	Reduction of 3% in the share capital held

A.3 Complete the following tables referring to the members of the Company's Board of Directors who hold the voting rights to the Company's shares:

Name or company name of director	Number of direct voting rights	Number of indirect voting rights(*)	% of total voting rights
JUAL LUIS ARREGUI CIARSOLO	0	57,191,908	22.166
IGNACIO DE COLMENARES BRUNET	100	0	0.000
FERNANDO ABRIL-MARTORELL HERNÁNDEZ	922,620	0	0.358
GUSTAVO MATIAS CLAVERO	5,010	0	0.002
JAVIER ECHENIQUE LANDIRIBAR	730	150,060	0.058
JOSE CARLOS DEL ÁLAMO JIMÉNEZ	6,683	0	0.012
JOSE GUILLERMO ZUBIA JIMÉNEZ	29,750	0	0.008
JOSÉ MANUAL SERRA PERIS	21,143	0	0.000
NORTEÑA PATRIMONIAL, S.L.	730	0	0.000
PASCUAL FERNANDEZ MARTINEZ	165	0	0.000

Name or company name of director	Number of direct voting rights	Number of indirect voting rights(*)	% of total voting rights
PEDRO JOSE LOPEZ JIMENEZ	1	12,953,580	5.021
RETOS OPERATIVOS XXI, S.L.	57,191,908	0	22.166

Name or company name of the indirect holder of the ownership interest	Held through: Name or company name of the direct holder of the ownership interest	Number of direct voting rights	% of total voting rights
JUAL LUIS ARREGUI CIARSOLO	RETOS OPERATIVOS XXI, S.L.	57,191,908	22.166
PEDRO JOSE LOPEZ JIMENEZ	FIDALSER, S.L.	12,953,580	5.021
JAVIER ECHENIQUE LANDIRIBAR	BILBAO ORBIETO, S.L.	150,060	0.058

% of total voting rights held by the Board of Directors	49.794
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Complete the following tables referring to the members of the Company's Board of Directors who hold rights over shares in the Company:

Name or company name of director	Number of direct options	Number o indirect options	Equivalent number of shares	% of total voting rights
RETOS OPERATIVOS XXI, S.L.	5,460,391	0	5,460,391	2.116

A.4 Indicate, as appropriate, any relationships of a family, commercial, contractual or corporate nature existing between the holders of significant ownership interests, insofar as they are known to the Company, unless they are of scant relevance or arise from the ordinary course of the business:

A.5 Indicate, as appropriate, any relationships of a commercial, contractual or corporate nature existing between the holders of significant ownership interests and the Company and/or its Group, unless they are of scant relevance or arise from the ordinary course of the business:

NO

A.6 Indicate whether any shareholder agreements affecting the Company have been reported to it in accordance with article 112 of the Spanish Securities Market Law. Where appropriate, provide a brief description and list the shareholders bound by the agreement:

Indicate whether the Company is aware of any concerted action among its shareholders. Where appropriate, provide a brief description:

NO

Expressly indicate any amendment to or termination of such agreements or concerted action during the year.

A.7 Indicate whether there is any natural person or legal entity who exercises control over the Company in accordance with article 4 of the Securities Market Law. Where appropriate, identify such natural person or legal entity:

NO

A.8 Complete the following tables referring to the Company's treasury shares:

At the reporting date:

Number of direct shares	Number of indirect shares(*)	% of total share capital
19,950,000	0	7.732

(*) Held through:

Total	0
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Give details of any significant variations during the year in accordance with Royal Decree 1362/2007:

Gains / (Losses) on disposals of treasury shares during the year (thousands of euros)	266
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A.9 Gives details of the terms and conditions of any mandate from the General Meeting of the Shareholders authorising the Board of Directors to acquire or transfer treasury shares.

At the Annual General Meeting held on 22 June 2010 the Shareholders resolved in accordance with article 146 ff. of the Spanish Limited Liability Companies Law to authorise the acquisition treasury shares by the Company (either directly or via any subsidiaries of the parent company) at any time and on as many occasions as may be considered appropriate by purchase or in any other transaction for valuable consideration.

The minimum acquisition price or consideration shall be the par value of the treasury shares acquired, and the maximum acquisition price or consideration shall be equal to the quoted price of the shares acquired in an official secondary market at the time of acquisition.

This authorisation was granted for a period of five years as of the date of the aforementioned Annual General Meeting and subject to the restriction that the par value of the shares acquired as authorised and that of the treasury shares already held by Grupo Empresarial Ence, S.A. and any of its consolidated affiliates shall not exceed the maximum amount permitted by law from time to time.

The Annual General Meeting also resolved to leave without effect the resolution adopted by the Shareholders at their Annual General Meeting held on 29 June 2009 in relation to the acquisition of treasury shares by the Company, insofar as such resolution may not have been executed.

A.10 Indicate any legal or by-law restrictions on the exercise of voting rights and any legal restrictions on the acquisition or transfer of ownership interests in the share capital. Indicate any legal restrictions on the exercise of voting rights:

NO

Percentage maximum voting rights that can be exercised by a shareholder due to legal restrictions	0
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Indicate any by-law restrictions on the exercise of voting rights:

Percentage maximum voting rights that can be exercised by a shareholder due to by-law restrictions	0
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Indicate any restrictions on the acquisition or transfer of ownership interests in the share capital:

NO

A.11 Indicate any measures adopted by the General Meeting of the Shareholders to neutralise public takeover bids in accordance with Law 6/2007.

NO

Where appropriate, explain the measures approved and the conditions that would render the restrictions ineffective:

B.- MANAGEMENT STRUCTURE OF THE COMPANY

B.1 Board of Directors

B.1.1 Detail the maximum and minimum number of directors per the by-laws:

Maximum number of directors	16
Minimum number of directors	8

B.1.2 Complete the following table with the directors particulars:

Name or company name of director	Representative	Office on the Board	Date of first appointment	Date of last appointment	Appointment procedure
JUAN CARLOS ARREGUI CIARSOLO	--	CHAIRMAN	07/02/2006	29/06/2009	ANNUAL GENERAL MEETING
IGNACIO DE COLMENARES BRUNET	--	CHIEF EXECUTIVE OFFICER	22/12/2010	29/04/2011	ANNUAL GENERAL MEETING
FERNANDO ABRIL-MARTORELL HERNÁNDEZ	--	DIRECTOR	30/03/2007	22/06/2010	ANNUAL GENERAL MEETING
GUSTAVO MATIAS CLAVERO	--	DIRECTOR	30/03/2007	22/06/2010	ANNUAL GENERAL MEETING
JAVIER ECHENIQUE LANDIRIBAR	--	DIRECTOR	29/12/2005	29/06/2009	ANNUAL GENERAL MEETING
JOSE CARLOS DEL ÁLAMO JIMENEZ	--	DIRECTOR	29/06/2009	29/06/02009	ANNUAL GENERAL MEETING

Name or company name of director	Representative	Office on the Board	Date of first appointment	Date of last appointment	Appointment procedure
JOSE GUILLERMO ZUBIA GUINEA	--	DIRECTOR	30/03/2007	22/06/2010	ANNUAL GENERAL MEETING
JOSE MANUEL SERRA PERIS	--	DIRECTOR	10/10/2000	29/04/2011	ANNUAL GENERAL MEETING
NORTEÑA PATRIMONIAL, S.L.	JESUS RUANO MOCHALES	DIRECTOR	07/06/2002	29/04/2011	ANNUAL GENERAL MEETING
PASCUAL FERNANDEZ MARTINEZ	--	DIRECTOR	25/05/2005	29/04/2011	ANNUAL GENERAL MEETING
PEDRO BARATO TRIGUERO	--	DIRECTOR	25/06/2008	29/04/2011	ANNUAL GENERAL MEETING
PEDRO JOSE LOPEZ JIMENEZ	--	DIRECTOR	22/06/2010	22/06/2010	ANNUAL GENERAL MEETING
RETOS OPERATIVOS XXI, S.L.	JAVIER ARREGUI ABENDIVAR	DIRECTOR	07/02/2006	29/06/2009	ANNUAL GENERAL MEETING

Total number of directors	13
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Indicate any removals of directors during the year:

Name or company name of director	Type of director at the time of removal	Date of departure
ATALAYA INVERSIONES, S.R.L.	PROPRIETARY DIRECTOR	04/07/2011

B.1.3. Complete the following tables referring to the members of the Board and their status:

EXECUTIVE DIRECTORS

Name or company name of director	Committee proposing appointment	Office per Company organisation chart
JUAN LUIS ARREGUI CIARSOLO	APPOINTMENTS AND REMUNERATION COMMITTEE	CHAIRMAN
IGNACIO DE COLMENARES BRUNET	APPOINTMENTS AND REMUNERATION COMMITTEE	CHIEF EXECUTIVE OFFICER

Total number of executive directors	2
% of total board	15.385

NON-EXECUTIVE PROPRIETARY DIRECTORS

Name or company name of director	Committee proposing appointment	Office per Company organisation chart
JAVIER ECHENIQUE LANDIRIBAR	APPOINTMENTS AND REMUNERATION COMMITTEE	ALCOR HOLDING, S.A.
NORTEÑA PATRIMONIAL, S.L.	APPOINTMENTS AND REMUNERATION COMMITTEE	LIBERBANK, S.A.
PASCUAL FERNANDEZ MARTINEZ	APPOINTMENTS AND REMUNERATION COMMITTEE	ALCOR HOLDING, S.A.
PEDRO JOSE LOPEZ JIMENEZ	APPOINTMENTS AND REMUNERATION COMMITTEE	FIDALSER, S.L.
RETOS OPERATIVOS XXI, S.L.	APPOINTMENTS AND REMUNERATION COMMITTEE	RETOS OPERATIVOS XXI, S.L.

Total number of proprietary directors	5
% of total board	38.462

INDEPENDENT NON-EXECUTIVE DIRECTORS

Name or company name of director

GUSTAVO MATIAS CLAVERO

Profile

Professor of Applied Economics

Name or company name of director

JOSE CARLOS DEL ÁLAMO JIMÉNEZ

Profile

Civil Engineer. Deacon of the Spanish Association of Civil Engineers

Name or company name of director

JOSE GUILLERMO ZUBIA GUINEA

Profile

Qualified Lawyer and Secretary General of the Basque Confederation of Entrepreneurs (Confebask)

Name or company name of director

JOSE MANUEL SERRA PERIS

Profile

Treasury counsel

Name or company name of director

PEDRO BARATO TRIGUERO

Profile

Qualified Lawyer. Chairman of the Spanish Young Farmers' Association (ASAJA)

Total number of independent non-executive directors	5
% of total board	38.462

OTHER NON-EXECUTIVE DIRECTORS

Name or company name of director	Committee proposing appointment
FERNANDO ABRIL-MARTORELL HERNÁNDEZ	APPOINTMENTS AND REMUNERATION COMMITTEE

Total number of other non-executive directors	1
% of total board	7.692

Give details of the reason why they cannot be considered proprietary or independent directors, and of their relations with the company or its directors, and with the shareholders.

Name or company name of director

FERNANDO ABRIL-MARTORELL HERNÁNDEZ

Company, directive or shareholder with whom the director maintains relations

FORESTA CAPITAL, S.L.

Reasons

Until his appointment as a director on 30 March 2007, Mr. Abril-Martorell was the representative on the board of RETOS OPERATIVOS XXI, S.L.

Indicate any changes in the status of each director that may have occurred during the year:

B.1.4. Explain, where applicable, the reasons for the appointment of proprietary directors at the petition of shareholders holding ownership interests of less than 5% of share capital.

State, where appropriate, whether any formal requests for a presence on the Board were turned down, having been made by shareholders owning interests that are equal to or greater than the ownership interests held by other shareholders at whose petition a proprietary director was appointed. Where appropriate, explain the reason for refusal of the request.

NO

B.1.5 State, where appropriate, whether any director has resigned from office before the end of the relevant term of office and, where appropriate, whether such director explained his/her reasons to the Board and in what where. If the director concerned explained his/her reasons for resignation in a letter to the Board, state the reasons given therein:

YES

Name or company name of director

ATALAYA INVERSIONES, S.R.L.

Reasons for resignation

Resignation upon sale of the ownership interest held in Grupo Empresarial ENCE, S.A.

B.1.6 Indicate, where appropriate, what powers have been delegated to the Chief Executive Officer(s):

Name or company name of director

IGNACIO DE COLMENARES BRUNET

Reasons for resignation

ALL POWERS EXCEPT SUCH AS MAY NOT BE DELEGATED BY LAW OR IN ACCORDANCE WITH THE BY-LAWS OR BOARD REGULATIONS

B.1.7 Identify, as appropriate, the Board members who hold office as directors or executives at other companies forming part of the listed Company's Group:

B.1.8 Give details, where appropriate, of any directors of the Company who are members of the Boards of Directors of other non-Group entities that are listed on official securities markets in Spain, as disclosed to the Company:

Name or company name of director	Listed Company	Office
JUAN LUIS ARREGUI CIARSOLO	GAMESA CORPORACIÓN TECNOLÓGICA, S.A.	DIRECTOR
FERNANDO ABRIL-MARTORELL HERNÁNDEZ	PROMOTORA DE INFORMACIONES, S.A.	DIRECTOR
JAVIER ECHENIQUE LANDIRIBAR	ACS ACTIVIDADES DE CONSTRUCCION Y SERVICIOS, S.A.	DIRECTOR
JAVIER ECHENIQUE LANDIRIBAR	REPSOL YPF, S.A.	DIRECTOR
JAVIER ECHENIQUE LANDIRIBAR	BANCO DE SABADELL, S.A.	DEPUTY CHAIRMAN
JOSE MANUEL SERRA PERIS	BANKIA, S.A.	DIRECTOR
PEDRO JOSE LOPEZ JIMENEZ	ACS ACTIVIDADES DE CONSTRUCCION Y SERVICIOS, S.A.	DIRECTOR

B.1.9 State, and where appropriate explain, whether the Company has established any rules regarding the number of boards on which its directors may sit:

NO

B.1.10 With regard to recommendation No. 8 of the Unified Code, indicate the general corporate policies and strategies reserved for approval by the full Board:

Investment and finance policy	YES
Definition of the group of companies	YES
Corporate governance policy	YES
Corporate social responsibility policy	YES
Strategic or business plan, as well as management objectives and annual budgets	YES
Remuneration policy and performance appraisals of senior executives	YES
Risk control and management policy, as well as regular monitoring of internal	YES

information and control systems	
Dividend policy and treasury shares, and in particular limits on the same	YES

B.1.11 Complete the following tables referring to the aggregate remuneration of directors paid during the year:

a) At the reporting company:

Item	Data in thousands of euros
Fixed remuneration	465
Variable remuneration	0
Attendance fees	474
Emoluments per by-laws	0
Share options and/or other financial instruments	0
Other	10

Total	949
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Other benefits	Data in thousands of euros
Advances	0
Loans granted	0
Pension funds and plans: contributions	0
Pension funds and plans: obligations	0
Life insurance premiums	0
Guarantees provided by the Company for directors	0

b) Due to seats held by directors on the boards of directors of other companies and/or senior management posts held in Group companies:

Item	Data in thousands of euros
Fixed remuneration	0
Variable remuneration	0
Attendance fees	0
Emoluments per by-laws	0
Share options and/or other financial instruments	0
Other	0

Total	0
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Other benefits	Data in thousands of euros
Advances	0
Loans granted	0
Pension funds and plans: contributions	0
Pension funds and plans: obligations	0
Life insurance premiums	0
Guarantees provided by the Company for directors	0

c) Remuneration by type of director:

Type of director	By company	By group
Executive directors	185	0
Non-executive proprietary directors	349	0
Independent non-executive directors	342	0
Other non-executive directors	73	0
Total	949	0

d) With respect to profit attributable to the parent company

Total directors' remuneration (in thousands of euros)	949
Total directors' remuneration / profit attributable to the Parent Company (%)	3.0

B.1.12 Identify the senior executives who are not executive directors and indicate the total remuneration paid to them during the year:

Name or company name	Office
MANUEL ANGEL SEMPERE LUJÁN	DIRECTOR GENERAL COMMUNICATIONS
JOSE MANUEL ZARANDONA DE LA TORRE	DIRECTOR GENERAL PULP BUSINESS UNIT
MARIA JOSE ZUERAS SALUDAS	DIRECTOR GENERAL HUMAN RESOURCES
GUILLERMO MEDINA ORS	GENERAL SECRETARY
DIEGO MAUS LIZARITURRY	CHIEF FINANCIAL OFFICER

Total remuneration of senior executives (thousands of euros)	2,411
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B.1.3 State in aggregate terms whether there are any guarantee or golden parachute clauses for senior executives, including executive directors of the Company or its Group in the event of termination or changes in control. Indicate whether these contracts must be disclosed to and/or approved by the governing bodies of the Company or of its Group:

Number of beneficiaries	1
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	Board of Directors	Annual General Meeting
Body responsible for authorising clauses	YES	NO

Is the Annual General Meeting informed of the clauses?	YES
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B.1.14 Describe the process for setting the remuneration of Board members and the relevant provisions in the Company's by-laws.

Process for setting the remuneration of Board members and relevant provisions of the by-laws

In accordance with article 42.1 of the by-laws, the office of director is remunerated by way of a regular allocation in respect of fixed remuneration and allowances for attendance at meetings of the Board and of the board Committees. The amount of remuneration payable by the Company on an annual basis to its directors in respect of these items may not exceed the sum earmarked for such purposes by the Annual General Meeting of the Shareholders, without prejudice to the conditions described below in relation to the sums for pensions payable in the case of death, superannuation, invalidity, incapacity to hold office or retirement. The amount so determined shall be maintained until such time as it may be modified by a new resolution of the Annual General Meeting. The exact amount payable within that limit, the distribution thereof among the directors and the timing of payments shall be decided by the Board of Directors. It is hereby placed on record that the Annual General Meeting held on 29 June 2006 established a maximum limit on directors' remuneration of EUR 1,500,000, and this limit currently remains in force as it has not been changed by any subsequent Annual General Meeting.

The remuneration referred to in article 42 of the by-laws shall be compatible with, and independent of, the salaries, remuneration, indemnities, pensions or compensation of any kind established in general or specifically for those members of the Board of Directors who maintain ordinary employment relations with the Company, comprising in particular relations under senior executive and service contracts which shall be compatible with the office of director, without prejudice to the disclosure of such items in the annual report in accordance with the provisions of the Limited Liability Companies Law and other applicable legislation.

Meanwhile, article 43 of the by-laws allows the Company to arrange life, accident, sickness and health insurance for the directors, as well as providing for the possibility that a pension system may be established for the cases of death, superannuation, invalidity, incapacity or retirement. This pension system has not currently been established.

In accordance with article 28 of the Board Regulations, the director shall be entitled to receive the remuneration set by the Board of Directors in accordance with the provisions of the by-laws and subject to a prior report of the Appointments and Remuneration Committee.

The Board of Directors shall ensure that the director's remuneration is moderate in view of market circumstances and that it is in line with such circumstances. Where the Board of Directors understands in any given year that strict application of the statutory rules would result in remuneration that might not be in line with moderate criteria, it shall resolve to waive the payment of the amount considered excessive. Such waiver shall be submitted to the Annual General Meeting responsible for deciding on remuneration.

The remuneration of each director shall be transparent. For this purpose, the Board of Directors shall prepare an annual report on the remuneration of directors in addition to the Annual Corporate Governance Report, the contents and structure of which shall be as established by law. This report shall inform the shareholders at the Annual General Meeting and it shall be subjected to a vote at the same on a consultative basis as a separate item on the agenda. In accordance with this requirement, the Board of Directors prepared and approved the annual report on directors' remuneration policy for 2011 at its meeting of 28 February 2012.

With regard to the remuneration of independent directors, article 29 of the Board Regulations requires the Board of Directors to adopt all available measures, with the advice of the Appointments and Remuneration Committee, to ensure that the remuneration of independent directors is appropriate and offers incentives for their dedication but without impairing their independence.

Finally, in accordance with article 42.2 of the by-laws, the directors may be compensated, in addition to and independently of the remuneration referred to in article 42.1, by way of the delivery of shares or share options, or using any other remuneration system that is based on the value of the shares of the Company itself or of the Group companies. The application of such remuneration systems shall be agreed by the Annual General Meeting of the Shareholders in accordance with the Limited Liability Companies Law. Statutory limits on remuneration of this kind payable in general to executive directors are regulated in article 29(ii) of the Board Regulations. Exceptionally, shares of the Company or of the Group company may be delivered to non-executive directors by way of remuneration, providing the same are held until these directors cease to hold office.

State whether the Board reserves the approval of the following decisions:

Appointment or removal of senior executives at the proposal of the Chief Executive Officer, and indemnity clauses	YES
Remuneration of directors and any additional remuneration earned by executive directors in their capacity as senior executives, as well as the terms and conditions of contracts of employment	YES

B.1.15 State whether the Board of Directors approves a detailed remuneration policy and specify the matters referred to therein:

YES

Amount of fixed remuneration items with a breakdown, where appropriate, of attendance fees for participation in meetings of the Board and Committees, and an estimation of the fixed annual remuneration arising	YES
Variable remuneration items	YES
Key characteristics of pension systems with an estimate of the amount and annual equivalent cost thereof	YES
Mandatory conditions of senior executives contracts and the contracts of executive directors	YES

B.1.16 State whether the Board submits a report on the remuneration of directors to the Annual General Meeting on a consultative basis as a separate item on the agenda. Where appropriate, explain the issues dealt with in the report with respect to the remuneration policy approved by the Board of Directors for future years and the most significant changes in policy compared to that applied during the reporting period, and provide a general overview of how the remuneration policy was applied during the year. Explain the role played by the Remuneration Committee and, if external advice was taken, identify the external consultants employed.

YES

Issues dealt with in the remuneration policy

In accordance with article 61.(iii) of the Securities Market Law and article 28.3 of the Board Regulations in force in the Company, the board prepares an annual report on fixed remuneration, the applicable variable remuneration items and the remuneration policy applicable to the directors in the current year, and on expected policy in future years. This report also includes a general overview of how the remuneration policy was applied during the year, as well as details of the individual remuneration earned by each of the directors. The report is made available to shareholders when the Annual General Meeting is convened and is put to the vote at the AGM on a consultative basis and as a separate item on the agenda.

Role of the Remuneration Committee

The Appointments and Remuneration Committee proposes the system and amount of directors' annual remuneration to the Board of Directors, oversees compliance with the remuneration policy established by the Company and proposes measures to safeguard the transparency of remuneration and compliance therewith.

Has external advice been taken?

Identity of the external consultants

B.1.17 Identify, as appropriate, the members of the Board who are in turn members of the boards of directors, executives or employees of other companies that hold significant ownership interests in the listed Company and/or in any companies of its Group:

Name or company name of director	Company name of the significant shareholder	Office
JUAN LUIS ARREGUI CIARSOLO	RETOS OPERATIVOS XXI, S.L.	SOLE DIRECTOR

Give details, as appropriate, of any material relationships other than those referred to in the preceding section of the members of the Board of Directors with significant shareholders and/or Group entities:

Name or company name of director

NORTEÑA PATRIMONIAL, S.L.

Company name of the significant shareholder

CAJA DE AHORROS DE ASTURIAS

Description of relationship

100% SUBSIDIARY OF CAJA DE AHORROS DE ASTURIAS

B.1.18 Indicate the amendments made to the Board Regulations during the year, if any.

YES

Description of amendments
<p>Articles 16, 20.1, 24.3, 28, 29(ii), 32 and 33 of the Board Regulations were amended in 2011 to align the wording thereof with (i) the Limited Liability Companies Law, which replaced the Amended Limited Liability Companies Law; (ii) Law 12/2010, of 30 June, amending the Spanish Audit Law (Law 19/1988), the Securities Market Law (Law 24/1988) and the Amended Text of the Limited Liability Companies Law in order to bring the same into line with applicable EU legislation; and (iii) the Sustainable Economy Law (Law 2/2011, of 4 March, which amended the Securities Market Law (Law 24/1988).</p> <p>The amendments were made in response to the need to update the aforementioned legislation, which had become outdated, and to adapt the wording of certain articles of the Board Regulations to bring the same into line with the new legal texts.</p>

B.1.19 Indicate the procedures for the appointment, re-election, evaluation and removal of directors. Give details of the competent bodies, the formalities to be complied with the criteria to be used in each of the procedures.

The Annual General Meeting has the power to appoint and remove directors (article 39.1 of the By-Laws).

The Board of Directors may fill any vacancies that may arise from among the shareholders using the cooption procedure on an interim basis until the next Annual General Meeting is held (article 40 of the Company's By-Laws).

In any event, the proposals for the appointment of directors submitted by the Board to the Annual General Meeting and the appointment decisions adopted by the Board in accordance with its powers of cooption legally attributed to the same shall be preceded by the relevant proposal to the Appointments and Remuneration Committee. Where the Board of Directors opts not to follow the recommendations of the Appointments and Remuneration Committee, it shall explain the reasons for its actions and shall ground the same in the minutes (article 20.2 of the Board Regulations).

The Board of Directors and the Appointments and Remuneration Committee shall seek to ensure the candidates selected are persons of recognised solvency, competence and experience, and shall proceed with due caution in relation to procedures to cover vacancies for independent directors (article 21.1 of the Board Regulations).

The Board of Directors shall not propose or designate any person to fill a vacancy for an independent director whose situation or past and present relations with the Company could adversely affect their independence. For these purposes, the Board of Directors shall receive the advice of the Appointments and Remuneration Committee (article 21.2 of the Board Regulations).

In accordance with article 8 of the Board Regulations, the Board shall seek to ensure that independent and non-executive directors represent an ample majority among the members of the Board and, in general, that the different categories of directors are in line with best corporate governance practice in terms of proportionality and characteristics.

In order to establish a reasonable balance between proprietary and independent directors the Board shall consider the ownership structure of the Company, so that the ratio of each class of directors to each other shall reflect the relationship between stable and floating capital.

The Board of Directors shall explain the nature of each director to the Annual General Meeting of the Shareholders charged with making or ratifying the appointment. The nature of the directors shall be reviewed annually subject to due verification by the Appointments and Remuneration Committee.

In accordance with article 40 of the By-Laws, directors may be re-elected on one or more occasions for equal terms.

In accordance with article 22 of the Regulations of the Board of Directors, any proposals for the re-election of directors that the Board of Directors may decide to submit to the Annual General Meeting shall be made subject to a formal process of preparation, which shall necessarily include a proposal issued by the Appointments and Remuneration Committee evaluating the quality of the work and dedication to office shown by the directors proposed during the preceding mandate.

In accordance with the above, the Annual General Meeting held on 29 April 2011 resolved at the proposal of the Board of Directors to re-elect José Manuel Serra Peris and Pascual Fernández Martínez, Norteña Patrimonial, S.L., Atalaya Inversiones, S.L. and Pedro Barato Triguero to the office of director. The Annual General Meeting further ratified and appointed Mr. Ignacio de Colmenares y Brunet as a director and Chief Executive Officer, who was initially appointed by cooption in 2010. All of these re-elections were proposed by the Appointments and Remuneration Committee.

In accordance with article 19(ii) of the Board Regulations, the Board is required to evaluate its own functioning and the quality and effectiveness of its work at least once per year, as well as the performance of the Chairman of the Board and the Chief Executive Officer of the Company, as well as the functioning of the Board Committees based on the reports submitted by the same.

On 28 February 2012 the Board of Directors proceeded with the self-assessment procedure in accordance with the terms of the aforementioned article 19(ii) of the Board Regulations.

In accordance with article 40 of the By-Laws, the term of office of directors is three years. In accordance with article 24.1 of the Board Regulations, the directors shall cease to hold office when the period for which they were appointed ends or when the Annual General Meeting or the Board of Directors so decides using the powers conferred upon the same by law, by the by-laws and by the Board Regulations.

The Board of Directors shall not propose the removal of any independent director before the end of the statutory term for which the same was appointed except with good cause, as established by the Board based on a report from the Appointments and Remuneration Committee (article 24.4 of the Board Regulations).

The removal of an independent director may also be proposed as a consequence of public takeover bids, mergers or other similar corporate operations entailing a change in the Company's ownership structure, insofar as it may be necessary to establish a reasonable balance between proprietary directors and independent directors based on the ratio of stable capital to floating capital in the Company (article 24.4 of the Board Regulations).

B.1.20 Indicate the cases in which the directors must resign.

In accordance with article 24.3 of the Board Regulations, the directors must tender their resignation to the Board and formalise their resignation, where deemed appropriate by the Board, in the following cases:

- a) when they are affected by any of the applicable incompatibilities or grounds for disbarment;
- b) when they are indicted or oral hearings are opened against them in relation to any of the offences enumerated in article 213 of the Limited Liability Companies Law, which matters shall be reported in the Annual Corporate Governance Report, or where they are sanctioned in disciplinary proceedings opened by the supervisory authorities for serious or very serious offences.
- d) when their permanence on the Board could seriously jeopardise the interests of the Company, or where the reasons for their appointment cease to apply; and
- e) in the case of proprietary directors, when the shareholder represented or who proposed the appointment of the director in question transfers the ownership interest held in share capital in its entirety or reduces such ownership interest to a level that would require a proportional reduction in the number of proprietary directors.

B.1.21 State whether the chairman of the Board of Directors also performs the functions of the Company's Chief Executive. If so, describe the measures taken to limit the risks of power being concentrated in the hands of one person.

NO

State and, where applicable, explain whether any rules have been established permitting one of the independent directors from seeking a meeting of the Board or the inclusion of additional points on the agenda to coordinate and address the concerns of the non-executive directors and to direct assessment by the Board of Directors.

NO

B.1.22 Are qualified majorities other than statutory majorities required for any type of decision?

YES

Describe how resolutions are adopted by the Board of Directors and specify at least the minimum quorum and the type of majorities required for the adoption of resolutions:

Description of the resolution

RE-ELECTION OF DIRECTORS REACHING THE AGE OF 65 AS CHAIRMAN OR CHIEF EXECUTIVE OFFICER (ARTICLE 24.2 OF THE BOARD REGULATIONS)

Quorum	%
HALF PLUS ONE OF THE MEMBERS OF THE BOARD OF DIRECTORS. IF THERE IS AN ODD NUMBER OF DIRECTORS, IT SHALL BE UNDERSTOOD THAT THERE IS A SUFFICIENT QUORUM WHEN THE NUMBER OF DIRECTORS PRESENT OR REPRESENTED IS MORE THAN HALF.	51.00

Type of majority	%
MAJORITY OF TWO THIRDS OF THE DIRECTORS PRESENT OR REPRESENTED.	66.66

Description of the resolution

ALL RESOLUTIONS EXCEPT THE ABOVE

Quorum	%
HALF PLUS ONE OF THE MEMBERS OF THE BOARD OF DIRECTORS. IF THERE IS AN ODD NUMBER OF DIRECTORS, IT SHALL BE UNDERSTOOD THAT THERE IS A SUFFICIENT QUORUM WHEN THE NUMBER OF DIRECTORS PRESENT OR REPRESENTED IS MORE THAN HALF.	51.00

Type of majority	%
ABSOLUTE MAJORITY OF THE DIRECTORS PRESENT OR REPRESENTED.	51.00

B.1.23 Explain whether there are any specific requirements to be appointed Chairman, apart from those relating to directors.

NO

B.1.24 State whether the Chairman has a casting vote.

YES

Matters on which there is a casting vote
All matters in accordance with article 10.3 of the Board Regulations unless there is any conflict of interest, in which case the Chairman is required to refrain from attending or taking part in the deliberations in accordance with article 33 of the Board Regulations.

B.1.25 Indicate whether the by-laws or the board regulations establish any age limit for directors:

YES

Age limit for Chairman	Age limit for Chief Executive	Age limit for Directors
65	65	70

B.1.26 Indicate whether the by-laws or the board regulations establish a limited term of office for independent directors:

NO

Maximum term of office	0
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B.1.27 Where the number of female directors is small, or there are no women on the Board, explain the reasons and any initiatives taken to correct the situation.

Explanation of reasons for the absence of female directors and initiatives
On 21/12/2007 the Board of Directors resolved to amend article 17 of its Regulations to include oversight in the event of any new vacancy on the Board or upon the appointment of new directors to ensure that selection procedures are free of any implicit bias that could imply gender discrimination (art. 17.2. d) among the duties of the Appointments and Remuneration Committee. This function was performed by the Appointments and Remuneration Committee in relation to the proposals for the appointment of directors submitted to the Shareholders in 2011.

In particular, state whether the Appointments and Remuneration Committee has established procedures to ensure that selection procedures are free of any implicit bias that could prevent the selection of female directors, and consciously to seek women candidates meeting the required profile:

YES

Indicate the main procedures
On 21/12/2007 the Board of Directors resolved to amend article 17 of its Regulations to include oversight in the event of any new vacancy on the Board or upon the appointment of new directors to ensure that selection procedures are free of any implicit bias that could imply gender discrimination (art. 17.2. d) among the duties of the Appointments and Remuneration Committee.

B.1.28 Indicate whether there are any formal procedures for granting proxies to vote at Board meetings. If so, give brief details:

In accordance with the By-Laws (article 46), proxies must be granted in writing and specifically for each Board meeting. Each director may not hold more than three proxies except for the Chairman, who shall not be subject to this limit but shall not represent the majority on the Board of Directors.

The Board Regulations (article 19.2) require the directors to attend board meetings in person wherever possible. Where they are not able to attend personally, directors shall ensure that any proxy granted to any other member of the Board is conferred upon a director of the same category and includes the pertinent instructions depending on the specific items on the agenda for the meeting of the Board.

B.1.29 Indicate the number of board meetings held during the year and how often the Board has met without the Chairman's attendance:

Number of Board meetings	11
Number of Board meetings not attended by the Chairman	1

Indicate how many meetings of the various Board Committees were held during the year:

Number of Executive or Delegate Committee meetings	6
Number of Audit Committee meetings	9
Number of Appointments and Remuneration Committee meetings	4
Number of Appointments Committee meetings	0
Number of Remuneration Committee meetings	0

B.1.30 Indicate how many meetings of the Board of Directors were held during the year without the attendance of all of the directors. Proxies granted without specific instructions shall be counted for these purposes as non-attendance:

Number of non-attendances by directors during the year	4
Non-attendances as a percentage of total votes cast during the year	2.680

B.1.31 State whether the individual and consolidated financial statements submitted for approval by the Board of Directors are previously certified:

YES

Indicate, as appropriate, the person(s) who certified the Company's individual and consolidated financial statements for formal preparation by the Board:

Name	Office
IGNACIO DE COLMENARES BRUNET	CHIEF EXECUTIVE OFFICER

B.1.32 Explain the mechanisms, if any, established by the Board of Directors to prevent the individual and consolidated financial statements prepared by it from being submitted at the Annual General Meeting with a qualified auditor's report.

In accordance with the By-Laws (article 51), the Audit Committee is responsible for relations with the external auditors, receiving information about any issues that could compromise the independence of the auditors and about any other matters related with the audit process, as well as the communications referred to in legislation governing audits and in the technical auditing standards. The Chairman of the Audit Committee shall report to the Board of Directors on the contents and resolutions adopted by the Committee at least twice per year.

The Board Regulations (article 16.2.10) requires the Audit Committee to serve as a channel of communication between the Board of Directors and the auditors, assessing the results of each audit and the management team's responses to the recommendations made, and mediating in any disputes between management and the auditors with regard to the principles and criteria applicable in the preparation of the financial statements.

The Board Regulations (article 43.4) require the directors to formulate the definitive financial statements in such a manner as not to give rise to any qualifications on the part of the auditor. Where the Board of Directors considers that it must maintain its own criteria, however, it shall publicly explain the contents and scope of the discrepancy and shall also seek to ensure that the auditor explains its understanding of the matter.

B.1.33 Is the Secretary to the Board a director?

NO

B.1.34 Explain the procedures for the appointment and removal of the Board Secretary, indicating whether the Appointments and Remuneration Committee reports on and the full Board approves such appointment and removal.

Appointment and removal procedures
The appointment and removal of the Secretary are approved by the full Board subject to a report from the Appointments Committee.

Does the Appointments Committee report on the appointment?	YES
Does the Appointment Committee report on removal?	YES
Does the full Board approve the appointment?	YES
Does the full board approve removal?	YES

Is the Secretary to the Board especially entrusted with overseeing good governance recommendations?

YES

Observations
In accordance with article 12.3 of the Board Regulations, the Secretary to the Board shall oversee the actions of the Board to ensure compliance with the law, the By-Laws and the Regulations of the Annual General Meeting and the Board, as well as other internal regulations established in the company from time to time, and to ensure that the Company observes the good governance recommendations assumed.

B.1.35 Indicate the mechanisms, if any, established by the Company to preserve the independence of the auditors, of financial analysts, of investment banks and of rating agents.

In accordance with the By-Laws (article 51), the Audit Committee is responsible for relations with the external auditors, receiving information about any issues that could compromise the independence of the auditors and about any other matters related with the audit process, as well as the communications referred to in legislation governing audits and in the technical auditing standards.

In any event, the Audit Committee shall obtain written confirmation from the auditors of their independence of the Company or directly or indirectly related entities, as well as the relevant information on additional services of any kind provided to these entities, by the auditors or by persons or entities related with them, in accordance with prevailing audit legislation.

The Audit Committee is also required to issue an annual report expressing an opinion on the independence of the auditors before the issuance of the audit report.

The Audit Committee is required by the Board Regulations (article 16.2.6) to establish the pertinent relations with the auditors to receive information about any issues that could compromise their independence for examination by the Committee, and to receive any other information related with the audit process, as well as the communications referred to in legislation governing audits and in the technical auditing standards.

Article 16.2.10 of the Board Regulations also requires the Audit Committee to serve as a channel of communication between the Board of Directors and the auditors, assessing the results of each audit and the management team's responses to the recommendations made, and mediating in any disputes between management and the auditors with regard to the principles and criteria applicable in the preparation of the financial statements.

The Committee shall be responsible for overseeing the performance of the audit agreement and ensuring that the audit opinion on the financial statements and the main contents of the audit report are clearly and precisely expressed (article 16.2.12 of the Board Regulations).

The Board shall refrain from engaging any audit firms where the estimated fees payable to the same in respect of all items would exceed 10% of its total revenues for the last year (article 43.2 of the Board Regulations). The Board of Directors shall also publicly disclose the total fees paid to the audit firm in respect of non-audit services (article 43.3 of the Board Regulations).

B.1.36 Indicate whether the Company changed its external auditor during the year. If so, identify the outgoing and incoming auditors.

Outgoing auditor	Incoming auditor
DELOITTE, S.L.	PRICEWATERHOUSECOOPERS AUDITORES, S.L.

Give details of any disagreements that may have existed with the outgoing auditor:

NO

B.1.37 Indicate whether the audit firm performs other non-audit work for the Company and/or its subsidiaries, and if so state the amount of fees received by the auditor in respect of such work and the percentage they represent of the total fees billed to the Company and/or its Group:

YES

	Company	Group	Total
Amount of non-audit work carried out (thousands of euros)	30	0	30
Fees for non-audit work / total fees billed by the audit firm (%)	14.000	0.000	14.000

B.1.38 Indicate whether the auditor's report on the financial statements for the prior year contained any emphasis of matter paragraphs or qualifications. If so, indicate the reasons given by the Chairman of the Audit Committee to explain the contents and scope of such matters and qualifications.

NO

B.1.39 Indicate the number years that the current audit firm has been uninterruptedly auditing the financial statements of the Company and/or the Group. Also indicate the number of years audited by the current audit firm as a percentage of the total number years during which the financial statements have been audited.

	Company	Group
Number of uninterrupted years	1	1

	Company	Group
Number of years audited by the current firm / Number of years the Company has been audited (%)	4.6	4.6

B.1.40 Indicate any ownership interests, as disclosed to the Company, held by the members of the Company's Board of Directors in the capital of entities engaging in an activity that is identical, similar or complementary to the activity that constitutes the object of the Company and of its Group. Also indicate the positions the directors hold or the functions they discharge at these companies:

Name o company name of director	Name of investee entity	% ownership	Position / functions
JUAN LUIS ARREGUI CIARSOLO	FORESTA CAPITAL, S.L.	90.000	--
JUAN LUIS ARREGUI CIARSOLO	IBERDROLA, S.A.	0.577	--
FERNANDO ABRIL-MARTORELL HERNÁNDEZ	FORESTA CAPITAL, S.L.	10.000	--

B.1.41 Indicate whether there is a procedure for directors to receive outside advisory services. If so, give details.

YES

Procedure
<p>In accordance with the Board Regulations (article 27.1), the non-executive directors may request the engagement of legal advisors, accountants and financial or other experts at the Company's cost to assist them in the discharge of their functions. Such engagements shall necessarily relate to specific problems of a material nature and considerable complexity arising in the discharge of the directors' functions. The Chairman shall be informed decision to engage advisors, which shall require the approval of the Board. Such approval shall be withheld only if advisory services are not necessary for the appropriate discharge of their functions by the non-executive director; if the cost is not reasonable in view of the materiality of the problem and the company's assets and revenues; or if the technical assistance sought could be appropriately provided by the Company's own professionals and technical staff.</p> <p>Moreover, article 16.7 of the Board Regulations provides for the Audit Committee to seek the advice of external professionals to assist in the discharge of its functions. The conditions referred to in the preceding paragraph shall also apply in this case.</p>

B.1.42 Indicate whether there is a procedure for directors to receive the necessary information to prepare for meetings of the managing bodies sufficiently in advance. If so, give details:

YES

Procedure
<p>In accordance with the Board Regulations (article 18.2), the call for each meeting, which shall be made with at least two days' prior notice, shall include agenda for the meeting and shall be accompanied by the relevant information, duly summarised and prepared. Moreover, article 18.4 of the Board Regulations requires the Board to prepare an annual schedule of ordinary meetings before the start of each year, establishing the frequency of meetings to ensure the Board discharges its functions effectively.</p> <p>Article 26.1 of the Board Regulations recognises broad powers for the directors to obtain information about any issue affecting the Company, to examine its books, records, documents and other information about corporate operations and to inspect all facilities. The right to information extends to Spanish and foreign affiliates.</p> <p>In order to avoid adverse effects on the day-to-day management of the Company, the exercise of information rights shall be channelled via the Chairman or the Secretary to the Board, who shall attend to directors' requests by providing the information directly, offering appropriate interlocutors at the appropriate level within the organisation and establishing procedures for directors to undertake the examinations and inspections they require <i>in situ</i> (article 26.2 of the Board Regulations).</p>

B.1.43 Indicate whether the Company has established any rules requiring the directors to report any matters that could affect the standing and reputation of the Company and to resign, where appropriate. If so, give details:

YES

Explanation of rules
<p>The directors must report any event or situation that could be relevant to their activity as directors of the Company to the Board as soon as possible, and especially and circumstances affecting them personally and that could adversely affect the standing and reputation of the Company. Such matters shall include, in particular, any criminal proceedings in which directors may be suspected of involvement (article 37.3 of the Board Regulations).</p> <p>Moreover, article 24.3 of the Board Regulations requires the directors to tender their resignation to the Board of Directors and, where appropriate, to resign in the following cases, among others:</p> <ul style="list-style-type: none"> - if they are indicted or oral hearings are opened against them in relation to any of the offences enumerated in article 213 of the Limited Liability Companies Law, which matters shall be reported in the Annual Corporate Governance Report, or where they are sanctioned in disciplinary proceedings opened by the supervisory

Explanation of rules
authorities for serious or very serious offences (article 24.3 b)); - if they receive a serious caution from the Audit Committee for failure to perform their obligations as directors (article 24.3 c)); and - if their permanence on the Board could seriously jeopardise the interests of the Company (article 24.3 d)).

B.1.44 State whether any member of the Board of Directors has informed the Company of indictment or that oral hearings have been opened against the same in relation to any of the offences enumerated in article 124 of the Limited Liability Companies Law:

NO

Indicate whether the Board of Directors has examined the case. If so, explain and ground the decision taken with regard to the continuation or otherwise of the director concerned in office.

NO

Decision taken	Grounded explanation

B.2 Committees of the Board of Directors

B.2.1 Give details of all the committees of the Board of Directors and their members

EXECUTIVE OR DELEGATE COMMITTEE

Name	Office	Type of director
JUAN LUIS ARREGI CIARSOLO	CHAIRMAN	EXECUTIVE
FERNANDO ABRIL-MARTORELL HERNÁNDEZ	COMMITTEE MEMBER	OTHER NON-EXECUTIVE
IGNACIO DE COLMENARES BRUNET	COMMITTEE MEMBER	EXECUTIVE
JAVIER ECHENIQUE LANDIRIBAR	COMMITTEE MEMBER	PROPRIETARY
JOSE GUILLERMO ZUBIA GUINEA	COMMITTEE MEMBER	INDEPENDENT

AUDIT COMMITTEE

Name	Office	Type of director
JOSE GUILLERMO ZUBIA GUINEA	CHAIRMAN	INDEPENDENT
JAVIER ECHENIQUE LANDIRIBAR	COMMITTEE MEMBER	PROPRIETARY
JOSE MANUEL SERRA PERIS	COMMITTEE MEMBER	INDEPENDENT
NORTEÑA PATRIMONIAL, S.L.	COMMITTEE MEMBER	PROPRIETARY

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Office	Type of director
FERNANDO ABRIL-MARTORELL HERNÁNDEZ	CHAIRMAN	OTHER NON-EXECUTIVE
GUSTAVO MATIAS CLAVERO	COMMITTEE MEMBER	INDEPENDENT
RETOS OPERATIVOS XXI, S.L.	COMMITTEE MEMBER	PROPRIETARY
PASCUAL FERNANDEZ MARTINEZ	SECRETARY	PROPRIETARY

B.2.2 Indicate whether the Audit Committee performs the following functions:

Supervising the preparation process for and integrity of financial information concerning the Company, where appropriate, by reviewing compliance with legislative requirements, appropriate delimitation of the consolidated group and proper application of accounting principles.	YES
Reviewing internal control and risk management systems on a regular basis to ensure that the principal risks are identified, managed and disclosed.	YES
Overseeing the independence and effectiveness of the internal audit process; proposing the selection, appointment, reselection and removal of the internal audit officer; proposing the budget for the service; receipt of periodic information about internal audit activities; and verifying whether senior management takes the conclusions and recommendations contained in reports into account.	YES
Establishing and supervising a mechanism allowing employees confidentially and anonymously, where appropriate, to report any potentially significant irregularities they may observe in the Company, especially with regard to financial and accounting matters.	YES
Making proposals to the Board for the selection, appointment, reselection and replacement of the external auditor, as well as the terms and conditions of the engagement.	YES

Receiving information concerning the audit plan and the results of the procedures performed from the external auditors on a regular basis, and verifying whether senior management takes account of any recommendations made.	YES
Assuring the independence of the external auditor	YES
In the case of groups, facilitating the assumption of responsibility for the audit of the group companies by the group auditor.	YES

B.2.3 Describe the rules of organisation and functioning, and the responsibilities attributed to each of the Board committees.

Committee name

APPOINTMENTS AND REMUNERATION COMMITTEE

Brief description

In accordance with article 17 of the Board Regulations, the Appointments and Remuneration Committee shall be formed by non-executive directors and shall have the number of members decided by the Board of Directors with a minimum of three members. The Committee's membership shall include appropriate representation of independent directors.

The Committee Chairman shall be appointed by the Board of Directors but shall not be chosen from among the executive or proprietary directors (article 17.1 of the Board Regulations).

The Appointments and Remuneration Committee shall consult with the Chairman of the Board of Directors and the Chief Executive Officer in the discharge of its function, especially in the case of issues concerning the executive directors and senior officers of the Company. Any director may request the Committee to take potentially suitable candidates to cover vacancies among the directors into consideration (article 17.3 of the Board Regulations).

The Appointments and Remuneration Committee shall meet each time that the Board of Directors or its Chairman requests the issue of a report or proposals, or wherever deemed appropriate for the proper discharge of its functions. The Committee shall meet in any event once per year to prepare the information on directors' remuneration to be approved by the Board of Directors and included in the annual published information (article 17.4 of the Board Regulations).

The Appointments and Remuneration Committee shall be validly constitute when the number of members attending in person or by proxy is equal to more than half of the Committee members, and it shall adopt resolutions by majority of the members present or represented by proxy. In the event of a tie, the Chairman shall have the casting vote. A Committee member may grant a proxy to another member, but no member may accept more than one proxy in addition to his/her own vote. Any person may attend the Committee's meetings, whether or not an employee of the Company, where so required. Such persons shall be entitled to speak but not to vote (article 17.5 of the Board Regulations).

The Committee Secretary shall take minutes of the resolutions adopted at each Committee meeting, which shall be reported to the next meeting of the Board of Directors (article 17.6 of the Board Regulations).

The duties and functions of the Appointments and Remuneration Committee are described in detail in section B.2.4 below.

Committee name

EXECUTIVE OR DELEGATE COMMITTEE

Brief description

In accordance with article 50 of the Company's By-Laws, the Executive Committee shall be formed by a minimum of four directors and a maximum of eight, including the Chairman.

Within these limits, the number of Committee members shall be decided by the Board of Directors in view of the changing circumstances of the Company, seeking at all times to ensure that the Committee reproduces a reasonable balance between the different types of directors (article 15.1 of the Board Regulations). The Committee Chairman shall be appointed by the board and its Secretary shall be the Secretary to the Board, who may be substituted or assisted by the Deputy Secretary (article 50 of the By-Laws and article 15.3 of the Board Regulations). The members of the Executive Committee shall be removed when they cease to hold office as directors or where so decided by the Board. Any vacancies arising shall be covered by the Board of Directors as soon as possible (article 15.1 of the Board Regulations).

The Committee's resolutions shall be reported to the Board at its next meeting and all of the directors shall be provided with the minutes of Executive Committee meetings (article 15.3 of the Board Regulations). In those cases where the importance of any issue so merits in the opinion of the Chairman or three members of the Committee, its resolutions shall be subject to ratification by the Board of Directors. This regime shall also apply to any issues remitted passed on by the Board to the Committee for examination while reserving the final decision (article 15.3 of the Board Regulations).

The rules for the functioning of the Board of Directors set forth in the Board Regulations shall apply to the Executive Committee in all other matters to the extent possible (article 15.3 of the Board Regulations).

The duties and functions of the Executive Committee are described in detail in section B.2.4 below.

Committee name

AUDIT COMMITTEE

Brief description

In accordance with article 52 of the By-Laws, the Audit Committee shall be formed by a minimum of three and a maximum of seven directors, the majority of whom must be non-executive directors. Within these limits, the number of Committee members shall be decided by the Board of Directors, which shall ensure that independent directors are appropriately represented (article 16.1 of the Board Regulations).

The members of the Audit Committee, and in particular its Chairman, shall be appointed in view of their specific knowledge and experience of accounting matters, auditing and risk management (article 16.1 of the Board Regulations).

The Board of Directors shall appoint the Committee's Chairman, who shall be replaced every four years but may be re-selected after a period of one year has elapsed since his/her removal. The Audit Committee Chairman shall not be chosen from among the executive directors or the proprietary directors. The Board of Directors may also appoint a Committee Secretary from among the members of the Audit Committee. In the absence of any specific appointment, the Secretary or, where applicable, the Deputy Secretary to the Board shall act as Secretary to the Audit Committee, even if the same are not directors (article 51 of the Board Regulations). The Audit Committee shall meet on regularly based on needs but at least four times per year. One of the Committee's meetings shall be given over to appraising the effectiveness of and compliance with the corporate governance rules and procedures in place in the company, and the Committee shall prepare the information to be approved by the Board of Directors in this regard and included in the annual published documentation (article 16.3 of the Board Regulations).

The Audit Committee shall be validly constituted when half plus one of its members are present in person or represented by proxy, and it shall adopt its decisions by majority vote of the members attending the meeting, whether in person or by proxy. In the event of tie, the Chairman shall have the casting vote. A Committee member may grant a proxy to another member, but no member may accept more than one proxy in addition to his/her own vote (article 16.4 of the Board Regulations).

Any member of the management team or employee of the Company shall attend meetings, assist the Committee and provide it with any information they may hold where so required. Such persons shall be permitted to speak but not to vote, The Committee may also request persons from outside the Company, including the Auditors, to attend the meetings, where they may speak but not vote (article 16.5 of the Board Regulations).

The Secretary to the Board shall prepare the minutes of the resolutions adopted at each meeting of the Committee, which shall be reported at the next meeting of the Board of Directors (article 16.6 of the Board Regulations).

The Audit Committee may seek the advice of external professionals to ensure appropriate performance of its duties (article 16.7 of the Board Regulations).

The Chairman of the Audit Committee shall report to the Board of Directors on the contents and resolutions adopted at the meetings of the Committee at least twice per year (article 50 of the By-Laws).

The duties and functions of the Audit Committee are described in detail in section B.2.4 below.

For further information, see Section G of this Report.

B.2.4 Indicate, where appropriate, the advisory and consultative powers and any delegated authority held by each of the committees:

Committee name

APPOINTMENTS AND REMUNERATION COMMITTEE

Brief description

- 1) TO EVALUATE THE COMPETENCES, KNOWLEDGE AND EXPERIENCE NECESSARY IN THE BOARD AND DEFINE THE FUNCTIONS AND APTITUDES REQUIRED OF CANDIDATES TO COVER ANY VACANCY. EVALUATION OF THE TIME AND DEDICATION REQUIRED FOR DIRECTORS TO DISCHARGE THEIR FUNCTIONS EFFECTIVELY.
- 2) TO REVIEW THE ANNUAL CORPORATE GOVERNANCE REPORT BEFORE APPROVAL BY THE BOARD OF DIRECTORS IN ORDER OT VERIFY THE CORRECT ASSIGNATION OF EACH DIRECTOR WITHIN THE POSSIBLE CATEGORIES (EXECUTIVE, PROPRIETARY, INDEPENDENT OR NON-EXECUTIVE DIRECTOR).
- 3) TO PROPOSE APPOINTMENTS OF DIRECTORS TO THE BOARD FOR DIRECT DESIGNATION BY THE SAME (COOPTION) OR TO BE SUBMITTED TO THE DECISION OF THE GENERAL MEETING OF THE SHAREHOLDERS.
- 4) TO OVERSEE SELECTION PROCEDURES WHERE NEW VACANCIES ARISE OR NEW DIRECTORS ARE APPOINTED TO ENSURE THAT SUCH THERE IS NO IMPLICIT BIAS THAT COULD RESULT IN GENDER DISCRIMINATION.
- 5) TO PARTICIPATE AS DEEMED APPROPRIATE IN ORGANISING THE SUCCESSION TO THE CHAIRMANSHIP OF THE BOARD AND THE OFFICE OF CHIEF EXECUTIVE OFFICER, AND WHERE APPROPRIATE TO MAKE PROPOSALS TO THE BOARD OF DIRECTORS TO ENSURE THAT SUCCESSION TAKES PLACE IN AN ORDERLY, WELL PLANNED MANNER.
- 6) TO REPORT ON PROPOSALS FOR THE APPOINTMENT OR REMOVAL OF THE SECRETARY TO THE BOARD BEFORE THE SAME ARE SUBMITTED TO THE BOARD OF DIRECTORS.
- 7) TO PROPOSE TO THE MEMBERS OF EACH OF THE COMMITTEES TO THE BOARD OF DIRECTORS.
- 8) TO REPORT ON THE APPOINTMENT AND REMOVAL OF SENIOR EXECUTIVES OF THE COMPANY AS PROPOSED TO THE BOARD OF DIRECTORS BY THE CHIEF EXECUTIVE OFFICER.
- 9) TO PROPOSE TO THE BOARD OF DIRECTORS THE SYSTEM AND AMOUNT OF THE ANNUAL REMUNERATION PAYABLE TO DIRECTORS AND THE EXECUTIVES DETERMINED BY THE BOARD, AS WELL AS THE OTHER BASIC TERMS AND CONDITIONS OF THEIR CONTRATS, AND TO OVERSEE COMPLIANCE WITH THE REMUNERATION POLICY ESTABLISHED BY THE COMPANY.
- 10) TO PROPOSE PERIODIC REVIEWS OF REMUNERATION PROGRAMMES FOR THE EXECUTIVES DETERMINED BY THE BOARD OF DIRECTORS BASED ON THEIR COMPETENCE AND PERFORMANCE, AND TO OVERSEE COMPLIANCE.

- 11) TO PROPOSE MEASURES TO ENSURE THE TRANSPARENCY OF REMUNERATION AND TO OVERSEE COMPLIANCE.
- 12) TO APPRAISE FUNCTIONING AND THE QUALITY OF ITS WORK AT LEAST ONCE PER YEAR.
- 13) TO REPORT ON THE APPRAISAL PROCESS FOR THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE COMPANY'S CHIEF EXECUTIVE OFFICER.
- 14) ANY OTHER POWERS SPECIFICALLY REFERRED TO IN THE REGULATIONS OF THE BOARD OF DIRECTORS.

Committee name

EXECUTIVE OR DELEGATE COMMITTEE

Brief description

ALL OF THE POWERS OF THE BOARD OF DIRECTORS ARE DELEGATED TO THE EXECUTIVE COMMITTEE, EXCEPT THOSE THAT MAY NOT BE DELEGATED BY LAW OR IN ACCORDANCE WITH THE BY-LAWS OR THE BOARD REGULATIONS.

Committee name

AUDIT COMMITTEE

Brief description

- 1) TO REPORT TO THE ANNUAL GENERAL MEETING ON THE ISSUES RAISED BY SHAREHOLDERS WITHIN THE AREA OF ITS COMPETENCE.
- 2) TO PROPOSE THE APPOINTMENT, RE-SELECTION AND REMOVAL OF THE EXTERNAL AUDITORS TO THE BOARD OF DIRECTORS FOR SUBMISSION TO THE VOTE OF THE ANNUAL GENERAL MEETING, FACILITATING THE ASSUMPTION OF RESPONSIBILITY FOR THE AUDIT OF THE GROUP COMPANIES BY THE GROUP AUDITOR.
- 3) TO SUPERVISE THE COMPANY'S INTERNAL AUDIT SERVICE BASED ON THE ANNUAL INTERNAL AUDIT PLAN PRESENTED BY THE OFFICER RESPONSIBLE EACH YEAR, THE INFORMATION PROVIDED TO THE COMMITTEE WITH REGARD TO INCIDENTS ARISING IN THE COURSE OF THE INTERNAL AUDITS PLANNED, AND THE ACTIVITY REPORT SUBMITTED BY THE INTERNAL AUDIT OFFICER FOR THE CONSIDERATION OF THE COMMITTEE AT THE END OF EACH YEAR.
- 4) TO OVERSEE THE INDEPENDENCE AND EFFECTIVENESS OF THE INTERNAL AUDIT FUNCTION, PROPOSING THE SELECTION, APPOINTMENT, RE-SELECTION AND REMOVAL OF THE OFFICER RESPONSIBLE FOR THE SERVICE; TO PROPOSE THE INTERNAL AUDIT BUDGET; TO EXAMINE THE PERIODIC INFORMATION GENERATED BY THE INTERNAL AUDIT SERVICE; AND TO VERIFY THAT SENIOR MANAGEMENT TAKES THE CONCLUSIONS AND RECOMMENDATIONS OF REPORTS INTO ACCOUNT.
- 5) TO OVERSEE THE FINANCIAL REPORTING PROCESS AND THE COMPANY'S INTERNAL CONTROL SYSTEMS.
- 6) TO CONDUCT RELATIONS WITH THE EXTERNAL AUDITORS, OBTAINING INFORMATION ABOUT ANY MATTERS THAT COULD COMPROMISE THE AUDITOR'S INDEPENDENCE AND ANY OTHER MATTERS RELATED WITH THE AUDIT PROCESS, AND TO RECEIVE ANY OTHER COMMUNICATIONS REFERRED TO IN AUDIT LEGISLATION AND IN TECHNICAL AUDITING STANDARDS.
- 7) TO PROPOSE TO THE BOARD OF DIRECTORS THE ENGAGEMENT OF AUDITORS, THE SCOPE OF THEIR PROFESSIONAL MANDATE AND, WHERE APPROPRIATE, THE REMOVAL OR NON-RENEWAL OF THE AUDITOR.
- 8) TO OVERSEE COMMUNICATION BY THE COMPANY TO THE SPANISH NATIONAL SECURITIES MARKET COMMISSION (CNMV) OF ANY CHANGE OF AUDITOR AS A RELEVANT EVENT, ACCOMPANIED BY A DECLARATION WITH REGARD TO THE EXISTENCE OF ANY POSSIBLE DISAGREEMENTS WITH THE OUTGOING AUDITOR AND, WHERE APPROPRIATE, THE CONTENT OF THE SAME OR, IN THE EVENT OF RESIGNATION BY THE AUDITOR, A DESCRIPTION OF THE CIRCUMSTANCES SURROUNDING THAT EVENT.
- 9) TO REVIEW THE COMPANY'S ACCOUNTS; TO OVERSEE COMPLIANCE WITH LEGAL REQUIREMENTS, THE APPROPRIATE APPLICATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND THE PROPER DELIMITATION OF THE CONSOLIDATED GROUP; AND TO REPORT ON ANY PROPOSALS FOR CHANGES IN ACCOUNTING PRINCIPLES THAT MAY BE MADE BY MANAGEMENT.
- 10) TO SERVE AS A CHANNEL FOR COMMUNICATION BETWEEN THE BOARD OF DIRECTORS AND THE AUDITORS; TO EVALUATE THE RESULTS OF EACH AUDIT AND THE RESPONSES OF THE MANAGEMENT TEAM TO THE RECOMMENDATIONS MADE; AND TO MEDIATE IN THE CASE OF ANY DISPUTES BETWEEN MANAGEMENT AND THE AUDITORS IN RELATION TO THE ACCOUNTING PRINCIPLES AND CRITERIA APPLICABLE IN THE PREPARATION OF THE FINANCIAL STATEMENTS.

- 11) TO VERIFY THE APPROPRIATENESS AND INTEGRITY OF INTERNAL CONTROL SYSTEMS AND TO REVIEW THE APPOINTMENT AND REMOVAL OF THE OFFICERS RESPONSIBLE, SUPERVISING PROPER MANAGEMENT OF RISKS, AND ENVIRONMENTAL AND SAFETY ISSUES, AS WELL AS THE WORKPLACE RISK PREVENTION AUDIT.
- 12) TO OVERSEE COMPLIANCE WITH THE AUDIT ENGAGEMENT, ENSURING THAT THE AUDIT OPINION ON THE FINANCIAL STATEMENTS AND THE PRINCIPAL CONTENTS OF THE AUDITOR'S REPORT ARE CLEARLY AND PRECISELY WORDED.
- 13) TO REPORT ON THE SECURITIES ISSUE PROSPECTUSES AND THE PERIODIC FINANCIAL INFORMATION THAT THE COMPANY IS REQUIRED TO PROVIDE TO THE MARKETS AND THE SUPERVISORY AUTHORITIES BEFORE THE APPROVAL OF SUCH DOCUMENTS BY THE BOARD OF DIRECTORS.
- 14) TO OVERSEE COMPLIANCE WITH THE COMPANY'S GOVERNANCE RULES AND TO MAKE THE NECESSARY PROPOSALS TO IMPROVE THE SAME. IN PARTICULAR, THE AUDIT COMMITTEE SHALL OBTAIN INFORMATION ABOUT AND, WHERE APPROPRIATE, ISSUE ITS REPORT ON ANY DISCIPLINARY MEASURES AFFECTING MEMBERS OF THE COMPANY'S BOARD OF DIRECTORS.
- 15) TO ESTABLISH AND SUPERVISE A MECHANISM ALLOWING EMPLOYEES CONFIDENTIALLY AND ANONYMOUSLY, WHERE APPROPRIATE, TO REPORT ANY POTENTIALLY SIGNIFICANT IRREGULARITIES THEY MAY OBSERVE IN THE COMPANY, ESPECIALLY WITH REGARD TO FINANCIAL AND ACCOUNTING MATTERS.
- 16) TO REPORT ON TRANSACTIONS WITH SGBF SHAREHOLDERS IN ACCORDANCE WITH ARTICLE 40 OF THE BOARD REGULATIONS.
- 17) TO REPORT ON TRANSACTIONS THAT IMPLY, OR COULD IMPLY, CONFLICTS OF INTEREST AND IN GENERAL ON THE MATTERS REFERRED TO IN CHAPTER IX OF THE BOARD REGULATIONS, EXCEPT WHERE SUCH ARE RESERVED FOR THE APPOINTMENTS AND REMUNERATION COMMITTEE.
- 18) TO REPORT TO THE BOARD OF DIRECTORS BEFORE THE ADOPTION OF ANY PERTINENT DECISION BY THE SAME ON THE CREATION OF SPECIAL PURPOSE VEHICLES OR ENTITIES REGISTERED IN TAX HAVENS, OR THE ACQUISITION OF OWNERSHIP INTERESTS THEREIN, AS WELL AS ANY OTHER TRANSACTIONS OR OPERATIONS OF A SIMILAR NATURE THAT COULD ADVERSELY AFFECT THE TRANSPARENCY OF THE GROUP GIVEN THEIR COMPLEXITY.
- 19) TO APPRAISE FUNCTIONING AND THE QUALITY OF ITS WORK AT LEAST ONCE PER YEAR.
- 20) ANY OTHER POWERS SPECIFICALLY REFERRED TO IN THE REGULATIONS OF THE BOARD OF DIRECTORS.

B.2.5 State, as appropriate, whether there are any regulations for the Board committees. If so, indicate where they can be consulted and whether any amendments were made during the year. Also indicate whether any annual report on the activities of each committee has been prepared voluntarily.

Committee name

APPOINTMENTS AND REMUNERATION COMMITTEE

Brief description

The Appointments and Remuneration Committee regulations are contained in the Board Regulations.

There are no specific regulations for the Appointments and Remuneration Committee.

The Board Regulations were amended by the resolution of the Board of Directors adopted at the meeting held on 29 April 2011 (see section B.1.18 above). They are available on the Company's website, www.ence.es.

Committee name

EXECUTIVE COMMITTEE

Brief description

The Executive Committee regulations are contained in the By-Laws and the Board Regulations.

The provisions of the Regulations relating to the Board of Directors are applicable to the Executive Committee on a subsidiary basis as far as possible. There are no specific regulations applicable for the Executive Committee.

The prevailing Board Regulations were amended by the resolution of the Board of Directors adopted at the meeting held on 29 April 2011 (see section B.1.18 above). They are available on the Company's website, www.ence.es.

Committee name

AUDIT COMMITTEE

Brief description

The Audit Committee regulations are contained in the By-Laws and the Board Regulations.

The provisions of the Regulations relating to the Board of Directors are applicable to the Audit Committee on a subsidiary basis as far as possible. There are no specific regulations applicable for the Audit Committee.

The prevailing Board Regulations were amended by the resolution of the Board of Directors adopted at the meeting held on 29 April 2011 (see section B.1.18 above). They are available on the Company's website, www.ence.es.

B.2.6 Indicate whether the composition of the executive committee reflects the participation of the various directors on the board according to their status:

NO

If not, explain the composition of the executive committee
<p>The Executive Committee has 5 members, 2 of whom are executive directors, 1 is a non-executive proprietary director, 1 a non-executive independent director and 1 a non-executive director (neither proprietary nor independent). The executive directors on the Executive Committee make up 40% of its members, the non-executive proprietary directors 20%, the non-executive independent directors 20% and the non-executive director (not proprietary or independent) represents 20%.</p> <p>The Board of Directors is formed by 14 members, of whom 2 are executive directors, 6 are proprietary non-executive directors, 5 are independent non-executive directors and 1 is a non-executive director (neither a proprietary nor an independent director). Accordingly, the executive directors make up 14.28% of the Board members, the non-executive proprietary directors 42.85%, the independent directors 35.71% and the other non-executive director (not proprietary or independent) represents 7.16%.</p> <p>Although the composition of the Executive Committee does not exactly reflect the participation of the different types of directors, recommendation 42 of the Unified Code has been substantially observed.</p>

C.- RELATED-PARTY TRANSACTIONS

C.1 Indicate whether the full Board reserves the power to approve transactions entered into by the company with directors, significant shareholders and shareholders represented on the Board, and with persons related therewith, subject to a favourable report from the Audit Committee or any other officer or body entrusted with that function.

C.2 Give details of material transactions entailing a transfer of funds or obligations between the Company or Group companies and the significant shareholders of the Company:

Name or company name of significant shareholder	Name or company name of Company or Group company	Nature of relationship	Type of transaction	Amount (thousands of euros)
LIBERBANK, S.A.	GRUPO EMPRESARIAL ENCE, S.A.	Contractual	Financing agreements, loans and contributions of capital (lender)	5,452
LIBERBANK, S.A.	GRUPO EMPRESARIAL ENCE, S.A.	Contractual	Finance charges	481
ATALAYA INVERSIONES, S.R.L.	GRUPO EMPRESARIAL ENCE, S.A.	Contractual	Purchase of property, plant and equipment, and intangible and other assets	26,389

C.3 Give details of material transactions entailing a transfer of funds or obligations between the Company or Group companies and the Company's directors or executives:

C.4 Give details of material transactions entered into by the Company with other companies of the same Group, providing such transactions are not eliminated in the process of preparing the consolidated financial statements and are not conducted within the course of the Company's ordinary business as regards their object or terms and conditions.

C.5 Identify, as appropriate, the conflict-of-interest status of the Company's directors pursuant to article 127(iii) of the Spanish Limited Liability Companies Law.

YES

Committee name

ATALAYA INVERSIONES, S.R.L.

Brief description

The ownership interest held by Atalaya Inversiones, S.R.L. in the share capital of Grupo Empresarial Ence, S.A. was sold.

C.6 Give details of the mechanisms in place for detecting, identifying and resolving any potential conflicts of interest between the Company and/or its Group, and its directors, executives or significant shareholders.

In accordance with article 44 of the By-Laws, as amended by the resolution of the Annual General Meeting held on 25 June 2008, the Board of Directors is responsible for establishing in the Board Regulations the specific obligations of directors in connection with the duty of loyalty and, in particular, the duties of confidentiality with regard to any

Company information to which directors may gain access in the discharge of their office and to refrain from any activity that would effectively compete with the business of the Company. Special attention shall be paid in the Board Regulations to conflicts of influence, and the pertinent procedures and guarantees shall be established for authorisation or waiver pursuant to articles 229 and following of the Limited Liability Companies Law.

In relation to situations of conflict of interest, the Board Regulations (article 33) requires directors to abstain from attending or taking part in deliberations concerning matters in which they may have a direct or indirect personal interest, and to report the existence of the conflict to the Board of Directors. It shall also be understood that a director has a personal interest when a matter affects any person who is related to a director, as defined in article 231 of the Limited Liability Companies Law.

Any situations of conflict of interest affecting the Company's directors shall be disclosed in the annual corporate governance report.

A director shall not directly or indirectly enter into any professional or commercial transactions with the Company without previously reporting the conflict of interest and obtaining the prior approval of the Board of Directors, subject to a report from the Audit Committee. The Board of Directors shall oversee any related-party transactions through the Audit Committee in order to ensure that they are carried out under market conditions and respect the principle of equality of treatment between shareholders.

In accordance with article 40.2 of the Board Regulations, the Board of Directors shall not under any circumstances authorise a transaction if a prior report has not been issued by the Audit Committee assessing the operation from the standpoint of equality of treatment between shareholders and market conditions.

The Internal Code of Conduct in the Securities Markets (article 4.6) requires that the Special Body for Activities in the Securities Market be informed of the existence of any possible conflicts of interest. This information shall necessarily be reported before any decision is taken that could be affected by the potential conflict of interest. In any event, the directors are required to show due loyalty to the ENCE Group in all actions, giving preference to the Group's interest over their own personal interests.

With regard to the no competition obligation, the Board Regulations (article 32) establish that a director shall not conduct any activities, whether on behalf of third parties or on their own behalf, that could constitute effective competition with the Company or the Group without the express authorisation of the Company in accordance with a resolution of the General Meeting of the Shareholders at the proposal of the Board of Directors supported by a favourable report from the Audit Committee. For these purposes, directors are required to make the communication referred to in the Board Regulations. In the case of legal entities holding directors, this obligation shall extend to the natural person acting as the representative of the director.

The above prohibition shall not apply if a director discharges his/her office or functions of any kind in other Group companies.

A director who has obtained the requisite authorisation from the General Meeting of the Shareholders shall be under the obligation to comply with the conditions and guarantees established in the resolution of the General Meeting and, in any event, shall be obliged to refrain (i) from accessing information and (ii) from participating in deliberations and votes related with matters that may occasionally give rise to any conflict of interest, in accordance with the following article and article 229 of the Limited Liability Companies Law.

Any waiver granted in accordance with the conditions established in this section shall be disclosed in the Company's annual report.

Finally, directors shall notify the Company of any direct or indirect ownership interest they, or related persons, may hold in the share capital of any company conducting the same, similar or complementary activities to the activity constituting the object of the Company and effectively competing with it, as well as any office or functions discharged in such companies.

This no competition obligation may also be extended after the mandate of the director concerned has ended. In accordance with article 23.3 of the Board Regulations, if the Board of Directors considers that the interests of the Company could be in jeopardy, subject to a prior report from the Appointments and Remuneration Committee, a director reaching the end of his/her mandate or leaving office for any other reason shall not provide his/her services in any other company that is a competitor of the Company for the period established, which shall not exceed two years. In such cases, the director affected shall be entitled to reasonable compensation for any damages that these measures could cause to the same. Such compensation shall be calculated within the limits established in article 42.1 of the By-Laws.

C.7 Is more than one Group company listed on the stock exchange in Spain?

NO

Identify any listed subsidiaries.

D.- RISK CONTROL SYSTEMS

D.1 General description of the risk policy of the Company and/or its Group, giving details of and evaluation the risks covered by the system together with evidence that the system is appropriate for the profile of each type of risk.

The ENCE Group conducts its activities in the areas of forestry and paper pulp manufacture, as well as biomass electricity generating. The Company's activity is inherently affected by certain risk factors that could have material impacts on its activity, operating results, financial position and prospects.

A Risk Management Policy exists, under which Grupo Empresarial Ence undertakes to take all measures in its power to ensure that risks of all kinds are appropriately identified, measured, prioritised and controlled. This commitment is assumed under the direct responsibility of the Board of Directors, as reflected in the Board Regulations (article 5.3.j).

The policy describes the position occupied by risk management within the Ence Corporate Governance structure, and it includes the definition of competencies, functions and responsibilities of each of the member of the organisation participating in risk Management at Grupo Empresarial Ence, S.A.

- Specific risk factors existing in the sectors where the reporting entity operates

- o Economic situation: the Group's activity is intimately linked to the world economic cycle. The deterioration in the world economy in recent years has adversely affected the results of Grupo Empresarial Ence, S.A.
- o Cyclical nature of market prices for cellulose pulp.
- o Exchange rate risk: the benchmark sale price for pulp in the international market is denominated in USD per ton, and revenues are therefore affected by the USD/EUR exchange rate.
- o Risk of intensification of environmental requirements: no irregularities have been detected in environmental audits.
- o Regulatory risks and political support for the renewable energy source used.

- Risk factors associated with the reporting entity and its current business
 - o Risk factors associated with the reporting entity
- Indebtedness and liquidity risk
- Interest rate risk
- Use of derivative financial instruments
 - o Risk factors associated with the production of cellulose pulp
- Concentration of Group revenues
- Credit risk
- Risks related with the activity conducted in Uruguay
- Risks associated with industrial pulp production
- Timber supply and cost risks
- Competition in the pulp production market
- Risks relating to emission rights
- Concession-related risks
 - o Risk factors associated with the electricity generating activity
- Risk of amendments to the financial regime established for generating activities
- Risk inherent in dependence on access to the electricity transportation and distribution grid
- Electricity market price risk
- Risk associated with the impact of any reduction in pulp manufacturing on electricity generating activities linked to the industrial process

- Risk factors associated with the development of biomass renewable energy projects
 - o Capital intensive business
 - o Dependence on qualified suppliers
 - o Risk inherent in applications for administrative permits and licences
 - o Environmental impact risks
 - o Risk of public opposition
 - o Risks related with the availability of appropriate sites
 - o Risks inherent in developing, planting, productivity and cost of forest energy crops

The Company understands that the most significant risks and those to which it should give the greatest attention are those which could compromise the attainment of objectives or could jeopardise the Group's long-term financial capacity and solvency. Most of the risks enumerated above are inherent in the activities carried on by the Group, and it is therefore not possible to neutralise them completely.

The Company has established an organisational structure with the appropriate resources, systems and procedures to identify, assess and control the risks to which it is exposed and to control outcomes. The aforementioned specific risks are analyzed and managed on a permanent basis, and supervision is integrated at the corporate level.

The Company considers that the risks are adequately hedged and covered.

D.2 State whether any of the different types of risk affecting the Company and/or its Group (operational, technological, financial, legal, reputation, tax risks, etc.) materialised during the year.

YES

If so, give details of the circumstances and explain whether the control systems established functioned appropriately.

Risk materialising during the year

Market risks, operational risks [incomplete source text] materialised in 2011

Circumstances

The risks materialised in circumstances proper to the ordinary course of the business.

Functioning of control systems

Control procedures functioned adequately to the extent permitted by the extraordinary circumstances arising.

D.3 Indicate whether any committee or other governing body is responsible for establishing and overseeing control mechanisms.

YES

If so, give details of its functions.

Name of committee or body

AUDIT COMMITTEE

Description of functions

The Audit Committee assists the Board of Directors in the functions of oversight and control, supervising the effectiveness of the Company's internal controls, internal audits and the processes involved in the preparation and presentation of financial information (articles 51.1, 51.2 and 51.3 of the By-Laws and articles 16.3, 16.4 and 16.5 of the Board Regulations).

In accordance with article 16.2.11 of the Board Regulations, the Audit Committee is responsible for overseeing the effectiveness of the Company's internal controls and of its internal control and risk management systems, including internal control systems relating to financial information, environmental matters, safety matters and workplace risk prevention audits, as well as supervising the appointment and replacement of the relevant managers. It also discusses any significant weaknesses observed in the course of external audits with the auditors and audit firms.

The Board Regulations also establish that the Audit Committee is responsible for overseeing the Company's internal audit function based on the internal audit plan presented by the officer responsible for the service each year, the information obtained with regard to incidents arising in the course of internal audit procedures and the activity report submitted for consideration by the internal audit officer at the end of each year.

In this regard, the Internal Audit Department forms a part of the existing organisational structure through its links with the Board of Directors, to which it reports via the Audit Committee, thereby guaranteeing the complete independence of its activities. Ence's Internal Audit Regulations define the mission of the Internal Audit Function, which is to contribute to the proper functioning of the Group by guaranteeing effective, independent oversight of the internal control system and making recommendations to the Group with a view to reducing the potential impact of any risks that might adversely affect the achievement of objectives by the Organisation.

The Audit Committee is required to obtain written confirmation from auditors and audit firms of their independence from the Company each year, and to issue an annual report expressing an opinion on the independence of auditors and audit firms before the issuance of the audit report (articles 51.5 and 51.6 of the By-Laws and articles 16.6 and 16.7 of the Board Regulations).

Name of committee or body

BOARD OF DIRECTORS

Description of functions

The Board of Directors is the body with maximum responsibility for the identification of risks and the implementation of adequate internal control systems to ensure the attainment of Strategic Plans.

D.4 Identification and description of the procedures for compliance with the regulations affecting the Company and/or its Group.

In general terms, the Audit Committee oversees compliance with all legislation and internal regulations applicable to Grupo Empresarial Ence as a part of its supervision and control functions. It also supervises the process of preparation and the integrity of financial information, reviewing compliance with accounting standards and the appropriate application of accounting policies.

Each area of the business is responsible for compliance with applicable regulations. However, the responsibilities of certain units clearly contribute to overall compliance with both internal and external regulations. These are:

- Secretariat and Legal Department: This unit works to ensure the formal and material legality of the actions taken by the Company's Governing Bodies, verifying conformity with the By-Laws, promoting measures to ensure compliance with prevailing legislation and contracting the necessary advice in relation to the regulations affecting the Company.
- Internal Audit Department: Certain internal rules, policies and regulations are designed to prevent non-compliance or, if such circumstances could occur, to ensure rapid remediation. The unit oversees compliance with these internal regulations.
- Human Resources Department: This unit oversees the application of employment legislation and workplace risk prevention regulations.
- Pulp Business Unit. The inclusion of the systems applied at the Pontevedra, Huelva and Navia plants in the EMAS (Environmental Management and Auditing System) register, requiring mandatory compliance with the Principle of Continuous Improvement, was achieved as a result of the major investments which the Company has made and continues to make to implement at its facilities the Best Available Techniques (BATs) proposed pursuant to the Spanish Integrated Pollution Prevention and Control Law (Law 16/2002) and related instruments, increasingly minimising potential impacts on the environment.

The Company also has a Regulatory Compliance Officer, who oversees the application of the Internal Code of Conduct in the Securities Markets.

E.- GENERAL MEETING

E.1 List the quorums for the constitution of the General Meeting and, where appropriate, give details of any differences with the system of minimum quorums established in the Spanish Limited Liability Companies Law.

NO

	% difference with the general quorum established in article 102 of the Limited Liability Companies Law	% difference with the special quorum established in article 103 of the Limited Liability Companies Law
Quorum required at first call	0	0

Quorum required at second call	0	0
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E.2 Explain the rules on adopting corporate resolutions and give details of any differences, where appropriate, that may exist with respect to the rules established in the Spanish Limited Liability Companies Law.

NO

Describe how the rules differ from those established in the Limited Liability Companies Law.

E.3 List any rights of the shareholders in connection with general meetings that differ from those established in the Limited Liability Companies Law.

The Regulations for the Shareholders' General Meeting, approved by the same, contains certain provisions designed to systematise and develop the functioning of the governing body, which are intended in view of best practices in listed Spanish companies and in the Company's own experience to achieve a double objective: (i) to systematise the process of preparation and the procedure for General Meetings, detailing the specific phases involved and the rules for the intervention of the shareholders in each; and (ii) to provide a benchmark for the informed participation of the shareholders in the General Meeting and to foster their participation in the governing body.

The provisions of the General Meeting Regulations reinforce and guarantee the statutory rights of shareholders, basically with regard to their informed participation in the meetings held, as mentioned above. The specific provisions contained in the General Meeting Regulations are described in point E.4 below.

On the present point, the General Meeting Regulations establish the possibility of remote proxies and remote voting.

REMOTE PROXIES

In accordance with article 10 of the General Meeting Regulations, where a proxy is granted or the Company is notified of a proxy by remote means of communication, such proxy shall be deemed valid only if it is made by post and the Company is sent the General Meeting attendance card and the proxy duly made out and signed, or if it is made by any other written means allowing due verification, in the judgment of the Board of Directors in a prior resolution adopted in this regard, of the identity of the shareholder granting the proxy and of the proxy designated.

A proxy granted by electronic correspondence or communication with the Company shall be accepted only where so determined by the Board of Directors in a resolution adopted in view of the state of technology and prevailing legislation governing these matters, which shall be subsequently communicated in the announcement convening the General Meeting concerned and shall be posted on the Company's website. In such resolution, the Board of Directors shall define the conditions applicable to the grant of proxies by electronic correspondence or communication, necessarily including the obligation for the shareholder exercising the right of proxy to include a copy of the attendance card in electronic format and to sign the communication using his/her recognised electronic signature. The Board of Directors may also accept other classes of electronic signature in a prior resolution adopted for the purpose, providing the same offers adequate guarantees of authenticity and identification of the shareholder granting the proxy.

The Board may also regulate the remote proxy systems and procedures referred to in the preceding paragraphs, and establish other additional systems and procedures, at all times in accordance with prevailing legislation governing these matters and with the Company's By-Laws and the General Meeting Regulations.

Any proxy granted or notified by any of the remote means of communication accepted in each case must be received by the Company at the latest by 12 midnight on the day before the date appointed for the General Meeting to be held at first call for it to be valid. The Board of Directors may establish a shorter notice period in the resolution convening the General Meeting concerned, which shall be announced on the corporate website.

VOTING USING REMOTE MEANS OF COMMUNICATION

In accordance with article 25 of the General Meeting Regulations, shareholders with the right to attend meetings may vote on proposals related with the points on the agenda of any General Meeting by post, sending the Company their attendance card and their vote duly made out and signed (where appropriate using the voting form provided by the Company), or using any other written means allowing due verification, in the judgment of the Board of Directors in a prior resolution adopted in this regard, of the identity of the shareholder exercising the right to vote.

A vote cast by electronic correspondence or communication with the Company shall be accepted only where so determined by the Board of Directors in a resolution adopted in view of the state of technology and prevailing legislation governing these matters, which shall be subsequently communicated in the announcement convening the General Meeting concerned and shall be posted on the Company's website. In such resolution, the Board of Directors shall define the conditions applicable to voting by electronic correspondence or communication, necessarily including the obligation for the shareholder exercising the right to vote to include a copy of the attendance card in electronic format and to sign the communication using his/her recognised electronic signature. The Board of Directors may also accept other classes of electronic signature in a prior resolution adopted for the purpose, providing the same offers adequate guarantees of authenticity and identification of the shareholder casting the vote.

After the Board has decided, where appropriate, to admit the system of voting by electronic correspondence or communication in accordance with the above, it shall go on to adopt the pertinent measures to ensure that the acceptance of the said voting system is included and reflected in the General Meeting Regulations.

The Board may also regulate the remote voting systems and procedures referred to above, and establish other additional systems and procedures, at all times in accordance with prevailing legislation governing these matters and with the Company's By-Laws and the General Meeting Regulations.

Any cast by any of the remote means of communication accepted in each case must be received by the Company at the latest by 12 midnight on the day before the date appointed for the General Meeting to be held at first call for it to be valid. The Board of Directors may reduce this period in the resolution convening the General Meeting concerned, which shall be announced on the corporate website.

Shareholders casting remote votes shall be treated as present for the purposes of constitution of the General Meeting concerned. Accordingly, any proxies issued earlier by the same shall be deemed revoked and any issued subsequently shall be deemed not to have been made.

Votes cast remotely shall have no effect:

- (a) In the case of express, subsequent revocation by the same methods used to cast the vote within the period established for that purposes.
- (b) Where the shareholder casting the vote attends the General Meeting in person.
- (c) As a consequence of the disposal of the shares in relation to which the relevant voting rights were exercised, where the Company is aware of such disposal.

In order to prevent the possible duplication of votes, the Board of Directors may adopt the necessary measures to ensure that any person issuing a remote vote or proxy is duly entitled so to do in accordance with the By-Laws and the General Meeting Regulations.

E.4 Indicate the measures, if any, adopted to encourage participation by the shareholders at General Meetings.

In accordance with article 7 of the General Meeting Regulations, the information considered appropriate to facilitate the attendance of shareholders and their participation at the General Meeting shall be included in the Company's website as from the date of the announcement convening the General Meeting including, by way of example:

- (a) the format of the attendance card and, where appropriate, of any other documents required to delegate votes by proxy, together with an explanation of the procedure to obtain the originals, where appropriate;
- (b) information concerning the venue for the General Meeting with a description of any entry procedure, where appropriate;
- (c) a description of any remote proxy or remote voting procedures that may be employed, where appropriate; and
- (d) information concerning any systems or procedures that may be put in place to help follow proceedings at the General Meeting, such as simultaneous translation mechanisms, audiovisual media, information in other languages, etc.

Article 8(ii) of the General Meeting Regulations provides for an electronic shareholder forum to be set up on the Company's website between the announcement and the date of each General Meeting. This forum shall be open, with due assurances, to individual shareholders and any voluntary associations that may be formed in accordance with the law to allow communication of their existence before each General Meeting is held. Any supplementary proposals it may be intended to present in addition to the agenda may be published in this forum, together with requests for adhesion to such proposals, initiatives to attain a sufficient percentage to exercise any minority right established by law, as well as any offers or petitions for voluntary representation.

The Board of Directors shall regulate this electronic shareholder forum, determining procedures, terms and other conditions for its operation.

As of the date on which the General Meeting is convened, the Company shall include the text of any resolutions relating to the Meeting that the Board may make, or may have made, on the website, except where it would be materially impossible to do so (article 9 of the General Meeting Regulations).

It is the Company's policy to hold general meetings at a venue offering the best possible conditions to hold and follow the meeting, with a large capacity and located in the centre of the city where it has its registered office. Should it be necessary to hold the meeting in different rooms, the Company shall provide the necessary audiovisual resources to allow interconnectivity and intercommunication between them in real time and, therefore, to ensure the unity of the meeting (article 12.2 of the General Meeting Regulations).

The General Meeting Regulations and the Corporate By-Laws regulate the exercise of voting rights and the issue of proxies using remote communications media under the terms provided therein (see section E.3 above).

E.5 Indicate whether the Chairman of the Board of Directors chairs General Meetings. Give details of what measures, if any, are adopted to ensure the independence and correct functioning of the General Meeting:

YES

Details of measures
<p>It is the custom of the Board of Directors to request a notary to attend the General Meeting and to take the minutes (in accordance with article 6.2 of the General Meeting Regulations). Accordingly, the chairman and the Secretary to the General Meeting do not intervene in the preparation of the minutes, which is entrusted to a notary in order to guarantee neutrality vis-à-vis the shareholders.</p> <p>The Company has the necessary measures and systems for the purposes of automated control and computation of remote proxies and votes in order to verify the valid constitution of the Meeting, to prepare the list of</p>

Details of measures

shareholders present or represented at the General Meeting, which is attached in electronic format to the minutes, and to compute the quorums for the constitution of the Meeting and for the adoption of resolutions.

In accordance with article 13 of the General Meeting Regulations, the Board of Directors is authorised to allow the media access and audiovisual recording of the General Meeting.

In accordance with article 21 of the General Meeting Regulations, the Chairman is responsible, among other duties related with the interventions of the shareholders, for assigning the time initially allowed for each intervention, which shall be the same for all and shall not be less than five minutes.

Among others, the Chairman shall have the following powers to regulate the conduct of the meeting:

- (i) to request speakers to clarify any matters that may not have been understood or may not have been sufficiently explained during the intervention;
- (ii) to extend the time initially allowed for each shareholder to speak, where appropriate;
- (iii) to moderate the interventions of the shareholders, requesting where necessary that they confine their intervention to issues proper to the General Meeting, refrain from making any inappropriate declarations, and do not misuse their rights or obstruct the proceedings.
- (iv) to inform speakers that the time allowed for their intervention is close to its conclusion so that they can adjust their speech accordingly, and when the time allowed for the intervention has ended, or if they persist in the conduct referred to in point (iii) above, to withdraw the right to speak; and
- (v) if it is considered that a speaker's intervention could be adversely affect the good order and progress of the meeting, to instruct such person to leave the premises or, where applicable, to take any other measures necessary to ensure compliance.

In accordance with article 24 of the General Meeting Regulations, the Chairman of the General Meeting may, exceptionally, decide to suspend the meeting for the time required to re-establish the necessary conditions for its continuation in the event of any disturbance that might significantly disrupt the good order of the meeting or any other extraordinary circumstance that might temporarily prevent or hinder proceedings. The Chairman may likewise adopt any measures deemed appropriately to guarantee the safety of those attending and to avoid repetition of the circumstances preventing or hindering the normal course of the General Meeting.

Finally, the parties attending the General Meeting may agree to extend sessions for one or more consecutive days in accordance with article 24.2 of the General Meeting Regulations at the proposal of the directors or of a number of shareholders representing at least one quarter of the share capital attending the meeting.

E.6 Indicate, as appropriate, any amendments made to the General Meeting Regulations during the year:

It was resolved at the General Meeting held on 29 April 2011 to amend articles 5 (competencies), 7 (announcement of calls), 10 (proxies), 14 (constitution of the general meeting), 23 (proposals) and 26 (voting of proposals) of the general meeting regulations in order to bring the same into line with the Limited Liability Companies Law approved by Royal Legislative Decree 1/2010, of 2 July.

A new article 8 (ii) was included in order to regulate the new "Shareholders' Electronic Forum" referred to in article 528.2 of the Limited Liability Companies Law.

E.7 Indicate the data on attendance at the General Meetings held in the year to which this report refers:

Attendance data					
Date of General Meeting	% attendance in person	% attendance by proxy	% by remote voting		Total
			Electronic votes	Other	
29/04/2011	0.300	64.410	0.000	0.000	64.710

E.8 Briefly indicate the resolutions adopted at the General Meetings held in the year to which this report referred and the percentage of votes with which each resolution was adopted.

The resolutions described below were adopted at the Annual General Meeting held on 29 April 2011.

The 166,948,440 shares attending, out of a total of 258,012,890 shares (100% of subscribed and paid share capital at the date of the Annual General Meeting), represented 64.71% of the aforementioned subscribed and paid share capital. Of the 166,948,440 shares attending, the ratio of shares attending in person and by proxy was 778,312 shares attending in person (0.30%) and 166,170,128 shares represented by proxy (64.41%).

The resolutions adopted at the Annual General Meeting were as follows:

One.- Examination and approval, where appropriate, of the annual financial statements and management report for 2010 both of Grupo Empresarial Ence, S.A. and for its consolidated group, and the conduct of affairs by the Board of Directors during the year. The resolution was approved by majority with 440 shares against and 7,739 shares abstaining.

Two.- Examination and approval, where appropriate, of the proposed distribution of the earnings of the Grupo Empresarial Ence, S.A. The resolution was approved by majority with 1,200 shares abstaining.

Three.- Offset of prior years' losses. The resolution was approved by majority with 6,669 votes against.

Four.- Re-election, ratification and appointment of directors.

Four A: Re-election of Mr. José Manuel Serra as an independent director for the statutory period of three years as from the date of approval of this resolution. The resolution was approved by majority with the votes against of 1,802,593 shares and 7,400 shares abstaining.

Four B: Re-election of Mr. Pascual Fernandez Martínez as a proprietary director for the statutory period of three years as from the date of approval of this resolution. The resolution was approved by majority with the votes against of 7,047,254 shares and 71,134 shares abstaining.

Four C: Re-election of Norteña Patrimonial, S.L. as a proprietary director for the statutory period of three years as from the date of approval of this resolution. The resolution was approved by majority with the votes against of 7,047,254 shares and 7,400 shares abstaining.

Four D: Re-election of Atalaya Inversiones, S.L. as a proprietary director for the statutory period of three years as from the date of approval of this resolution. The resolution was approved by majority with the votes against of 5,617,212 shares and 7,400 shares abstaining.

Four E: Re-election of Mr. Pedro Barato Triguero as an independent director for the statutory period of three years as from the date of approval of this resolution. The resolution was approved by majority with the votes against of 62,141 shares and 7,400 shares abstaining.

Four F: Re-election as a director and Chief Executive Officer of Mr. Ignacio de Colmenares y Brunet, of legal age, with address for these purposes at Paseo de la Castellana 35, Madrid, and with Spanish Identity Card No. 02521961-B, for the statutory period of three years as from the date of approval of this resolution, and ratification as appropriate of his earlier appointment by cooption.

Mr. Ignacio de Colmenares y Brunet was appointed as a director by cooption to cover the vacancy left by Mr. Antonio Palacios Esteban in accordance with the resolution of the Board dated 22 December 2010.

The resolution was approved by majority with the votes against of 165,227 shares and 7,400 shares abstaining.

Five.- Appointment of the auditor of the Company and the consolidated group. The resolution was approved by majority with the votes against of 165,227 shares and 1,250 shares abstaining.

Six.- Amendment of the By-Laws in line with the Limited Liability Companies Law approved by Royal Legislative Decree 1/2010, of 2 July, and with the new Audit Law.

Six A: Proposal to amend the wording of articles 8 (unpaid share capital), 17 (share capital reductions), 21 (corporate bodies), 26 (calls for the General Meeting), 29 (constitution of the General Meeting) and 51 (Audit Committee) of the Company's By-Laws in order to bring the same into line with the Limited Liability Companies Law and the new Audit Law. The resolution was approved by majority with 8,000 votes abstaining.

Six B: Proposal to amend the references to repealed legislation made in articles 9 (non-voting shareholders), 31 (representation), 35 (deliberations and adoption of resolutions), 39 (Board of Directors), 40 (term, cooption and removal), 42 (remuneration), 44 (liability), 45 (calls and venue), 49 (delegate and consultative bodies of the Board) and 63 (*ex post facto* assets and liabilities) of the Company's By-Laws in order to replace any references to the former Companies Law by references to the new Limited Liability Companies Law. The resolution was approved by majority with 8,000 votes abstaining.

Seven.- Adaptation of the General Meeting Regulations to the Limited Liability Companies Law approved by Royal Legislative Decree 1/2010, of 2 July.

Seven A: Proposal to amend the wording of articles 5 (competences) and 7 (announcement of calls) of the General Meeting Regulations in order to bring the same into line with the new wording of the Limited Liability Companies Law. The resolution was approved with 8,000 shares abstaining.

Seven B: Proposal to amend the references to repealed legislation made in articles 10 (delegation), 14 (constitution of the General Meeting), 23 (proposals) and 26 (voting of proposed resolutions) of the General Meeting Regulations in order to replace any references to the former Companies Law and to the articles repealed in the Securities Market Law by references to the new Limited Liability Companies Law approved by Royal Legislative Decree 1/2010, of 2 July. The resolution was approved by majority with 8,000 votes abstaining.

Seven C: Proposal to include a new article 8 (ii) (electronic shareholder forum) in the General Meeting Regulations in accordance with the provisions contained in article 528.2 of the Limited Liability Companies Law. The resolution was approved by majority with 8,000 votes abstaining.

Eight.- Modification of the 2010-2015 Long-Term Incentive Plan. The resolution was approved by majority with 4,462,627 shares against and 40,476 shares abstaining.

Nine.- Authorisations pursuant to article 230 of the Limited Liability Companies Law. The resolution was approved by majority with 7,380 shares against and 825 shares abstaining.

Ten.- Delegation of powers to formalise, interpret, correct and exercise the resolutions adopted by the Shareholders General Meeting. The resolution was approved by majority with 17,500 shares against and 1,250 shares abstaining.

E.9 Indicate, as appropriate, the minimum number of shares required to attend General Meetings and whether there is any restriction in the By-Laws in this respect.

NO

Number of shares required to attend General Meetings	
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E.10 Indicate and provide support for the policies followed by the Company with respect to proxy voting at General Meetings.

The Company does not apply any particular policy in relation to proxy voting at General Meetings.

E.11 Indicate whether the Company is aware of the policy of institutional investors on participating or not participating in the Company's decisions.

NO

E.12 Indicate the URL and means of accessing corporate governance content on your website.

Click on the Shareholder & Investor Information button on the home page of the Company's website, www.ence.es.

F.- DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of the Company's compliance with the recommendations of the Unified Code of Good Governance. In the event of non-compliance with any of the recommendations, explain the recommendations, rules, practices or criteria applied by the Company.

1. The By-Laws of listed companies should not limit the maximum number of votes that may be cast by the same shareholder or contain any other restrictions that would complicate the acquisition of control of the company by purchasing shares in the market.

See sections: A.9, B.1.22, B.1.23 and E.1, E.2

Complies

2. When both the parent company and a subsidiary are listed they should clearly and publicly define:

a) The respective areas of activity and possible business relations between them, and whether the subsidiary is listed together with other group undertakings.

b) The mechanisms established to resolve any potential conflicts of interest that might arise.

See sections: C.4 and C.7

Not applicable

3. Although not formally required by mercantile law, transactions that would involve a change in the structure of the company should be submitted for approval by the General Meeting, in particular as follows:

a) Transformation of listed companies into holding companies by a process of “filiation” in which key activities formerly carried out by the company itself are passed over to dependent entities, even though the company retains full control over them.

b) Acquisition or disposal of key operating assets, where this would entail the effective modification of the corporate purpose.

c) Transactions that would have the same effect as the liquidation of the company.

Complies

4. Details proposals for the resolutions to be put to the General Meeting, including the information referred to in recommendation 28, should be published at the same time as the announcement convening the General Meeting.

Complies

5. Issues that are substantially independent of each other should be voted separately at the General Meeting to ensure that the shareholders are able to vote their preferences separately. This rule should be applied in particular:

a) To the appointment or ratification of directors, who should be elected one by one.

b) To amendments of the By-Laws, voting each substantially independent article or group of articles separately.

See section: E.8

Complies

6. Companies should allow votes to be split to allow financial intermediaries recognised as shareholders but acting on behalf of different customers to issue their votes in accordance with the instructions received.

See section: E.4

Complies

7. The Board should discharge its functions with unity of purpose and independence, dispensing the same treatment to all shareholders and being guided by the interest of the company, understood as being to maximise the economic value of the undertaking on a sustainable basis.

The Board should also ensure that the company respects the law and applicable regulations in its relations with stakeholders; performs its obligations and contracts in good faith; respects general and best practice in the sectors and geographical regions where it operates; and observes any additional principles of social responsibility that it may have adopted voluntarily.

Complies

8. The Board of Directors should assume as its core mission the approval of the company's strategy and the precise organisation required to put the same into practice, as well as oversight and control of Management to ensure that it achieves the objectives established and respects the corporate purpose and the interest of the company. For these purposes, the full Board should reserve the competence to approve:

- a) The company's general policies and strategies, including in particular:
 - i) The strategic or business Plan, as well as management objectives and annual budgets
 - ii) Investment and financing policy
 - iii) The definition of the structure of the group of companies
 - iv) Corporate governance policy
 - v) Corporate governance policy
 - vi) Remuneration policy and appraisal of senior managers' performance
 - vii) Risk control and management policy as well as the policy regarding treasury shares and, in particular, the limits on holdings.

See Sections: B.1.10, B.1.13, B.1.14 and D.3

- b) The following decisions:

- i) The appointment and eventual removal of senior executives, as well as any compensation clauses, at the proposal of the Chief Executive Officer.

See section: B.1.14

- ii) The remuneration of directors, as well as any additional remuneration paid to executive directors in respect of their executive duties and other terms and conditions of their contracts.

See section: B.1.14

- iii) The financial information that the company is required to publish on a regular basis as a listed entity.

- iv) Investments and transactions of all kinds that are of a strategic nature in view of the amounts involved or their special characteristics, unless approval is reserved for the General Meeting of the Shareholders.

- v) The creation of special purpose vehicles or entities registered in tax havens, or the acquisition of ownership interests therein, as well as any other transactions or operations of a similar nature that could adversely affect the transparency of the group given their complexity.

- c) Transactions entered into by the company with directors, significant shareholders and shareholders represented on the Board, or with persons related therewith ("related-party transactions").

Such authorisation by the Board of Directors shall not, however, be deemed necessary in the case of related-party transactions that simultaneously meet all three of the following conditions:

- 1.- The transaction is carried out under a contract containing standard terms and conditions that are applied en masse to numerous other customers.
- 2.- The transaction is carried out at prices or rates established in general by the party acting as the supplier of the goods or provider of the services concerned.
- 3.- The amount of the transaction does not exceed 1% of the company's annual revenues.

It is recommended that the Board of Directors approve related-party transactions subject to a favourable report from the Audit Committee or, where appropriate, from such other officer or body as may have been assigned this function, and that the directors affected should not vote either directly or by proxy, and should leave the meeting room while the Board deliberates and votes on the transaction.

It is recommended that the competences attributed to the Board of Directors in this section should not be delegated, with the exception of the matters referred to in points b) and c), on which a decision may be adopted by the Delegate Committee in urgent cases for subsequent ratification by the full Board.

See sections: C.1 and C.6

Complies

9. The Board of Directors should be of an appropriate size to achieve efficiency and participation. In principle, a suitable size would range from a minimum of five to a maximum of fifteen members.

See section: B. 1.1

Complies

10. Non-executive proprietary and independent directors should constitute an ample majority on the Board of Directors, and the number of executive directors should be the minimum necessary in view of the complexity of the corporate group and the percentage ownership interests held by the executive directors in the company.

See sections: A.2, A.3, B.1.3 and B.1.14

Complies

11. If there is any non-executive director who cannot be considered either a proprietary or an independent director, the company should explain such circumstance and describe the director's links to both the company and its management, and to the shareholders.

See section: B.1.3

Complies

12. Among the non-executive directors, the number of proprietary directors to independent directors should reflect the ratio of the company's capital represented by the proprietary directors and the rest of the share capital.

This criterion of strict proportionality may be relaxed so that the number of proprietary directors is greater than that corresponding to the total percentage of share capital represented:

1. In companies with a very high capitalisation in which there are very few or no ownership interests that would legally be defined as significant shareholdings, but with shareholders holding packages of shares with a high absolute value.
2. In the case of companies in which numerous shareholders, who are not in any way related, are represented on the Board.

See sections: B.1.3, A.2. and A.3

Complies

13. The number of independent directors should represent at least one third of the total number of directors.

See section: B.1.3

Complies

14. The status of each director should be explained by the Board of Directors to the General Meeting of the Shareholders at which the directors are to be appointed or ratified. Directors' status should be confirmed each year in the Annual Corporate Governance Report, subject to verification by the Appointments Committee. The Report should also explain the reasons why any proprietary directors may have been appointed at the request of shareholders holding ownership interests representing less than 5% of share capital. The reasons why formal requests for a presence on the Board of Directors made by any shareholders holding an ownership interest equal to or greater than that of others at whose behest proprietary directors were appointed should also be explained.

See sections: B.1.3 and B.1.4

Complies

15. Where there are few or no female directors, the Board of Directors should explain the reasons and the initiatives taken to correct the situation. In particular, the Appointments Committee should oversee in the case of any new vacancies' arising that:

- a) Selection procedures are free of any implicit bias that could prevent the selection of female directors.
- b) The company consciously seeks women meeting the required profile for inclusion among the potential candidates.

See sections: B.1.2, B.1.27 and B.2.3

Explanation

In accordance with article 17.2) of the Board Regulations, the Board of Directors has assigned to the Appointments and Remuneration Committee the duty to oversee selection procedures in the event of new vacancies' arising or appointment of new directors to ensure that they are not affected by any bias that could imply gender discrimination. The Appointments and Remuneration Committee complied with this charge in relation to the proposals for the appointment of directors submitted to the General Meeting in 2011.

16. As the officer responsible for the effective functioning of the Board of Directors the Chairman should ensure that the directors receive sufficient prior information; encourage debate and the active participation of the directors at Board meetings, ensuring that positions are freely taken and safeguarding the expression of opinions; and organise and coordinate the periodic appraisal of the Board of Directors, and where appropriate appraisal of the Chief Executive Officer or the senior executive, with the chairmen of the relevant Committees.

See section: B.1.42

Complies

17. Where the Chairman of the Board of Directors is also the company's chief executive officer, one of the independent directors should be empowered to convene the Board or move the inclusion of additional points on the agenda, to coordinate and express the concerns of the non-executive directors; and to direct appraisals of the Chairman by the Board of Directors.

See section: B.1.21

Not applicable

18. The Secretary to the Board should take special care to ensure that the actions of the Board of Directors:

- a) Are in accordance with the spirit and the letter of the Law and any applicable regulations, including those issued by regulatory authorities;
- b) Are in accordance with the company's By-Laws, the Regulations of the General Meeting and the Board of Directors, and with any other rules applicable in the company;
- c) Observe the good governance recommendations contained in the Unified Code accepted by the company.

In order to safeguard the independence, impartiality and professionalism of the Secretary, the same shall be appointed and removed by the full Board subject to appropriate reports from the Appointments Committee, and the appointment and removal procedures shall be set forth in the Board Regulations.

See section: B.1.34

Complies

19. The Board should meet frequently enough to discharge its functions effectively, following the schedule of dates and issues established at the beginning of the year, and each Director should be permitted to propose other points on the agenda which were not initially foreseen.

See section: B.1.29

Partially Complies

The Board of Directors met on 11 occasions during 2011, often enough to discharge its functions effectively, following the schedule established at the beginning of the year. However, the Board Regulations do not provide

for each of the directors to propose other points on the agenda which were not initially foreseen, and such proposals must be seconded by at least one third of the directors (article 10 of the Board Regulations).

20. Non-attendance by directors should be confined to unavoidable cases and should be quantified in the Annual Corporate Governance Report. Where a proxy is essential, it should be conferred with instructions.

See sections: B. 1.28 and B.1.30

Complies

21. If the directors or the Secretary may voice concerns over any proposal or, in the case of the directors, over the position and progress of the Company, and such concerns are not resolved at the meeting of the Board, the party voicing the same may request that they be included in the minutes.

Complies

22. The Board of Directors should appraise the following once per year:

- a) The quality and efficiency of the Board's functioning.
- b) The discharge by the Chairman of the Board and by the company's chief Executive Committee officer of their functions, based on the report furnished by the Appointments and Remuneration Committee.
- c) The functioning of the Board Committees, based on the reports furnished by each.

See section: B.1.19

Complies

23. All directors should be able effectively to exercise their right to obtain any additional information they may deem necessary with regard to issues falling within the purview of the Board. Unless otherwise established in the By-Laws or in the Board Regulations, directors should address any such requests to the Chairman or to the Secretary to the Board.

See section: B.1.43

Complies

24. All of the directors should have the right to obtain from the company the necessary advice to discharge their functions, and the company should establish adequate channels for the exercise of this right, which may include the recourse to external advisory services as the company's cost in exceptional circumstances.

See sections: B.1.41

Complies

25. Companies should establish an orientation programme to provide new directors with a sufficiently knowledge of the company and its corporate governance rules quickly. They should also provide refresher programmes to update directors' knowledge where circumstances so require.

Partially Complies

There is no formal or specific orientation programme for new directors. However, the persons appointed to the Board of Directors are provided with a dossier containing the necessary documentation regarding the Company's functioning, which includes the By-Laws, the Board Regulations and the General Meeting Regulations. Furthermore, they are assured of the full availability of the Secretary to the Board and other senior officers of the company to assist them with any queries they may have.

26. Companies should require their directors to dedicate the necessary time and effort to discharge their functions effectively and, as a consequence:

- a) Directors should inform the Appointments Committee of their other professional obligations, in case the same might interfere with the dedication required.
 - b) Companies should establish rules governing the number of boards on which their directors may sit.
- See sections: B.1.8, B.1.9 and B.1.17*

Partially Complies

The recommendation set forth in point a) above is followed.

The recommendation set forth in point b) above is not followed.

27. Proposals for the appointment or re-election of directors made by the Board of Directors to the General Meeting, as well as provisional appointments made by cooption, should be approved by the Board:

- a) At the proposal of the Appointments Committee in the case of independent directors.
- b) Subject to a prior report from the Appointments Committee in the case of other directors.

See section: B.1.2

Complies

28. Companies should publish and keep the following information concerning directors up to date on their website.

- a) Professional and biographical profile.
- b) Other boards of directors on which a director sits, whether or of listed or unlisted companies.
- c) Indication of the category to which the director belongs, as appropriate, with identification of the shareholder represented or with whom the director is linked in the case of proprietary directors.
- d) Date of first appointment as a director of the company, and date of subsequent appointments.
- e) Shares stock options held in the company.

See sections:

Partially Complies

The company does not comply with point b) of this recommendation as regards unlisted companies. The remaining information is contained in this report and, as such, is available on the Company's website.

29. Independent directors should not continue as such for an uninterrupted period of more than 12 years.

See section: B.1.2

Complies

30. Proprietary directors should tender their resignation when the shareholder represented sells the ownership interest held in the company. An appropriate number of proprietary directors should also resign when the shareholder concerned reduces its shareholding to a level that would require a reduction in the number of its proprietary directors.

See sections: A.2, A.3 and B.1.2

Complies

31. The Board of Directors should not propose the removal of any independent director before the end of the statutory term for which such director was appointed, except in the case of good cause as established by the Board based on a prior report from the Appointments Committee. In particular, it shall be understood that good cause exists where the director concerned may have failed to discharge the duties inherent in his office, or may be affected by any of the circumstances described in section III.5, definitions of this Unified Code.

The removal of independent directors may also be proposed as a consequence of Public Takeover Bids, mergers or other similar corporate transactions resulting in a change in the ownership structure of the company, where such changes in the structure of the Board are the result of the principle of proportionality referred to in Recommendation 12.

See sections: B.1.2, B.1.5 and B.1.26

Complies

32. Companies should establish rules requiring the directors to report, and where appropriate, to resign in any circumstances that could adversely affect the standing and reputation of the company. In particular, directors should be obliged to inform the Board of Directors of any criminal proceedings in which they may be involved, and of the subsequent progress of trial proceedings.

If a director indicted or oral hearings are opened against him in relation to any of the offences referred to in article 124 of the Limited Liability Companies Law, the Board of Directors should examine the case as soon as possible and decide in view of the circumstances whether or not the director concerned should continue in office. The Board should give a reasoned explanation of all such circumstances in the Annual Corporate Governance report.

See sections: B.1.43 and B.1.44

Complies

33. All directors should clearly express their concerns where they consider that any decision proposed to the Board of Directors could be contrary to the corporate interest. In particular, the independent and other directors who are not affected by the potential conflict of interest should voice their opposition in the case of decisions that could adversely affect shareholders who are not represented on the Board.

If the Board of Directors repeatedly adopts significant decisions with regard to which a director may have voiced serious reservations, the same should draw the appropriate conclusions and, if he/she opts to resign, should explain the reasons in the letter referred to in the letter referred to in Recommendation 34 below.

This Recommendation shall also refer to the Secretary to the Board, even where the same is not a director.

Complies

34. If a director leaves office before the end of his/her mandate, whether due to resignation or for any other reason, he should explain his reasons in a letter addressed to all of the members of the Board of Directors. The reasons for the removal of the director concerned should be explained in the Annual Corporate Governance Report, without prejudice to communication thereof as a relevant event.

See section: b.1.5

Partially Complies

The Board Regulations do not require that the reasons for resignation be explained in a letter addressed to all members of the Board of Directors. The reasons for the removal of directors in 2011 are explained in this Annual Corporate Governance Report.

35. The remuneration policy approved by the Board should address at least the following issues.

- a) Amount of fixed remuneration items with a breakdown, where appropriate, of attendance fees for Board and Committee meetings and an estimate of the fixed annual remuneration to which they give rise.
- b) Variable remuneration items, including in particular:
 - i) The categories of directors to which they apply, and explanation of the relative significant of variable remuneration items compared to fixed remuneration.

- ii) Criteria for the evaluation of results as a basis for any rights to share-based remuneration, stock options or any other variable item.
 - iii) Underlying parameters and basis for any system of annual bonuses or other non-cash benefits.
 - iv) Estimate of the total amount of variable remuneration to which the proposed remuneration plan would give rise based on the level of fulfilment of benchmark assumptions or objectives.
- c) Key characteristics of pension and similar systems (e.g. supplementary pensions, life insurance and similar items).
- d) Terms and conditions of the contracts made with senior executives and executive directors, including:
- i) Term
 - ii) Notice periods
 - iii) any other clauses related with contracting bonuses, compensation or golden parachutes in the case of early termination or non-renewal of contractual relations between the company and the executive director.

See section: B.1.15

Complies

36. The use of remuneration based on payment in shares in the company or in group companies, stock options or other instruments based on share prices, variable remuneration systems based on the performance of the company and pension systems should be confined to executive directors.

This Recommendation shall not affect payment in shares where such remuneration is conditional upon the directors' holding the shares received until they leave office.

See sections: A.3 and B.1.3

Complies

37. The remuneration paid to non-executive directors should be sufficient to compensate them for their dedication, skills and the responsibility inherent in the office, but it should be so high as to compromise their independence.

Complies

38. Remuneration based on the results obtained by the company should take into consideration any possible qualifications contained in the external auditor's report which might reduce the results reported.

Not applicable

39. In the case of variable remuneration, remuneration policies should include the necessary technical caveats to ensure that such remuneration is appropriately linked to the professional performance of beneficiaries and is not derived simply from the general evolution of the markets or the sector in which the company operates, or other similar circumstances.

Not applicable

40. The Board of Directors should submit a report on the policy for directors' remuneration to the General Meeting of the Shareholders as a separate point on the agenda. The report should be made available to the shareholders either as a separate document or in any other considered appropriate by the company.

The report should focus in particular on the remuneration policy approved by the board for the current year and, where appropriate, for future years. It should address all of the issues referred to in Recommendation 35 above, except insofar as this might result in the disclosure of sensitive commercial information. The report should stress the most significant changes in remuneration policies in comparison with the year preceding that to which the Annual General Meeting refers, and it should include a general summary of how the remuneration policy was applied in the prior year.

The Board of Directors should also report on the role played by the Remuneration Committee in the preparation of the remuneration policy, and if external advice was taken it should identify the consultants providing the same.

See section: B.1.16

Complies

41. The individual remuneration of the directors for the year should be disclosed in the Annual Report, including
- a) An individualised breakdown of the remuneration earned by each director, including where appropriate:
 - i) Attendance fees and other fixed remuneration received by the director.
 - ii) Additional remuneration as chairman or a member of any Board committee.
 - iii) Any remuneration received by way of participation in benefits or bonuses, and the reason for granting such items.
 - iv) The contributions made on behalf of the director to defined contributions pension plans, or the increase in the vested rights of the director in the case of defined benefits plans.
 - v) Any compensation agreed or paid in the event of termination of office.
 - vi) Remuneration earned as a director of other group companies.
 - vii) Remuneration in respect of the discharge of senior management functions by executive directors.
 - viii) Any other remuneration item other than the above, whatever the nature thereof or the group entity paying the remuneration, especially where it may be considered a related-party transaction and omission might distort the true and fair image of the total remuneration received by the director.
 - b) An individualised breakdown of any possible share-based payments made to directors, or the delivery of stock options or any other instrument based on the share price, detailing:
 - i) The number of shares or options granted during the year, and the conditions under which the relevant rights may be exercised.
 - ii) The number of options exercised during the year, stating the number shares affecting and strike price.
 - iii) The number of options outstanding at the year end, with an indication of the strike price, the date on which the options may be exercised and any other related requirements.
 - iv) Any amendment made during the year to the terms and conditions of options granted.
 - c) Information concerning the relationship between the remuneration earned by the executive directors in the prior year and the company's results or other performance measures.

Partially Complies

The Company's Annual Report contains individualised disclosures of the remuneration items earned by the directors in relation to the functions proper to their office as such.

42. If a Delegate or Executive Committee exists (hereinafter the Delegate Committee), the membership structure for the different categories of director should be similar to that of the Board of Directors and the committee secretary should be the Secretary to the Board.

See sections: B.2.1 and B.2.6

Partially Complies

The Executive Committee is formed by two executive directors, one proprietary director, one independent director and one non-executive director (not a proprietary director or independent director).

The Board of Directors considers the composition of the Executive Committee to be balanced, as described in the preceding paragraph. The ratio of independent directors on the Committee is 1 to 5, which is to say 20%, while it is 35.71% on the Board. Moreover, the Secretary to the Board is also the secretary to the Executive Committee. The Board of Directors considers it reasonable and appropriate for the executive directors to form part of the Executive Committee.

Accordingly, the Board considers that the company is substantially in compliance with Recommendation 42.

43. The Board should at all times be aware of the matters dealt with and decisions adopted by the Delegate Committee, and all members of the Board of Directors should receive a copy of the minutes to the meetings of the Delegate Committee.

Explanation

The matters dealt with and the decisions adopted by the Executive Committee at each of its meetings are reported at the next meeting of the Board of Directors. Minutes are drawn up after each meeting of the Executive Committee and are furnished to all members of the Board of Directors.

44. In addition to the Audit Committee required by the Securities Market Law, the Board of Directors should set up an Appointments and Remuneration Committee, or two separate committees, one for Appointments and the other for Remuneration.

The rules governing the membership and functioning of the Audit Committee and the Appointments and Remuneration Committee or committees should be set forth in the Board Regulations and should include the following:

- a) The Board of Directors shall appoint the members of these Committees in view of the knowledge, skills and experience of the directors and the mission of each Committee, and it shall debate the Committees' proposals and reports. The Committees shall report to the Board on their activities and account for their work at the first full meeting of the Board after each of their meetings.
- b) The members of these Committees shall be exclusively drawn from among the non-executive directors, and they shall have a minimum of three members. Without prejudice to the foregoing, executive directors and senior executives where expressly agreed by the members of the Committee.
- c) The Chairmen of the Board Committees shall be independent directors.
- d) They shall be permitted to seek external advice where they consider it necessary for the discharge of their functions.
- e) They shall take minutes of their meetings and furnish copies to all members of the Board of Directors.

See sections: B.2.1 and B.2.3

Partially Complies

In accordance with articles 16, 17 and 27 of the Board Regulations and prevailing corporate practice, the Company complies with all points of Recommendation 44 except with regard to the chairmanship of the Appointments and Remuneration Committee, which is held by a non-executive director (not a proprietary director or an independent director). Minutes are taken at all meetings of the Audit Committee and the Appointments and Remuneration Committee, which are provided to all members of the Board. A report on each meeting of the Audit Committee and the Appointments and Remuneration Committee is provided at the next meeting of the Board of Directors.

45. The Audit Committee, the Appointments Committee or, if they exist as separate committees, the Compliance or Corporate Governance Committee should be assigned responsibility for overseeing internal codes of conduct or the rules of corporate governance.

Complies

46. The members of the Audit Committee and its chairman in particular, shall be appointed in view of their knowledge and experience in matters of accountancy, auditing and risk management.

Complies

47. Listed companies should establish an internal audit service to oversee the proper functioning of the information systems and internal controls under the supervision of the Audit Committee.

Complies

48. The officer responsible for the internal audit function should submit an annual plan of work to the Audit Committee. He/she should report directly on any incidents arising in the course of internal audits and should submit an activity report at the end of each year.

Complies

49. The risk control and management policy should identify at least:

- a) The different classes of risk (operating, technological, financial, legal, reputational and other risks) to which the company is exposed, including contingent liabilities and other off-balance sheet risks among financial and economic risks.
- b) The level of risk which the company considers acceptable.
- c) The measures in place to mitigate the impact of the risks identified should any of the same materialise.
- d) The information systems and internal controls which will be used to control and manage the aforementioned risks, including any contingent liabilities or off-balance sheet risks.

See section D

Complies

50. The Audit Committee should be responsible for the following:

1.- In relation to information and internal control systems:

- a) Overseeing the process of preparation and integration of the company's and, where appropriate, the group's financial information, reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the proper application of accounting criteria.
- b) Periodically reviewing internal control and risk management systems to ensure that the principal risks are identified, managed and appropriately disclosed.
- c) Overseeing the independence and effectiveness of the internal audit department; proposing the selection, appointment, re-selection and removal of the internal audit office; proposing the department's budget; receiving periodic information about internal audit activities; and verifying that senior management takes the conclusions and recommendations of internal audit reports in to account.
- d) Establishing and supervising a mechanism allowing employees confidentially, or anonymously where appropriate, to report any potentially important irregularities they may observe in the company, especially with regard to financial and accounting matters.

2.- In relation to the external auditor:

- a) Proposing the selection, appointment, re-election and replacement of the external auditor to the Board of Directors, as well as the terms of the engagement.
- b) Receiving regular information from the external auditor with regard to the audit plan and the results of the procedures carried out, and verifying that senior management takes the auditor's recommendations into consideration.

- c) Assuring the independence of the external auditor, in which connection:
- i) The company should report a change of auditor to the CNMV as a relevant event, accompanied by a declaration regarding the possible disagreements with the outgoing auditor and the content thereof, should any such exist.
 - ii) The Audit Committee should ensure that the company and the auditor respect prevailing rules governing the provision of non-audit services, the limits on auditor's business concentration and, in general, any other regulations established to ensure the independence of the auditors.
 - iii) If the external auditor resigns, the Audit Committee should examine the circumstances.
- d) In the case of groups, ensuring that the group auditor assumes responsibility for the audits of the group companies.

See sections: B.1.35, B.2.2, B.2.3 and D.3

Complies

51. The Audit Committee may request the presence of any employee or executive of the company, and even require them to attend without the presence of any other executive.

Complies

52. The Audit Committee should report to the Board of Directors on the following issues, enumerated in Remuneration 8, prior to the adoption by the Board of the relevant decisions.

- a) The financial information which the company is required to publish on a regular basis as a listed entity. The Committee should ensure that interim financial statements are prepared using the same accounting criteria as the annual financial statements and, to that end, take into consideration a limited review by the auditor.
- b) The creation of special purpose vehicles or entities registered in tax havens or the acquisition of ownership interests therein, as well as any other transactions or operations of a similar nature that could adversely affect the transparency of the group given their complexity.
- c) Related-party transactions, except where the prior reporting function is assigned to any of the other supervisory and control Committees.

See sections: B.2.2 and B.2.3

Complies

53. The Board of Directors should make its best efforts to submit financial statements for approval at the General Meeting without any reservations or qualifications in the audit report. In the exceptional circumstances where the audit opinion is qualified, both the Chairman of the Audit Committee and the auditors should clearly explain the contents and scope of reservations or qualifications to the shareholders.

See section B.1.38

Complies

54. The majority of the members of the Appointments Committee (or of the Appointments and Remuneration Committee, if a single committee exists) should be independent directors.

See section B.2.1

Explanation

The Appointments and Remuneration Committee is formed by two proprietary directors, one independent director and one non-executive director (not a proprietary director or an independent director). The Company considers that the Committee performs its mission appropriately and in a satisfactory manner.

55. The Appointments Committee shall be responsible for the following in addition to the functions indicated in the preceding Recommendations:

- a) Evaluating the necessary competences, knowledge and experience in the Board of Directors and defining the functions and skills required of candidates to cover any vacancy accordingly, as well as evaluating the time and dedication required to discharge the office of director appropriately.
- b) Examining or organising the succession to the Chairman and the Chief Executive Officer on an appropriate basis, and making proposals to the Board of Directors to ensure that the succession takes place in an orderly, well planned manner.
- c) Reporting to the Board on proposals for the appointment or removal of senior executives.
- d) Reporting to Board of Directors on the gender diversity issues referred to in Recommendation 14 of this Code.

See sections: B.2.3

Complies

56. The Appointments Committee should consult with the company's Chairman and chief executive officer, especially on matters referring to executive directors.

Any director may request the Appointments Committee to take into consideration any potential candidates they may consider suitable to cover any vacancies on the Board.

Complies

57. In addition to the functions indicated in the above Recommendations, the Remuneration Committee should be assigned responsibility for the following:

- a) Proposing to the Board of Directors:
 - i) The remuneration policy for directors and senior executives
 - ii) The individual remuneration of executive directors and other terms and conditions of their contracts
 - iii) The basic terms and conditions of senior executives' contracts
- b) Overseeing compliance with the remuneration policy established by the Company.

See sections: B.1.14 and B.2.3

Complies

58. The Remuneration Committee should consult with the company's Chairman and chief executive officer, especially on matters referring to executive directors and senior executives.

Complies

G.- OTHER INFORMATION OF INTEREST

If you consider that there is any material issue principle relating to the corporate governance practices followed by your company that has not been addressed in this report, indicate and explain below.

1. CLARIFICATIONS OF DIFFERENT SECTIONS OF THIS REPORT

SECTION A.2

On 13 February 2012 Liberbank, S.A. notified the acquisition of indirect voting rights via Cantábrica de Inversiones de Cartera, S.L. and Norteña Patrimonial, S.L., both of which are 100% owned, and via Banco de Castilla-La Mancha, S.A., which is 75% owned, as a consequence of the spin-off of the principal and ancillary assets forming the banking business of Caja de Ahorros de Asturias, Caja de Ahorros y Monte de Piedad de Extremadura and Caja de Ahorros de Santander and Cantabria, and the transfer of universal title to the said banking business en bloc to Effibank, S.A. in accordance with the public deed executed on 10 August 2011 before the Notary of Madrid, Mr. Manuel Gonzalez-Meneses García-Valdecasas. Also in accordance with the deed executed on 10 August 2011 before the aforementioned Notary, Effibank, S.A. changed its name to Liberbank, S.A., and this change was entered in the Madrid companies register on 29 August 2011.

SECTION A.3

This report refers to the structure of ownership of the Company's share capital at 31 December 2011. Accordingly, section A.3 does not reflect acquisitions and disposals arising subsequent to the year end.

In this regard, the director Retos Operativos XXI, S.L. formalised the sale of put options over a total of 5,460,391 voting rights according to the notification filed with the CNMV on 11 January 2012.

SECTIONS B.1.11 and B.1.12

The amount indicated in respect of total remuneration of senior management includes payments made to the executives included in the table shown in Section B.1.12 (which reflects the situation at 31 December 2011) and to other executives who were removed in 2011.

The individual remuneration indicated in Sections B.1.11 and B.1.12 does not include the remuneration earned by the Chief Executive Officer under the service agreement, which totalled EUR 1,080.98.

SECTION B.1.39

The Company's auditors examined the Company's 2011 financial statements and the accounts of the group companies required to perform mandatory audits.

SECTION B.1.40

The interests owned by Messrs. Juan Luis Arregui Ciarsolo and Fernando Abril-Martorell in the share capital of Foresta Capital, S.L. are held indirectly.

Mr. Javier Arregui Abendivar, the natural person representing the director Retos Operativos XXI, S.A., is also the representative of the Sole Director of Foresta Capital, S.L. At the Annual General Meeting of the Company held on 29 April 2011 the Shareholders resolved to ratify the waiver granted by the Board of Directors on 23 July 2008 in relation to the functions performed by Mr. Javier Arregui Abendivar as the representative of the sole director of Foresta Capital, S.L. Nevertheless, Mr. Javier Arregui Abendivar does not own any interests in the share capital of Foresta Capital, S.L.

SECTIONS B.2.1 and B.2.3

The Territorial Forestry Plans Implementation Committee was created in accordance with the resolution of the Board of Directors dated 28 September 2009. The members of the Committee are.

Name Office Type

JUAN LUIS ARREGUI CIARSOLO CHAIRMAN EXECUTIVE
IGNACIO DE COLMENARES Y BRUNET MEMBER EXECUTIVE
NORTEÑA PATRIMONIAL, S.L. MEMBER PROPRIETARY
PEDRO JOSÉ LÓPEZ JIMÉNEZ MEMBER PROPRIETARY
PEDRO BARATO TRIGUERO MEMBER INDEPENDENT

CARLOS DEL ÁLAMO JIMÉNEZ MEMBER INDEPENDENT

The organisation and functioning of the Territorial Forestry Plans Implementation Committee was established in accordance with the resolution of the Board of Directors dated 28 September 2009. A brief description is as follows:

(a) Composition: The Committee shall be formed by a maximum of six directors, including the Chairman and the Chief Executive Officer of the Company. The Committee chairman shall be the Chairman of the Board of Directors, and the Chief Executive Officer shall stand in for the Chairman in his absence. The Committee may appoint a secretary from among its members, or it may request that the function of secretary be discharged by any executive of the Company attending its meetings.

(b) Competences: Without prejudice to any other functions that may be assigned by the Board of Directors, the Territorial Forestry Plans Implementation Committee shall be competent to report, advise, assist and make proposals with regard to the following matters, and any other matters related therewith:

(i) Design of the Company's overall strategy for action in territorial forestry developments and implementation in the different territories where it intends to operate.

(ii) Preparation, modification and implementation, where appropriate, of territorial forestry plans in the different Autonomous Communities where the Company operates.

(iii) Institutional relations with the competent authorities and in particular with regional and local government agencies in order to foster the Company's forestry operations.

(iv) Promotion of pilot projects in relation to cooperation and/or concentration of estates and forest management.

(c) Functioning: The Territorial Forestry Plans Implementation Committee shall meet each time the Committee Chairman or any of its members considers it necessary for the proper discharge of its functions. The Committee meetings may be attended by any manager or employee of the Company and by any outside persons invited to be present, who shall be allowed to speak but not to vote. The activities of the Committee shall be reported to the Board of Directors in periodic reports detailing the progress made with the working plans established.

The Territorial Forestry Plans Implementation Committee has been created initially to act on an occasional and temporary basis in connection with the forestry plans that the Company intends to implement in the territories where it seeks to operate. Given the initially interim nature of the Committee, it has not been considered necessary to include the regulations of the Territorial Forestry Plans Implementation Committee in the Board Regulations for the present. However, the said regulations may be included in the future in view of the progress and continuity of the Committee's activity.

The Committee met twice in 2011.

SECTION E.1

In accordance article 29 of the Company's By-Laws, the statutory quorums do not differ from the system established in the Limited Liability Companies Law. Accordingly, the General Meeting shall be validly constituted at first call when the shareholders presented or represented own at least 25% of subscribed share capital with voting rights. The General Meeting shall be validly constituted at second call whatever the capital present.

However, the presence of shareholders, either in person or represented by proxy, owning at least 50% of subscribed share capital with voting rights shall be required at first call for the Ordinary or Extraordinary General Meeting validly to resolve to issue bonds, to increase or decrease share capital, to transform, merge, spin off or dissolve the Company and, in general, to amend the By-Laws in any way. At the second call it shall be sufficient for 25% of the share capital to be present for these purposes. Where the shareholders present at the General Meeting represent less than 50% of subscribed share capital with voting rights, the resolutions referred to in this paragraph shall be validly adopted only if they receive the votes in favour of two thirds of the share capital present or represented at the General Meeting.

SECTION E.2

In accordance with the By-Laws (article 35.4) and the Board Regulations (article 27), the majority required to adopt a resolution shall be half plus one of the shareholders holding voting rights who are present or represented at the General Meeting (unless a larger majority is required in accordance with the By-Laws –see E.1– or by Law, and each share shall confer one vote, without prejudice to article 26.3.iv of the Board Regulations, in accordance with which the shares deemed present or represented by proxy in the event of the adoption of resolutions relating to matters not included on the agenda for meetings shall not include those of shareholders participating in the General Meeting via remote voting mechanisms.

SECTION E.9

In accordance with the By-Laws (article 30.1) and the Board Regulations (article 1.1), all shareholders of the Company may attend the General Meeting, providing their shares are duly entered in their name in the pertinent books at least five days prior to the date at which the General Meeting is due to be held. In order to exercise their right of attendance, shareholders shall obtain the necessary attendance cards, which shall be issued up to two days prior to the date of the General Meeting in accordance with the conditions established in the announcement convening the meeting. Any shareholders entitled to attend may also be represented at the General Meeting by proxy. Proxies shall be granted in writing (either on paper or in electronic format) and specifically for each General Meeting (article 31.1 of the By-Laws and article 10.1 of the Board Regulations). Proxies shall always be revocable. Attendance by the principal at the General Meeting, whether in person or by casting a remote vote, shall entail the revocation of any proxy, whatever the date of the same (article 31.2 of the By-Laws and article 10.2 of the Board Regulations).

This section may include any other information, clarification or qualification relating to the previous sections of this report, provided that it is material and is not repetitive.

In particular, indicate whether the company is subject to any legislation other than Spanish legislation on corporate governance, and if so, include the information that it is required to furnish, where such information differs from that required in this report.

Binding definition of independent director:

Indicate if any of the independent directors has, or has had, any relations with the company, its significant shareholders or its executives that would, had it been sufficiently significant or important, have determined that such director could not be considered independent in accordance with the definition set forth in section 5 of the Unified Code of good governance.

NO

Date and signatures:

This Annual Corporate Governance Report was approved by the Company's Board of Directors at its meeting held on

28/02/2012

Indicate whether any of the Directors voted against or abstained in relation to the approval of this report.

NO



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ANNEX TO THE 2011 ANNUAL CORPORATE GOVERNANCE REPORT
OF GRUPO EMPRESARIAL ENCE, S.A.

The Spanish Sustainable Economy Law (Law 2/2011) amended the Securities Market Law (Law 24/1988, of 28 July) by including a new Chapter VI, which in turn included article 62(ii) regulating the content of the Annual Corporate Governance Report and repealing and amending articles 116(i) and 116(ii) of the Securities Market Law.

Grupo Empresarial Ence, S.A. has used the contents and structure of the model established in Circular 4/2007, of 27 December, of the Spanish National Securities Market Commission (CNMV) to prepare the Annual Corporate Governance Report for 2011, even though the prevailing form does not yet include all of the sections referred to in the new article 61(ii) of the Securities Market Law.

Accordingly, the Company has prepared this Annex to provide the information required by the new sections included in article 61(ii) of the Securities Market Law as follows:

1. Securities not traded on regulated markets in the EU, stating the different classes of shares, where appropriate, and the rights and obligations conferred by each class of shares.
2. Any restriction on the transferability of securities and any restrictions on voting rights.
3. Rules applicable to the amendment of the Company's By-Laws.
4. Significant agreements entered into by the Company which will come into force, be modified or be terminated in the event of a change of control in the Company as a result of a takeover bid and its effects.
5. Agreements between the Company and its directors, managers or employees providing for compensation in the event of resignation or improper dismissal, or if employment relations are terminated as a consequence of a public takeover bid.
6. A description of the main characteristics of the internal control and risk management systems in relation to the financial reporting process.

Each of the aforementioned sections is discussed below.

1. Securities not traded on regulated markets in the EU, stating the different classes of shares, where appropriate, and the rights and obligations conferred by each class of shares.

No securities have been issued which are not traded on markets outside the EU.

2. Any restriction on the transferability of securities and any restrictions on voting rights.

As explained in section A.10 of the Annual Corporate Governance Report, there are no statutory restrictions on the transferability of the securities representing Ence's share capital.

The Company's By-Laws do not establish any restrictions on the exercise of voting rights by the shareholders.

3. Rules applicable to the amendment of the Company's By-Laws.

In accordance with article 29 of Ence's by-laws, a first-call quorum of shareholders, attending in person or represented by proxy, equal to at least 50% of subscribed share capital with voting rights shall be required validly to resolve the amendment of the by-laws. At the second call a quorum of 25% of the share capital shall be sufficient. Where the shareholders attending represent less than 50% of share capital with voting rights, the resolutions referred to above shall be validly adopted only with the votes in favour of two thirds of the share capital attending the General Meeting, whether in person or by proxy.

In accordance with article 286 of the Limited Liability Companies Law, the directors or, where appropriate, the shareholders proposing the motion to amend the by-laws shall draw up the complete text of the proposed amendment and a written report supporting the amendments, which shall be made available to the shareholders when the General Meeting convened to debate the amendment is called.

Furthermore, the announcement convening the General Meeting shall clearly explain the amendments to be made, in accordance with article 287 of the Limited Liability Companies Law, and it shall expressly mention the right of all shareholders to examine the full text of the proposed amendment and the aforementioned report at the Company's



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registered office, and to request that copies of these documents be provided or mailed to shareholders free of charge.

4. Significant agreements entered into by the Company which will come into force, be modified or be terminated in the event of a change of control in the Company as a result of a takeover bid and its effects.

The Company has not entered into any significant agreements that would come into force, be modified or be terminated in the event of a change of control in the Company as a result of a takeover bid.

5. Agreements between the Company and its directors, managers or employees providing for compensation in the event of resignation or improper dismissal, or if employment relations are terminated as a consequence of a public takeover bid.

In accordance with article 61(ii).4.5 of the Securities Market Law, the Company represents that there are no agreements between the Company and its directors, managers or employees which provide for compensation in the event of resignation or improper dismissal, or if employment relations are terminated as a consequence of a public takeover bid, except for the following:

a) Conditions applicable to the chief executive officer

In accordance with the contract entered into with the chief executive officer, if the Company shall provide at least three months' prior notice if it opts to terminate, and the chief executive shall be entitled to receive a gross sum equal to one year's fixed remuneration receivable at the time of termination by way of compensation, plus the amount of the variable remuneration earned in the year immediately prior to termination. The chief executive shall be entitled to receive the same compensation in the event of a change of control in the Company as a result of which he may tender his resignation.

b) Conditions applicable to executives who are not members of the Company's Management Committee



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Certain executives who are not members of the Company's Management Committee are employed under contracts which recognise the right to receive compensation if employment relations are severed under certain circumstances.

This compensation is fixed individually for each executive in view of their professional circumstances and the importance and responsibilities inherent in the position held in the Company.

At today's date, only three executives have contracts providing for compensation of this kind in the event of termination by the Company, excluding cases of improper dismissal as declared in a firm judgment of the courts, an arbitration ruling or and administrative ruling.

The amount of the compensation provided for in these three cases varies between one year's gross fixed remuneration and 75% of the gross annual fixed remuneration in the cases in which the right to compensation is confined to the first 2 or 3 years after the formalisation of the agreement, and compensation equal to 45 days' gross fixed remuneration per year worked by the executive where the right to compensation is not subject to any time limit.

c) Provisions of the Company's Long-Term Incentives Plan (2010-2015)

In accordance with clause eight of the Ence Long-Term Incentives Plan benefitting the Chief Executive Officer and the Company's key executives, if during the term of the Plan either (i) a change of control occurs as defined in the plan, or (ii) an investor directly or indirectly acquires 30% of the voting rights in the listed company resulting from a merger without being obliged to formulate a takeover bid in accordance with prevailing legislation, then the beneficiaries of the Plan shall be entitled to request the Company to accelerate settlement of the long-term incentive. Accordingly, this would permit 100% of the stock options granted to be exercised in advance.

6. Description of the main characteristics of the internal control and risk management systems in relation to the financial reporting process.

a) Bodies responsible for control and risk management in relation to the financial reporting process



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Article 14 of Ence's board regulations provides for the creation of an audit committee by the board of directors, the competences and functions of which are regulated in article 16 of the regulations of the Company's board of directors.

The Company's audit committee has the following functions in relation to information and internal control systems:

1. To supervise the process of preparation and presentation of regulated financial information.
2. To supervise the internal audit of the Company based on the annual internal audit plan presented by the officer responsible for the internal audit function each year, on the information provided with regard to incidents arising in the course of the internal audit procedures, and of the activity report presented by the internal audit officer for the consideration of the Committee at the end of each year.
3. To review the Company's financial statements, oversee compliance with legal requirements, appropriate application of generally accepted accounting principles and the proper delimitation of the consolidated group, and to report on proposals for changes to the accounting principles and criteria suggested by management.
4. To supervise the effectiveness of the Company's internal controls and of its internal control and risk management systems, including internal control systems referring to financial information, environmental issues, safety and workplace risk prevention audits; to oversee the appointment and replacement of managers; and to discuss with auditors and audit firms any significant weaknesses found in the internal control system in the course of audit procedures.
5. To report on the prospectuses for securities issues and on the periodic financial information provided by the Company to the markets and supervisory authorities before the adoption of any resolutions by the Board.
6. To examine compliance with the Company's governance rules and to make the necessary proposals to improve them. In particular, the Audit Committee is



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responsible for obtaining information and, where appropriate, issuing a report on any disciplinary measures against members of the Company's Board of Directors.

7. To establish and oversee a mechanism to allow employees, confidentially or, where appropriate, anonymously to report any potentially significant irregularities, especially financial and accounting irregularities, they may observe in the Company.

In addition, the Internal Audit department provides the Audit Committee with assurance that significant business risks have been identified and are effectively managed, and that supervision of the internal control system applied to financial reporting is adequate.

- b) Mechanisms for the design of internal controls and procedures relating to the preparation of financial information

The Company's Finance Department is the unit responsible for implementing the internal control systems applicable to financial reporting, and for defining and documented the relevant procedures to assure the quality and veracity of the financial information generated.

- c) Periodic training and refresher programmes for employees involved in the preparation and review of the financial reporting process

The Company's Human Resources Department has established a training procedure with the Ence management systems to detect staff training needs, including the needs of employees involved in the process of generating and issuing financial information, and in risk management and internal control functions.

- d) Assessment of financial reporting risks

The Company has an integrated risk management system based on its risk management policy. This system is based on the integrated management of the different business process in relation to its strategic objectives, including risks related with financial reporting processes. This system is supervised by the internal audit department and, eventually, by the audit committee.



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e) Control activities

In accordance with the recommendations made by the CNMV, the Company proceeded over the course of 2011 to formalise and document critical control activities influencing the preparation of financial information.

This documentation comprises narratives and flow charts, and risk and control matrices, which contain information, inter alia, about control activities, the risks to be mitigated, the frequency of actions and the officer responsible.

f) Information and reporting

The Administration Department is responsible for defining and updating the accounting policies applicable to Ence, as well as communicating policies to the persons concerned and resolving any concerns or queries that may be raised by affiliates or business units.

The individual and consolidated financial statements, as well as the quarterly and six-monthly information reported are supervised in the first place by the Finance Department and is then reviewed by the Audit Committee as a prior step before formal preparation by the Board of Directors.

The consolidated financial statements are prepared centrally on the basis of the financial statements reported by each of the Group's subsidiaries in the established formats. The consolidation process includes controls to ensure the accuracy and appropriateness of the consolidated financial statements.

g) Supervision of the system

As explained in section 6.a) above, the audit committee is responsible for the process of preparing and reporting regulated financial information, for the effectiveness of the Company's internal controls, and for its internal control and risk management systems, including systems for internal control of financial information.

The audit committee meets at least quarterly to obtain and examine the necessary information to perform the functions entrusted to it by the Board of Directors.



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The external auditor has access to the audit committee, attending meetings of the audit committee called in relation to the review of the quarterly financial statements as a guest, at which it presents a quarterly agreed procedures report.

The six-monthly reported to the markets was reviewed by the auditor.

Ence has a fully independent internal audit unit, the functions and responsibilities of which as regards the supervision of financial reporting are regulated in the internal audit regulations approved by the audit committee.

Activities related with the oversight of the financial reporting process were conducted within the framework of the 2011 Audit Plan approved by the audit committee. Specifically, these activities comprised the formal implementation of Systems for the Internal Control of Financial Reporting (SCIIF in the Spanish acronym), and the review of the Group's accounting close. The weaknesses observed in the audits are reported to the units audited, and the relevant information is reported to the audit committee on a quarterly basis, together with the status of action plans implemented to mitigate internal control weaknesses.