

APPENDIX 1

ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS IN LISTED COMPANIES

ISSUER IDENTIFICATION DATA

YEAR END DATE OF REFERENCE

31/12/2017

CORPORATE TAX ID NO.

A-28212264

COMPANY NAME

ENCE ENERGIA Y CELULOSA, S.A.

REGISTERED ADDRESS

BEATRIZ DE BOBADILLA, 14 PLANTA 4ª MADRID

ANNUAL REPORT ON THE REMUNERATION OF DIRECTORS IN LISTED COMPANIES TEMPLATE

A CORPORATE REMUNERATION POLICY FOR THE CURRENT YEAR

A.1 Explain the corporate remuneration policy. This section will include information on:

- General principles and foundations of the remuneration policy.
- Most significant changes in the remuneration policy applied during the previous year and changes made during the year to the conditions for the exercise of previously awarded options.
- Criteria used and composition of similar business groups whose remuneration policies were analysed to design the company's policy.
- Relative importance of variable remuneration items in comparison to fixed items and the criteria used to determine the components of the Directors' remuneration package (remuneration mix).

Explain the remuneration policy

The remuneration policy of ENCE ENERGÍA Y CELULOSA, S.A. ("ENCE" or the "Company") is based on the following principles:

- a. Remuneration of Directors in their capacity as such (for exercising their functions of oversight and joint decision-making): the Board of Directors (i) will set the remuneration based on its Regulations and the Articles of Association subject to a report by the Nomination and Remuneration Committee; (ii) will ensure that the remuneration is in line with the principle of moderation based on market conditions; (iii) will prepare an annual report on the remuneration of Directors which will be made available to shareholders when an ordinary General Shareholders' Meeting is called and will be subject to an advisory vote as a separate agenda item; and (iv) will take all possible measures to ensure that the remuneration of External Directors is suitable and incentivizes their dedication, without creating an obstacle for the independence of Independent Directors.
- b. Remuneration of Executive Directors: Will comply with the general guidelines applicable to employees and executives of the Company. Specifically:
 1. Remunerate comprehensively with monetary and non-monetary components.
 2. Invest in remuneration when there is a mutual and reasonable profit.
 3. Remunerate equitably (differentiating based on the responsibilities and the person) and competitively (attract and retain the best professionals, especially in key positions).
 4. Remunerate according to professional development and contribution to results, ensuring there is no discrimination due to gender, provenance, affiliation, ideology, race or any other reason not included in these principles.
 5. Recognize the effort and activity that impact the achievement of results.
 6. Align remuneration with short and long-term objectives.
 7. Promote a culture of commitment to the objectives and share the successes and risks of the business.
 8. Remunerate people who demonstrate satisfactory performance in line with the relevant market, and remunerate people who produce exceptional results and who are recognized as model professionals exceptionally.
 9. Systematically and uniformly evaluate professional development.
 10. Provide suitable training, information and decision-making ability to enable people to reach their maximum professional development.

The Articles of Association (Articles 42 and 43) establish the following system in relation to the Remuneration of the Board of Directors:

1. Fixed remuneration: (i) comprised of a periodic allocation and expenses for attending meetings of the Board and its committees; (ii) the General Shareholders' Meeting determines the maximum annual amount of remuneration to all Directors for these items (currently set at €1,500,000) and (iii) the Board of Directors sets the amount to be paid within the aforementioned limit, its method of distribution among the Directors and the regularity of payment, which must take into account the functions and responsibilities assigned to each Director, their membership of the Board's Committees, and other objective circumstances considered to be relevant.
2. Variable remuneration: in addition to and separate from the fixed remuneration, Directors may be remunerated through the awarding of shares, stock options, or any other system linked to the value of the shares of the Company or the companies in its group, the application of which will be agreed by the General Shareholders' Meeting.
3. Remuneration of the Executive Directors: the remuneration provided for above will be compatible with and independent of the salaries, variable remuneration, compensation, pensions or payments of any kind generally or uniquely established for Directors who have a common or special working relationship with the Company as a senior executive or service provider, in whose case those remuneration items must comply with the remuneration policy approved by the General Shareholders' Meeting, be recorded in the annual report and approved in the terms provided for in the Capital Companies

Act and other applicable provisions. The remuneration of the Executive Directors for the performance of executive functions and the terms and conditions of their contracts with the company will be set by the Board of Directors in accordance with the law, the Articles of Association and the Remuneration Policy approved by the General Shareholders' Meeting.

4. Other remuneration items: (i) a life, accident or health insurance policy may be taken out, in which case the premiums paid will count toward the maximum limit; and (ii) a pension scheme may be established for Executive Directors in the event of death, retirement, disability, or inability to perform their function, the amount, conditions and characteristics of which will be set by the Board of Directors.

Executive Directors may: (i) benefit from remuneration systems comprising the awarding of shares, stock options, or another remuneration system linked to the value of the shares of the Company or companies in its group, the application of which will be agreed by the General Shareholders' Meeting; and (ii) benefit from variable remuneration systems linked to the performance of the Company or the pension systems described in the Articles of Association.

There have been no significant changes to the Company's remuneration policy compared to the previous financial year. The Company ensures that its remuneration policy is aligned with those applied by other Spanish listed companies with equivalent market capitalization, a pronounced international outlook, and levels of turnover and headcount of similar complexity to those of Ence.

A.2 Information on the preparatory work undertaken and decision-making process followed to determine the remuneration policy and the role performed, where applicable, by the Remuneration Committee and other supervisory bodies in configuring the remuneration policy. Where applicable, this information will include the mandate and composition of the Remuneration Committee and the identity of those external consultants whose services were used to define the remuneration policy. This information will also include the nature of the Directors involved in the definition of the remuneration policy, where applicable.

Explain the process for determining the remuneration policy.

The Articles of Association and the Board of Directors Regulations of the Company attribute to the Board of Directors the power to determine the remuneration of the Directors following a report by the Nomination and Remuneration Committee.

Notwithstanding the foregoing, the General Shareholders' Meeting is responsible for (i) approving remuneration consisting of share awards, stock options or any other system of remuneration linked to the value of the Company's shares, (ii) determining the maximum amount of remuneration which may be paid by the company each year to all its Directors in their capacity as such, and (iii) approving the Directors' remuneration policy.

On 28 June 2006 the Company's General Shareholders' Meeting set the overall remuneration limit cited in the foregoing paragraph at €1,500,000 per year, that amount currently remaining in effect as it has not been amended by any subsequent General Shareholders' Meeting (under the Articles of Association, the calculation of that limit may not include amounts pertaining to salaries, variable remuneration, compensation, pensions or payments of any kind generally or uniquely established for Directors who have a common or special working relationship with the Company as a senior executive or service provider).

Furthermore, Article 17 of the Board of Directors Regulations of the Company, amended by the Board of Directors in its meeting of 15 December 2015 to align it with recommendations 47 and 50 of the Good Governance Code, regulates the composition, functions and operation of the Nomination and Remuneration Committee. Hence, without prejudice to other commitments assigned to it by the Board of Directors, that Committee has the following responsibilities in relation to Directors' remuneration:

- i. To propose to the Board of Directors the system for determining the amount of annual remuneration received by board members, managing Directors or whoever performs their senior management functions reporting directly to the Board, executive committees or CEOs, as well as other basic conditions of the contracts of the Executive Directors and their individual remuneration, guaranteeing compliance with the remuneration policy established by the company.
- ii. Propose the periodic review of executives' remuneration programmes as determined by the Board of Directors, considering their adaptation and performance and ensuring compliance.
- iii. Propose measures for remuneration transparency and ensure compliance.

At the end of 2017, the Nomination and Remuneration Committee included three Independent Directors, one proprietary and one other External Director.

The Company's Board of Directors, at the proposal of the Nomination and Remuneration Committee, agreed at its meeting held on 19 December 2013 to review the system and the amount of Directors' remuneration and to entrust Spencer Stuart, a firm of renowned international prestige and a leader in compensation consultancy for Boards of Directors, to review the remuneration policy of ENCE Directors and to prepare a comparative report on the remuneration of Directors of listed companies, and to submit its recommendations with respect to this remuneration policy.

The Company's remuneration policy was confirmed by the Board of Directors on 25 February 2014, taking into account the study prepared by Spencer Stuart at the beginning of 2014, and approved by the General Shareholders' Meeting on 28 April 2015 pursuant to section two of the Transitory Provision of Law 31/2014, 3 December, which modifies the Capital Companies Act for improving corporate governance.

A.3 Indicate the amount and nature of the fixed components, with breakdown, where applicable, of the remuneration for the performance of Executive Directors' senior management functions, of the additional remuneration as Chairman or member of a board committee, the allowances for participation in the board and its commissions or other fixed remuneration as a Director, as well as an estimate of their annual fixed remuneration.

Identify other benefits that are not paid in cash and the fundamental parameters for which they are granted.

Explain the fixed components of the remuneration

ENCE's Articles of Association (Articles 42 and 43) allow Directors, as such, to receive a fixed remuneration—made up of a periodic allowance and an allowance for attending the Board of Directors and their Committees' meetings—and, additionally, (ii) a remuneration consisting of shares or option rights to shares or through any other remuneration system that is linked to the value of the shares, whether they are of the Company itself or of companies in its group, and (iii) other compensation consisting of life, accident and illness and healthcare insurance and for Executive Directors a pension system for the event of death, retirement, disability, inability to exercise the position or civil retirement. Additionally, the company may contract a civil liability insurance for Directors.

The Articles of Association establish that the remuneration provided for in the preceding paragraph is compatible with and independent of salaries, remuneration, indemnification, pensions or compensation of any kind, established in a general or specific manner for members of the Board of Directors who maintain a common or special labour relationship of senior management or who render services to the Company, relationships that must be compatible with being a member of the Board of Directors.

The Managing Director, Mr. Ignacio de Colmenares Brunet, for performing the roles delegated to him and his condition as the Company's CEO, receives the remuneration provided for in the service provision contract formalised between himself and the Company.

The fixed remuneration received as compensation for executive functions pursuant to the terms of the service provision contract totalled 620,121 euros in 2017. Additionally, the Managing Director, as he is a Director of the Board, received a fixed payment of 44,004 euro as remuneration during 2017, which corresponds to the periodic allowance received by the Directors, without including, therefore, allowances for attending board meetings.

The fixed total amount received by the Managing Director was therefore 664,125 euros.

A.4 Explain the amount, nature and main characteristics of the variable components of the remuneration systems.

Specifically:

- Identify each of the compensation plans of which the Directors are beneficiaries, their scope, their approval date, implementation date, validity period as well as their main characteristics. In the case of share option plans and other financial instruments, the general characteristics of the plan must include information on the exercising conditions of said options or financial instruments for each plan.
- Indicate any remuneration for participation in benefits or premiums, and the reason why it was granted.
- Explain the fundamental parameters and basis of any bonus system.
- The types of Directors (Executive Directors, external Proprietary Directors, independent External Directors or other External Directors) who are beneficiaries of remuneration systems or plans that include variable remuneration.
- The basis of these variable remuneration systems or plans, the performance evaluation criteria chosen as well as the evaluation components and methods for determining whether or not those evaluation criteria have been met and an estimate of the absolute amount of the variable remuneration which would give rise to the current compensation plan, depending on the degree of compliance with the hypotheses or objectives taken as a reference.
- Where applicable, information will be provided on payment deferral or deferment periods that have been established and/or the retention periods of shares or other financial instruments, if they exist.

Explain the variable components of the remuneration systems.

The Directors do not receive any variable remuneration due to their status as such. The Managing Director, in accordance with his service provision contract, receives the following variable remuneration in the short term and is the beneficiary of the following variable long-term remuneration:

A) Variable short-term remuneration: paid yearly, it is determined by the Board of Directors, at the proposal of the Nomination and Remuneration Committee based on the level of the Company's annual objectives achieved as well as personal performance; it may total a maximum amount of 100% of the last fixed remuneration in full.

The annual variable remuneration is linked to predetermined and measurable criteria that are not only based on occasional or extraordinary events, thus promoting the Company's sustainability. In the components related to the Company's results, deductions will be considered for any qualifications stated in the external auditor's report. This remuneration shall be paid after the annual accounts are formulated and, in any case, within the three (3) months immediately following the end of the fiscal year except for exceptional circumstances. The Director is obliged to reimburse any amounts unduly received for this concept.

B) 2016-2018 Long-term Incentive Plan: A plan made up of monetary remuneration (30%) and issue of the Company's shares (70%) of a multi-year nature whose main purpose is: (i) to encourage the results and professional performance of the management team in the long term, (ii) to promote the Company's sustainability for creating long-term value, (iii) to reinforce the management team's orientation toward achieving the business objectives committed in the strategic plans, (iv) committing the senior management levels to the shareholders' interests, and (v) to retain the Company's management talent and reward their dedication, qualification and responsibility of the position. **At its meeting held on 12 February 2016, the Company's Board of Directors agreed to put the proposal forward to the General Shareholders' Meeting and it was approved on 16 March 2016.**

The plan covers the period between 1 January 2016 and 31 December 2018, inclusive, with payment scheduled for June 2019. The requirements for its accrual are: 1) reaching the lowest level of achievement of objectives (critical level) in each of the criteria references in the objectives; and 2) that the beneficiary is effectively providing services for ENCE on the date of accrual, except in the situations mentioned in the Plan Regulations.

The set objectives are associated with a specific weighting to determine the final amount of Long-Term Variable Remuneration, and a maximum and minimum achievement threshold, under which they lose their right to the incentive. These objectives are:

- a) EBITDA of the 2016-2018 Strategic Plan
- b) Increase in the ENCE share value.
- c) Developing their team's talent.

The amount of the Incentive for the chief executive (Managing Director) in the case of achieving 100% of objectives is three times the average annual fixed remuneration for 2016, 2017 and 2018. In the event of maximum achievement of objectives, the amount may be increased to as much as 120% of the amounts mentioned above.

Regarding the issue of the Company's shares, the maximum number of shares that may correspond to the Managing Director is 594,528 shares. The Managing Director must keep a number of shares equivalent to twice their annual fixed remuneration under the conditions established in the Plan for a period of 3 years.

The Company reserves the right to claim reimbursement of the long-term incentive paid in cash and in shares when it has been paid based on data whose inaccuracy is subsequently accredited. In this case, the beneficiary must reimburse any amount unduly received within 90 days.

A.5 Explain the main characteristics of long-term savings systems, including retirement and any other survivor's benefit, financed partially or totally by the company, whether internally or externally financed, with an estimate of their amount or equivalent annual cost, indicating the type of plan, if it is a defined contribution or benefit, the conditions for consolidating the economic rights in favour of the Directors and their compatibility with any type of compensation for early termination or cancellation of the contractual relationship between the company and the Director.

Also indicate contributions in favour of the Director to defined contribution pension plans; or the increase in the consolidated rights of the Director, in the case of contributions to defined benefit plans

Explain long-term savings schemes

The Directors receive only a fixed remuneration consisting of a periodic allowance and a per diem for attendance at meetings, without the Company making contributions to pension plans or other long-term savings schemes. The Managing Director, for performing executive functions, and in accordance with the service provision contract in force, is the beneficiary of a mixed life and accident insurance policy.

In relation to the savings component, the Managing Director contributes 1% of his fixed remuneration and the Company contributes 5.25% of it, the contingencies covered by insurance being the following: retirement, total permanent disability declared expressly by the competent administrative or judicial body, absolute permanent disability declared expressly by the competent administrative or judicial body, severe disability expressly declared by the competent administrative or judicial body and death. The insured capital is equivalent to 35 monthly payments of the fixed remuneration of the Managing Director or, in the event that contingencies result from an accident, the capital received would be equivalent to 70 of these monthly payments.

As of February 1, 2016, the mixed social security scheme is linked to an age of 62 years or more, and the right to the collection of retirement insurance arises when the following conditions are met: (a) termination of the Contract due to the resignation of the Managing Director from his position pursuant to clauses 5.c) and c.1.); and (b) said termination occurs at an age equal to or greater than 62 years. This benefit will be of an amount equal to one annual fixed remuneration, plus the annual remuneration for non-executive functions, plus the variable remuneration received in the year leading up to the termination.

A.6 Indicate any compensation agreed or paid in the event of termination of duties as a Director.

Explain the compensation

Article 23.3 of the Board of Directors Regulations establishes that if, when informed by the Nomination and Remuneration Committee, the Board of Directors understands that interests of the Company would be put at risk, a Director who is ending their term or who for any other reason ceases to serve in the position, may not provide services to any other entity competing with the Company during the established time period, which will never exceed two years. In such cases, the Director in question shall be entitled to a reasonable indemnity payment to offset any actual damages he/she may suffer as a result of said measure. This compensation shall be calculated within the limit referred to in Article 42.1 of the Articles of Association.

A.7 Indicate the conditions that must be respected in the contracts of those who perform senior management functions as Executive Directors. Among others, information shall be supplied about the duration, limits to the compensation amounts, permanency clauses, notice periods, as well as payment in lieu of the aforementioned notice period and any other clauses related to hiring bonuses, as well as a compensation or golden parachute clauses for early termination or cancellation of the contractual relationship between the company and the Executive Director. Include, among others, covenants or agreements of non-competition, exclusivity, permanence or loyalty and prevention of post-contractual competition.

Explain the conditions of the contracts of the Executive Directors

The service provision contract between Ence and the Managing Director includes the following terms and conditions:

i) The Director may resign from their position at any time, with a written notice at least three months in advance, with no right to compensation of any kind. If this notice is not given, the Company will be entitled to a compensation equivalent to the Fixed Remuneration corresponding to the non-observed term of notice.

ii) The Board may at any time revoke the powers delegated to the Director. This termination will entail the Director not being re-elected as a Board member when their appointment expires. In this case, the Director will have the right to (i) a minimum notice of three months or, as the case may be, to gross compensation equivalent to the fixed remuneration received at the time of termination and (ii) to an indemnity of one annual fixed remuneration received at that moment, and the variable remuneration received the year immediately prior to termination.

Any remuneration from long-term incentive plans is not included in this calculation. If the termination of the Director is a result of the commission of infractions against the law, contracts, articles of association or other applicable company regulations, the notice and indemnity payment mentioned above are also excluded.

iii) If, while the Contract is in force, there is a significant change in control of the Company, as defined in the Contract, the Director may submit his resignation, with the right to receive the compensation described in section ii) above, in certain circumstances.

iv) The full and exclusive dedication of the Director is demanded, without prejudice to any functions they may perform (i) in other companies in the Company's group or (ii) in family companies under their ownership, provided that these functions do not affect their dedication and do not entail a conflict of interest with the Company.

v) During the twelve months following his dismissal for any reason, the Director may not compete with the Company. 15% of the fixed remuneration received by the Director will be deemed paid as compensation for the obligation of non-competition with the Ence group. If this requirement is not complied with, the Director will have to pay back the compensation paid for this item to the Company, without prejudice to the damages which may be claimed.

vi) Additional multi-year variable remuneration: is linked appropriately to the delivery of shares or options on shares or financial instruments referenced to their value. The Director undertakes to maintain ownership of the number of shares in the Company resulting from having invested in the purchase thereof an amount equivalent to twice the fixed annual remuneration, having a deadline of 6 years to make said investment, that will be extended for a further 2 years under certain circumstances.

vii) The severance pay shall be paid when the Company verifies, within three months following the severance, that there have been no serious infractions or breaches resulting in verifiable harm to the Company or, if applicable, that other performance criteria that can be agreed in advance have been met.

A.8 Explain any supplementary remuneration accrued to Directors as consideration for services rendered other than those inherent to their position.

Explain the supplementary remuneration

The Directors of the Company have not received any remuneration for services rendered other than those inherent to their position.

The Managing Director, for the performance of his executive duties, has not received any remuneration other than that provided for in his service provision contract of December 22, 2010 and in its novations of January 28, 2013 and February 1, 2016, described in sections A.3, A.4 and A.5 of this report.

A.9 Indicate any remuneration in the form of advances, credits and guarantees granted, indicating the interest rate, its essential characteristics and any amounts returned, as well as the obligations assumed on account of them as collateral.

Explain the advances, credits and guarantees granted

The Company has not granted advances, credits or guarantees to its Directors.

A.10 Explain the main characteristics of remuneration in kind.

Explain the remunerations in kind

The Company has taken a policy that ensures the group formed by all the Directors against the following risks derived from accidents: death, absolute permanent disability and partial permanent disability (the risk of permanent disability is not covered by the Directors who have passed the age of 75 years). Additionally, the Company offers Directors and their spouses the possibility of an annual medical check-up.

The Chairman of the Board of Directors, in addition to the fixed remuneration described in section A.3 of this report, is a beneficiary of health insurance.

The service provision agreement establishes that the Managing Director is entitled to payments other than those described in sections A.3, A.4 and A.5, consisting of life insurance, health insurance, pension plan and company car and other remuneration in kind that, at the proposal of the Nomination and Remuneration Committee, is determined by the Board of Directors in accordance with the criteria and general policies adopted by the Company in this matter. Specifically, the Managing Director, for the performance of his executive duties, and in accordance with the service provision contract, is the beneficiary of a company car, and family medical insurance with the option of a medical check-up or reimbursement and mixed savings, life and accident insurance.

The amount of the premium corresponding to the life and accident insurance component is paid in equal parts by the Managing Director and the Company, the risks covered by the insurance being the following: retirement, total permanent disability expressly declared by the competent administrative or judicial body, permanent absolute incapacity declared expressly by the competent administrative or judicial body, severe disability declared expressly by the competent administrative or judicial body and death. The insured capital is equivalent to 35 monthly payments of the fixed remuneration of the Managing Director or, in the event that contingencies result from an accident, the capital received would be equivalent to 70 of these monthly payments.

A.11 Indicate the remuneration accrued by the Director by virtue of payments made by the listed company to a third party in which the Director provides services, when said payments are intended to remunerate the services of the latter in the company.

Explain the remuneration accrued by the Director by virtue of the payments made by the listed company to a third entity in which the Director provides services

No Director accrues remuneration by virtue of the payments made by the listed company to a third entity in which the Director provides services.

A.12 Any other remuneration element different from the previous ones, whatever its nature or the group entity that pays it, especially when it is considered a related operation or its payment distorts the true image of the total remunerations accrued by the Director.

Explain the other remuneration elements

The Directors do not receive any remuneration other than those explained in the previous sections.

A.13 Explain the actions taken by the company in relation to the remuneration system to reduce exposure to excessive risks and adjust it to the long-term objectives, values and interests of the company, which will include, where appropriate, a reference to: measures intended to ensure that the remuneration policy addresses the long-term performance of the company, measures that establish an adequate balance between the fixed and variable remuneration elements, measures adopted in relation to those categories of personnel whose professional activities have a material impact on the entity's risk profile,

formulas or recovery clauses in order to claim the return of the variable remuneration elements based on profit and loss when those elements have been paid based on data whose inaccuracy has subsequently been clearly demonstrated, and measures planned to avoid conflicts of interests, if applicable.

Explain the actions taken to reduce the risks

The systems for remuneration of the Directors as such do not include measurement elements that encourage the taking of excessive risks by the company, given that they are limited to a fixed monthly allowance and per diems for attendance of the Board of Directors and its committees.

The service provision contract of the Managing Director establishes: a) that the variable components will be linked to predetermined and measurable criteria, and the measurement elements will not revolve only around occasional or extraordinary events, promoting in any case the sustainability of the Company; b) that with respect to those components related to the Company's profits, any provisos stated in the external auditor's report and which reduce said profits will be taken into account; c) that the annual variable remuneration will be paid in cash after the formulation of the annual accounts and, in any event, within three (3) months immediately following the close of the fiscal year in question, unless due to exceptional circumstances an additional period of time is necessary, and d) that if the Company becomes aware of the fact that the variable remuneration has been paid based on data whose inaccuracy is subsequently shown, the Managing Director is obliged to reimburse the Company for any amount unduly received in this respect.

The Company's long-term incentive plan, which is described in section A.4 of this report, is established based on the performance of the company and personal performance in relation to the profits and the long-term value of the company.

In addition, the 2016/18 Long Term Incentive Plan provides that the Company reserves the right to claim reimbursement of the Long Term Incentive paid when it has been paid on the basis of data whose inaccuracy is subsequently shown. In this case, the beneficiary must reimburse the Company, within ninety (90) business days of its claim, any amount unduly received by virtue of the Long Term Incentive.

B REMUNERATION POLICY ENVISAGED FOR FUTURE FISCAL YEARS

Repealed.

C GENERAL SUMMARY OF HOW THE REMUNERATION POLICY IS APPLIED IN THE PREVIOUS FISCAL YEAR

C.1 Explain in summary the main characteristics of the remuneration structure and elements of the remuneration policy applied during the previous year, which gives details of the individual remuneration accrued by each of the Directors that are reflected in section D of this report, as well as a summary of the decisions made by the Board for the application of these elements.

Explain the remuneration structure and elements of the remuneration policy applied during the year

The remuneration received by the Directors in fiscal year 2017 was adjusted to the structure and elements regulated in the Articles of Association and in the Board of Directors Regulations of the Company, which are described in detail in section A of this report.

The system and the amount of remuneration of Directors for 2017 was implemented in accordance with the agreements adopted by the Board of Directors. At its meeting held on February 25, 2014, a fixed remuneration was agreed consisting of a periodic allowance and per diems for attendance at meetings of the Board of Directors and its committees, the details being as follows (gross amounts):

Board of Directors

Chairman: Fixed Annual Remuneration: 133,620 euros. Per diem allowance: 4,033 euros.
Members: Fixed Annual Remuneration: 44,004 euros. Per diem allowance: 2,017 euros.

Executive Committee

Chairman: Per diem allowance: 4,033 euros.
Members: Per diem allowance: 2,017 euros.

Nomination And Remuneration Committee

Chairman: Per diem allowance: 4,033 euros.
Members: Per diem allowance: 2,017 euros.

Audit Committee

Chairman: Per diem allowance: 4,033 euros.
Members: Per diem allowance: 2,017 euros.

Forestry And Regulatory Policy Advisory Committee

Chairman: Per diem allowance: 4,033 euros.
Members: Per diem allowance: 2,017 euros.

Likewise, in accordance with the aforementioned criteria mentioned in the Articles of Association and in the Board of Directors Regulations of the Company, Mr. Pedro Barato Triguero, in his capacity as Director, has received an extraordinary fixed remuneration of €200,000 for certain duties and responsibilities performed for the Company requiring a particular amount of dedication.

The remuneration received by the Managing Director in the year 2017 was adjusted to the structure and elements regulated in the service provision contract signed with the Company on December 22, 2010 and in its novations of February 19, 2013 and February 1, 2016, described in detail in section A of this report.

BORRADOR

D DETAIL OF INDIVIDUAL REMUNERATION ACCRUED BY EACH OF THE DIRECTORS

| Name | Type | Accrual period 2017 Fiscal year |
|------------------------------------|-----------------------|---------------------------------|
| JUAN LUIS ARREGUI CIARSOLO | Proprietary | From 01/01/2017 to 31/12/2017. |
| IGNACIO DE COLMENARES BRUNET | Executive | From 01/01/2017 to 31/12/2017. |
| VÍCTOR URRUTIA VALLEJO | Proprietary | From 01/01/2017 to 31/12/2017. |
| FERNANDO ABRIL-MARTORELL HERNÁNDEZ | Other external member | From 01/01/2017 to 31/12/2017. |
| ISABEL TOCINO BISCAROLASAGA | Independent | From 01/01/2017 to 31/12/2017. |
| JAVIER ECHENIQUE LANDIRIBAR | Other external member | From 01/01/2017 to 31/12/2017. |
| PEDRO BARATO TRIGUERO | Independent | From 01/01/2017 to 31/12/2017. |
| PASCUAL FERNÁNDEZ MARTÍNEZ | Proprietary | From 01/01/2017 to 20/12/2017. |
| JOSÉ GUILLERMO ZUBÍA GUINEA | Independent | From 01/01/2017 to 31/12/2017. |
| RETOS OPERATIVOS XXI, S.L. | Proprietary | From 01/01/2017 to 31/12/2017. |
| MENDIBEA 2002, S.L. | Proprietary | From 01/01/2017 to 31/12/2017. |
| JOSÉ CARLOS DEL ÁLAMO JIMÉNEZ | Independent | From 01/01/2017 to 31/12/2017. |
| LUIS LADA DÍAZ | Independent | From 01/01/2017 to 31/12/2017. |

D.1 Complete the following tables regarding the individual remuneration of each Director (including remuneration for the performance of executive duties) earned during the financial year.

a) Remuneration earned at the company covered by this report:

i) Remuneration in cash (in thousands of €)

| Name | Salary | Fixed remuneration | Subsistence allowance | Short-term variable remuneration | Long-term variable remuneration | Remuneration for membership of committees of the Board | Compensation | Other items | Total for 2017 | Total for 2016 |
|----------------------------|--------|--------------------|-----------------------|----------------------------------|---------------------------------|--|--------------|-------------|----------------|----------------|
| JUAN LUIS ARREGUI CIARSOLO | 0 | 134 | 44 | 0 | 0 | 48 | 0 | 3 | 229 | 209 |

| Name | Salary | Fixed remuneration | Subsistence allowance | Short-term variable remuneration | Long-term variable remuneration | Remuneration for membership of committees of the Board | Compensation | Other items | Total for 2017 | Total for 2016 |
|------------------------------------|--------|--------------------|-----------------------|----------------------------------|---------------------------------|--|--------------|-------------|----------------|----------------|
| JAVIER ECHENIQUE LANDIRIBAR | 0 | 44 | 20 | 0 | 0 | 28 | 0 | 3 | 95 | 89 |
| ISABEL TOCINO BISCAROLASAGA | 0 | 44 | 22 | 0 | 0 | 18 | 0 | 2 | 86 | 82 |
| JOSÉ GUILLERMO ZUBÍA GUINEA | 0 | 44 | 22 | 0 | 0 | 54 | 0 | 2 | 122 | 107 |
| VÍCTOR URRUTIA VALLEJO | 0 | 44 | 18 | 0 | 0 | 16 | 0 | 1 | 79 | 81 |
| RETOS OPERATIVOS XXI, S.L. | 0 | 44 | 22 | 0 | 0 | 8 | 0 | 1 | 75 | 77 |
| MENDIBEA 2002, S.L. | 0 | 44 | 22 | 0 | 0 | 10 | 0 | 1 | 77 | 75 |
| IGNACIO DE COLMENARES BRUNET | 620 | 44 | 0 | 588 | 0 | 0 | 0 | 23 | 1,275 | 1,445 |
| PEDRO BARATO TRIGUERO | 0 | 44 | 20 | 0 | 0 | 54 | 0 | 201 | 319 | 103 |
| FERNANDO ABRIL-MARTORELL HERNÁNDEZ | 0 | 44 | 22 | 0 | 0 | 34 | 0 | 3 | 103 | 87 |
| JOSÉ CARLOS DEL ÁLAMO JIMÉNEZ | 0 | 44 | 22 | 0 | 0 | 32 | 0 | 3 | 101 | 89 |
| PASCUAL FERNÁNDEZ MARTÍNEZ | 0 | 44 | 20 | 0 | 0 | 22 | 0 | 3 | 89 | 86 |
| LUIS LADA DÍAZ | 0 | 44 | 22 | 0 | 0 | 10 | 0 | 3 | 79 | 58 |

ii) Share-based payment schemes

| IGNACIO DE COLMENARES BRUNET 2016-2018 Long-Term Incentive Plan | | | | | | | | | | | | |
|--|--|-----------------|--|-----------------|-----------------|---|-----------------------------|---|-----------------|------------------|-----------------|--|
| Implementation date | Ownership of options at the start of the 2017 financial year | | | | | Options assigned during the 2017 financial year | | | | | | |
| | No. of Options | Shares involved | Strike price (€) | Exercise period | | No. of Options | Shares involved | Strike price (€) | Exercise period | | | |
| 16/03/2016 | 0 | 0 | 0.00 | Not applicable | | 0 | 0 | 0.00 | Not applicable | | | |
| Conditions: not applicable | | | | | | | | | | | | |
| Shares delivered during the 2017 financial year | | | Options exercised in the 2017 financial year | | | | Expired unexercised options | Options at the end of the 2017 financial year | | | | |
| No. of shares | Price | Amount | Strike price (€) | No. of Options | Shares involved | Gross profit (thousands of €) | No. of Options | No. of Options | Shares involved | Strike price (€) | Exercise period | |
| 0 | 0.00 | 0 | 0.00 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 | Not applicable | |
| Other exercise requirements: not applicable | | | | | | | | | | | | |

iii) Long-term saving schemes

| Name | Company's contribution for the period (thousands of €) | | Amount of the accumulated funds (thousands of €) | |
|------------------------------|--|---------------------|--|---------------------|
| | 2017 financial year | 2016 financial year | 2017 financial year | 2016 financial year |
| IGNACIO DE COLMENARES BRUNET | 215 | 214 | 622 | 394 |

iv) Other benefits (in thousands of €)

| IGNACIO DE COLMENARES BRUNET | | | | | |
|---|---------------------|---|--|-----------------------------|--|
| Remuneration in the form of advance payments, credits granted | | | | | |
| Interest rate of the transaction | | Key characteristics of the transaction | | Amounts eventually returned | |
| 0.00 | | Not applicable | | Not applicable | |
| Life insurance premiums | | Collateral provided by the company to Directors | | | |
| 2017 financial year | 2016 financial year | 2017 financial year | | 2016 financial year | |
| 14 | 13 | Not applicable | | Not applicable | |

BORRADOR

b) Remuneration earned by Directors of the company for their membership of boards in other companies of the group:

i) Remuneration in cash (in thousands of €)

| Name | Salary | Fixed remuneration | Subsistence allowance | Short-term variable remuneration | Long-term variable remuneration | Remuneration for membership of committees of the Board | Compensation | Other items | Total for 2017 | Total for 2016 |
|------------------------------|--------|--------------------|-----------------------|----------------------------------|---------------------------------|--|--------------|-------------|----------------|----------------|
| IGNACIO DE COLMENARES BRUNET | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

ii) Share-based payment schemes

iii) Long-term saving schemes

BORRADOR

c) Summary of remuneration (in thousands of €):

The summary must include the amounts corresponding to all the types of remuneration covered in this report which have been earned by the Director, in thousands of euros.

In the case of long-term saving schemes, contributions or allocations made to this type of scheme must be included:

| Name | Remuneration earned at the Company | | | | Remuneration earned at companies of the group | | | | Total | | |
|------------------------------------|------------------------------------|-----------------------------|-------------------------------------|--|---|--------------------------------|-------------------------------------|--------------------------------------|-----------------------------------|-----------------------------------|--|
| | Total remuneration in cash | Amount of the shares issued | Gross profit from exercised options | Total from company for the 2017 period | Total remuneration in cash | Amount of the shares delivered | Gross profit from exercised options | Total from group for the 2017 period | Total for the 2017 financial year | Total for the 2016 financial year | Contribution to saving schemes during the period |
| JUAN LUIS ARREGUI CIARSOLO | 229 | 0 | 0 | 229 | 0 | 0 | 0 | 0 | 229 | 209 | 0 |
| FERNANDO ABRIL-MARTORELL HERNÁNDEZ | 103 | 0 | 0 | 103 | 0 | 0 | 0 | 0 | 103 | 87 | 0 |
| PEDRO BARATO TRIGUERO | 319 | 0 | 0 | 319 | 0 | 0 | 0 | 0 | 319 | 103 | 0 |
| JOSÉ CARLOS DEL ÁLAMO JIMÉNEZ | 101 | 0 | 0 | 101 | 0 | 0 | 0 | 0 | 101 | 89 | 0 |
| JAVIER ECHENIQUE LANDIRIBAR | 95 | 0 | 0 | 95 | 0 | 0 | 0 | 0 | 95 | 89 | 0 |
| PASCUAL FERNÁNDEZ MARTÍNEZ | 89 | 0 | 0 | 89 | 0 | 0 | 0 | 0 | 89 | 86 | 0 |
| ISABEL TOCINO BISCAROLASAGA | 86 | 0 | 0 | 86 | 0 | 0 | 0 | 0 | 86 | 82 | 0 |
| JOSÉ GUILLERMO ZUBÍA GUINEA | 122 | 0 | 0 | 122 | 0 | 0 | 0 | 0 | 122 | 107 | 0 |
| VÍCTOR URRUTIA VALLEJO | 79 | 0 | 0 | 79 | 0 | 0 | 0 | 0 | 79 | 81 | 0 |
| LUIS LADA DÍAZ | 79 | 0 | 0 | 79 | 0 | 0 | 0 | 0 | 79 | 58 | 0 |
| RETOS OPERATIVOS XXI, S.L. | 75 | 0 | 0 | 75 | 0 | 0 | 0 | 0 | 75 | 77 | 0 |
| MENDIBEA 2002, S.L. | 77 | 0 | 0 | 77 | 0 | 0 | 0 | 0 | 77 | 75 | 0 |
| IGNACIO DE COLMENARES BRUNET | 1,275 | 0 | 0 | 1,275 | 0 | 0 | 0 | 0 | 1,275 | 1,445 | 215 |
| TOTAL | 2,729 | 0 | 0 | 2,729 | 0 | 0 | 0 | 0 | 2,729 | 2,588 | 215 |

D.2 Provide details of the relationship between the remuneration earned by the Directors and the entity's results or other performance measures, explaining, where appropriate, how variations in the company's performance have influenced Directors' remuneration.

The remuneration earned in 2017 by Directors in their capacity as such was not linked to the Company's results or other performance measures.

The remuneration earned in 2017 by the Managing Director was linked to his achieving 88.47% of the objectives set for him in that financial year.

D.3 Provide details of the result of the advisory vote of the General Shareholders' Meeting on the annual report on remuneration in the preceding period, indicating the number of votes against, if any:

| | Number | % of the total |
|-------------------|---------------|-----------------------|
| Votes cast | 160,698,751 | 72.95% |

| | Number | % of the total |
|------------------------|---------------|-----------------------|
| Votes against | 3,688,609 | 2.29% |
| Votes in favour | 156,397,317 | 97.32% |
| Abstentions | 612,825 | 0.38% |

E OTHER RELEVANT INFORMATION

Briefly provide details of any other relevant aspects of Director' remuneration which are not included in the other sections of this report, but which must be covered if the report is to contain the most comprehensive and well-founded information on the company's pay structure and practices with regard to its Directors.

Note to subsection D.1.a) i)

As regards the cash remuneration indicated in this subsection for the Director Mr Pedro Barato Triguero, the amount stated in the "other items" section corresponds to the extraordinary fixed remuneration indicated in section C.1 and the payment in kind corresponding to said Director.

Note to subsection D.1.C:

As regards the maximum amount of remuneration payable to the entire group of Directors for their roles in that capacity, which is fixed at €1,500,000, it should be noted that the remuneration received by the members of the Board of Directors in their capacity as such during the 2017 financial year does not exceed said amount (€1,497,730).

This annual report on remuneration has been approved by the company's Board of Directors, at its session of 20/02/2018.

Indicate whether any Directors voted against or abstained from approving this report.

Yes

No