



2017 ANNUAL REPORT OF CORPORATE SOCIAL
RESPONSIBILITY

Index

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| Index | 1 |
| Executive Summary | 2 |
| 1. Business Model | 4 |
| 2. Strategy and Management Model | 7 |
| 2.1. Strategy | 7 |
| 2.2. Corporate Governance | 9 |
| 2.3. Risk Management | 15 |
| 2.4. Ethics and Compliance | 18 |
| 2.5. Excellence | 21 |
| 3. Lines of Activity | 23 |
| 3.1. Cellulose production | 23 |
| 3.2. Energy | 32 |
| 3.3. Performance 2017 | 34 |
| 4. Impact on stakeholders | 36 |
| 4.2. Partners and Suppliers | 43 |
| 4.3. Customers | 44 |
| 4.4 Environment | 45 |
| 4.5. Society | 59 |
| 4.6. Shareholders | 61 |
| 4.7. Public Administrations and regulators | 63 |
| 5. About this Report | 64 |
| Annexes | 65 |
| Corporate Social Responsibility Policy | 65 |
| Quantitative indicators on lines of activity | 73 |

Executive Summary

During 2017, the most relevant actions carried out by Ence in terms of corporate social responsibility were the following:

Corporate Governance

- Ence is a socially responsible company committed to a corporate culture based on the ethical behavior of its employees, managers, and advisors and makes transparency one of its lines of action, both internally and in its interaction with the environment.
- Ence's commitment to its stakeholders is laid out in its Corporate Social Responsibility Policy, approved by the Board of Directors in line with the recommendations of the Code of Good Governance of the National Securities Market Commission.

Personnel

- The average workforce during the year 2017 was 937 people, 7.3% more than in 2016. 89% have an indefinite contract and 97% work full-time. More than 19% of the workforce are women.
- Ence, in accordance with its Harassment Prevention Policy, is committed to preventing, avoiding, resolving and punishing any cases of harassment that may occur. During 2017, no reports of harassment were received through the established channels.

Environment

- The total environmental investments made by Ence in its pulp mills during 2017 amounted to 4.15 million euros.
- The plants of Huelva, Navia, Pontevedra, Merida, Enemansa, La Loma and Lucena have the corresponding Integrated Environmental Authorizations (IEA) for the development of their industrial activity.
- The emissions to the atmosphere in the pulp operations centers of Ence comply with the limits established in the corresponding IEA, as well as the values of the reference range of the BREF (Best Available Techniques Reference Document) or Best Available Techniques (BAT) that will be applicable as of September 2018.
- The discharge results obtained in all the pulp operations centers not only meet the limits established in the corresponding IEA, but also comply with and improve on the BREF values.
- In the Pontevedra operations center, the lowest value of the number of minutes of odorous emissions has been reached.
- Since 2014, the Navia and Pontevedra plants have been awarded the Nordic Swan eco-label for complying with the most demanding environmental standards, allowing consumers to make purchasing decisions that respect the environment.

Partners and Suppliers

- Ence, as the premier forestry manager in Spain, manages 67,325 hectares of forest, of which they own 66%.
- Ence has mobilized 2.9 million tons of wood and more than one million tons of biomass. Direct purchases from forest owners and small suppliers made up 75% of wood purchases.

Clients

- Ence's cellulose production in 2017 amounted to 957,951 tons. Sales in 2017 were 975,302 tons, of which 84.7% were destined for Europe.
- Ence is the leading Spanish producer of renewable energy from biomass. The company currently has more than 268 MW of installed capacity of renewable energy. Ence's renewable energy production in 2017 was 1,671 GWh.

Shareholders and Investors

- At the year end, the stock price of ENCE was € 5.5, which represents a revaluation of 119.1% with respect to that registered at the end of the previous year.
- During the 2017 fiscal year, the company allocated 40 million euros to the remuneration of its shareholders; representing a return of 3% compared to market capitalization at the end of the year. The Company's shares are traded on the Spanish stock exchanges and on the continuous market since its full privatization in 2001 and it is part of the Ibex Small Cap and the FTSE4Good sustainability index.

Public Administration

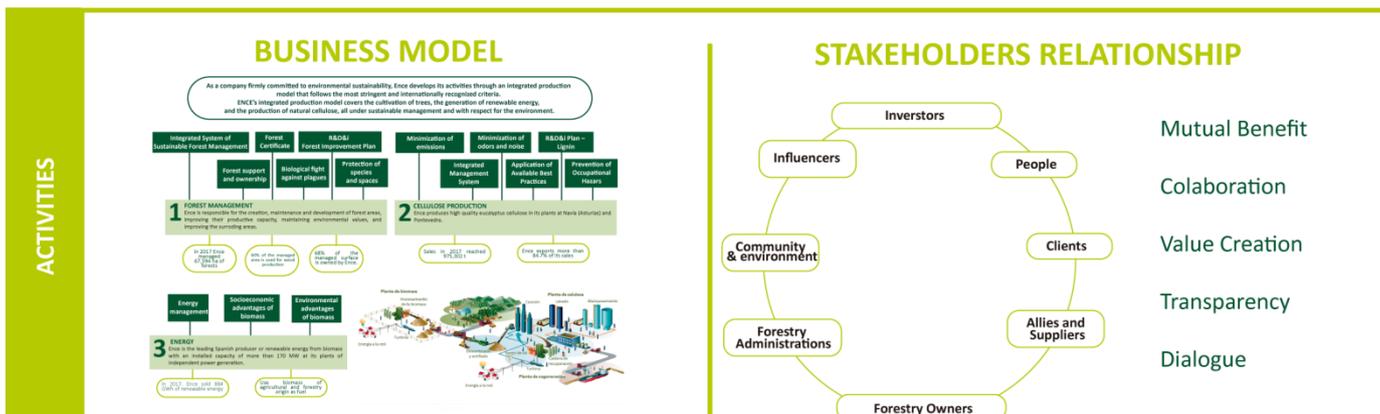
- The contribution of the activity of ENCE to the Public Administrations in tax matters during the year 2017 was € 118.72 million:
- Ence has signed a Framework Collaboration Agreement with the city of San Juan del Puerto (Huelva). The purpose of this is to implement actions that promote the generation of employment, the improvement of the environment, and the well being of local citizens.
- With the aim of boosting employment and patronage in Navia, and as part of its commitment to the environments in which it operates, Ence also signed a Framework Collaboration Agreement with the City Council of this Asturias municipality.
- In addition, in order to support sponsorship activities of social, cultural, and sports events that take place every year in Coaña (Asturias), the company agreed to collaborate with the City Council.
- Within the framework of its collaboration with Public Administrations, the Environmental Pact signed between the Department of the Environment of the Government of Galicia and Ence included in the chapter on relations with the environment, aims to improve the quality of life and social, economic welfare, and environmental aspects of the area closest to its factory in Pontevedra and the region.

1. Business Model

Ence is the European leader in the production of eucalyptus pulp, the first Spanish company in the production of renewable energy with agricultural and forestry biomass, and leader in Spain in the comprehensive and responsible management of areas and forest crops.



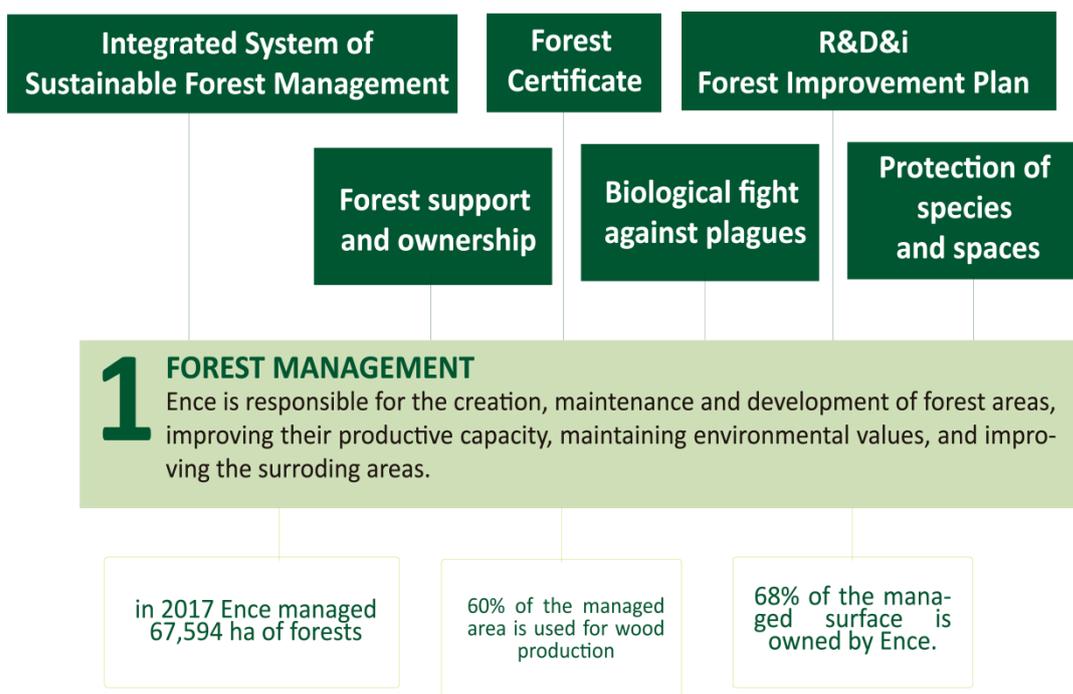
* EBITDA calculated at a cellulose price of 800 dollars/ton and with an exchange rate of 1.05 dollar/euro. This price and exchange rate were in force as of November 2015.

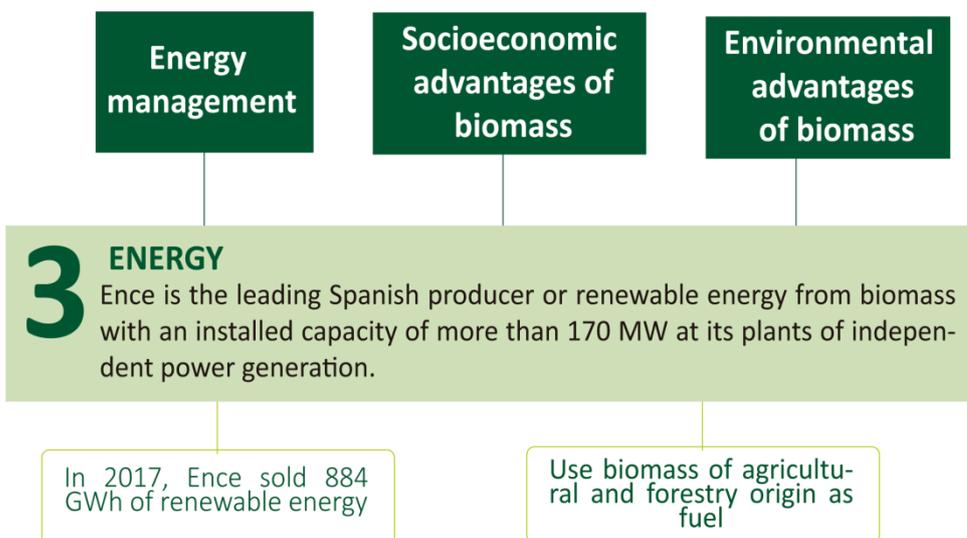
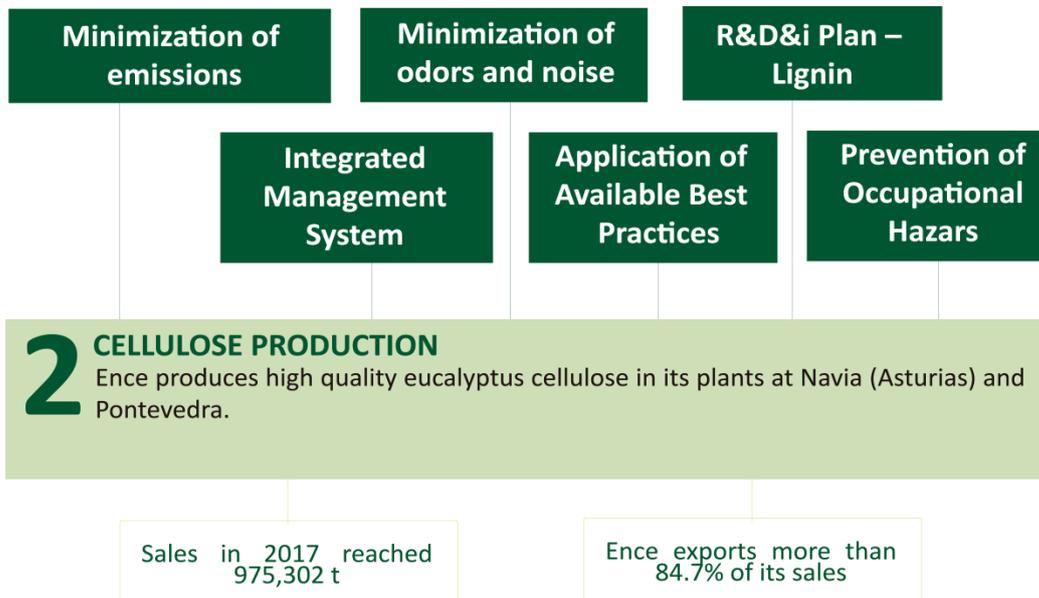


As a company firmly committed to sustainability and the environment, Ence develops its activities through an integrated production model that follows criteria of sustainability and corporate responsibility that are the most demanding and internationally recognized. The integrated production model of Ence covers the cultivation of trees, the generation of renewable energy, and the production of natural cellulose, all under sustainable management and respectful of the environment.



Ence is divided into two lines of business: cellulose production and power generation. The cellulose business also includes the production of pulp, the management of dedicated forest areas, and the energy business, with independent generation plants.





2. Strategy and Management Model

2.1. Strategy

Ence continues to successfully execute its Strategic Plan 2016-2020, which is already close to its midpoint and which translates not only into strong growth and improvement of its business margins, but also into a significant improvement of all environmental parameters and the safety of their factories.

The Strategic Plan 2016-2020 was presented by Ence to the investment community in November 2015 with the objective of practically doubling the Group's EBITDA and reducing its cyclical nature by investing more than 650 million euros in its two businesses: Cellulose and Energy. Subsequently, in March 2017, an update was presented for the Cellulose business, which meant reducing the investment volume foreseen for this business by € 50 Mn.

Nearly half of this investment, 288 million euros, would go to the Cellulose business with the aim of promoting environmental excellence and strengthening the safety of the Navia and Pontevedra factories, on the one hand, and continuing to improve the efficiency of the production processes by reducing the cost of production to € 325/t in 2020, on the other.

For this, the Strategic Plan envisaged a production increase of 25%, to reach 1,120,000 tons per year in 2020, progressively, through the elimination of bottlenecks and productivity improvements in the factories.

| | 2015a | 2016a | 2017e | 2018e | 2019 | 2020 | Total |
|---------------------------------|-------|-------|-------|-------|------|-------------|------------|
| Capex (Mn €) | 30 | 37 | 41 | 71 | 82 | 27 | 288 |
| Production sold (000, t) | 898 | 931 | 972 | 991 | 1040 | 1120 | |
| Cash cost (€/t) | 358 | 357 | 339 | 337 | 329 | 325 | |

The other half of the investment proposed in the Strategic Plan, 325 million euros, would be destined to develop the business of generating renewable energy from biomass with the aim of reaching an EBITDA of € 78 Mn in 2020, compared to € 30 Mn in 2015, by increasing installed capacity and improved efficiency derived from the diversification of the forest biomass used in the plants to agricultural by-products, which in 2015 represented only 14% of the total.

It is important to highlight that the Strategic Plan provides that all these investments are made while maintaining a conservative financial profile, without increasing in any instance the leverage over 2.5 times in the Pulp business and 5 times in the Energy business.

Since the implementation of the Strategic Plan, the company has already executed an expansion of 40,000 tons of pulp at the Navia factory, which has been implemented gradually during the maintenance stops of 2016 and 2017, increasing cellulose sales to 975,000 tons during the last fiscal year.

Furthermore, the cost of production per ton or cash cost has evolved in line with the provisions of the Strategic Plan for a constant situation of \$ 720/t and an exchange rate of \$ 1.25. The difference between the target cash cost of € 339/t and the actual cost of € 350/t in 2017 is due to the raw wood that is linked to the increases in the price of pulp. For every variation of € 50/t in the price of cellulose, € 3/t of cellulose is automatically shared with wood suppliers. This mechanism allows the company to maintain the flexibility of its cost structure in any price scenario.

Annualized EBITDA in the Energy business is already above € 50 Mn in 2017. This breakthrough has been achieved through the acquisition of three biomass plants in Spain with a combined capacity of 59 MW and the savings achieved with our strategy of diversification into agricultural biomass, which already represents close to 60% of the total.

In December 2016, Ence completed the acquisition of Enemasa (Ciudad Real) and La Loma (Jaén) renewable energy generation plants with biomass, with an installed capacity of 16 MW each, and in August 2017 formalized the acquisition of EDF Energies Nouvelles from the biomass renewable energy generation plant in Lucena (Córdoba), with an installed capacity of 27.1 MW.

The next steps in the Cellulose business will be a capacity increase of 30,000 tons at the Pontevedra factory in March 2018, followed by another capacity expansion of 40,000 tons in 2019, and the expansion of 80,000 tons at the Navia factory in April 2019.

In the Energy business, the construction of the new 40 MW biomass generation plant in Huelva has begun. It will be operational by the end of 2019 and will contribute an EBITDA of € 11 Mn during its first year of operation.

In addition, Ence will continue to analyze investment alternatives in Spain and Europe to acquire more biomass plants with the objective of achieving an annualized EBITDA of € 78 Mn in this business, compared to € 50 Mn in 2017.

Ence is already working on a new Strategic Plan that continues to generate value for its shareholders, with environmental excellence for its surroundings and safety for its employees and facilities beyond 2020.

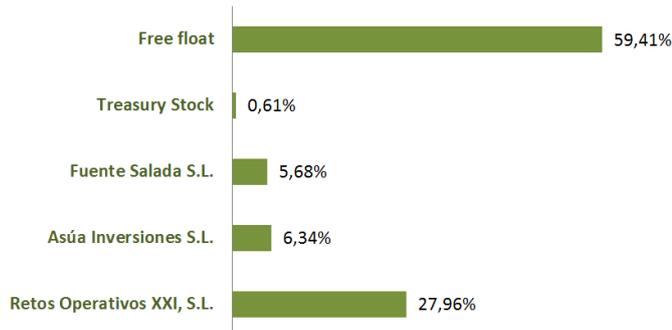
2.2. Corporate Governance

To ensure a correct decision-making process in line with its objectives and priorities, Ence regulates the functioning of its governing bodies according to the principles of good governance, ethics, and transparency

Structure of the property

Ence Energía y Celulosa is incorporated as a public limited company with registered office at Beatriz de Bobadilla 14 in Madrid. The share capital and shareholders of Ence are constituted as follows:

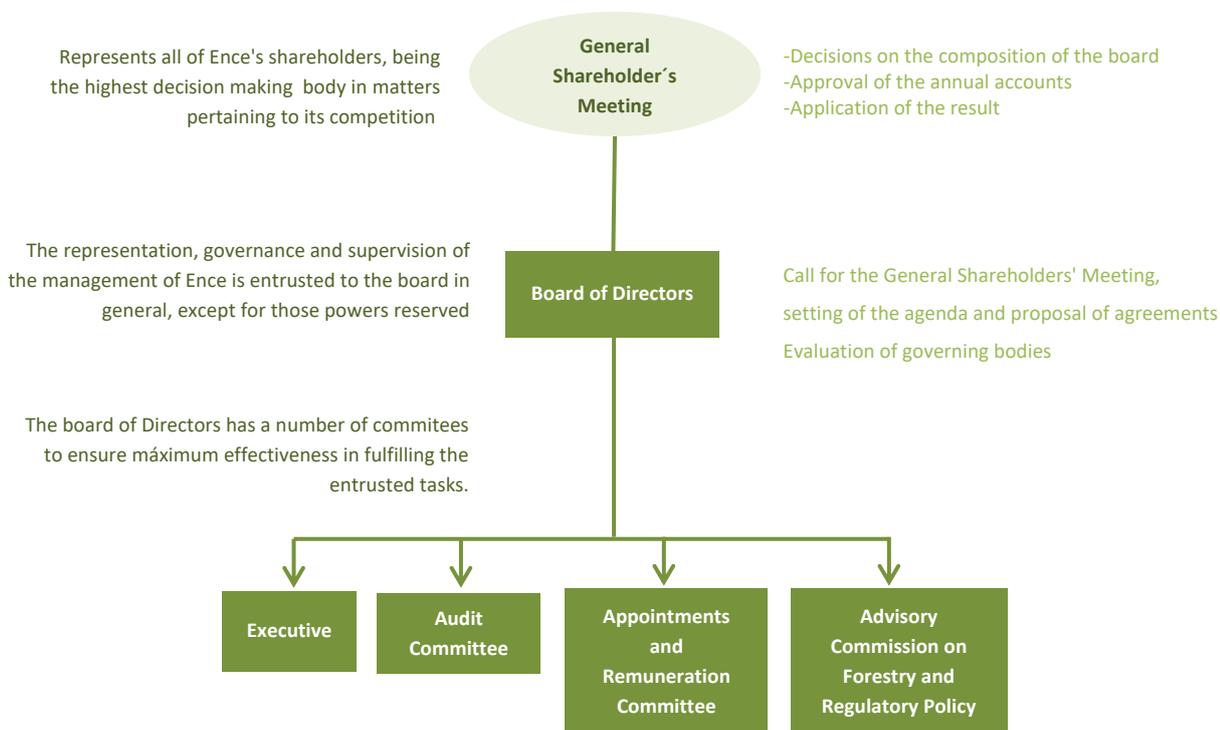
Shareholding of Ence



| Capital stock | No of shares | No of voting rights |
|---------------|--------------|---------------------|
| 221.645.250 | 246.272.500 | 246.272.500 |

Ence's action is part of the **IBEX Small Cap** and **FTSE4Good Ibex**.

Governance structure



General Meeting of Shareholders

The General Shareholders' Meeting of Ence is the competent body to agree on **matters reserved for its decision** by the Law and the Articles of Association, and generally to adopt all resolutions in its status as the **sovereign body of the society**. In particular, it is responsible for, among other **duties**:

- Approving the annual accounts and deciding on the application of the result
- Appointing and separating the Directors as well as examining and approving their management
- Appointing and separating the Account Auditors
- Deciding on those matters brought to its attention by the Board of Directors
- Approving any modification of the Bylaws
- Approving and modifying the Regulations of the General Meeting

The Good Governance of Ence is regulated in the Bylaws and the following regulations:

- Regulation of the General Board of Shareholders
- Regulations of the Board of Directors
- Internal Code of Conduct in the Securities Markets

More information at the corporate website (www.ence.es) and in that of the CNMV (www.cnmv.es)

All Ence shareholders whose shares are registered in their name in the corresponding accounting records five days prior to the date on which the Meeting is to be held have the **right to attend and vote** at the General Meetings convened.

Ordinary General Meeting

The Ordinary General Meeting, duly called, must be convened within the first six months of each year to review the corporate management, where appropriate, approve the accounts for the previous year, and decide on the distribution of profits. Likewise, the Ordinary General Meeting will consider and adopt resolutions on any other matter that, being within the competence of the Board, is included in its agenda.

In 2017 the General Meeting took place on **March 30**, and the main topics discussed were the following:

- The examination and approval of the annual accounts and the management report
- The proposal to distribute a cash dividend
- The examination and approval of the management of the Board of Directors and the re-election and appointment of its members
- Re-electing the auditing company
- Reduction of capital through amortization of own shares
- Authorizing the Board of Directors to acquire own shares
- Authorizing the Board of Directors for a term of 5 years, to issue simple fixed income securities or exchangeable shares.

Any Meeting other than that provided for in the preceding paragraph shall be considered as an **Extraordinary General Meeting**. The Board may call an Extraordinary General Meeting whenever it deems it appropriate for the company's interests. During 2017 no Extraordinary General Meetings were held.

Shareholders who hold at least 3% of the share capital may request the calling of an **Extraordinary General Meeting**, expressing in the request the matters to be dealt with therein.

Shareholders holding at least 3% of the share capital may request the convening of an Extraordinary Meeting, stating in the request the matters to be dealt with therein

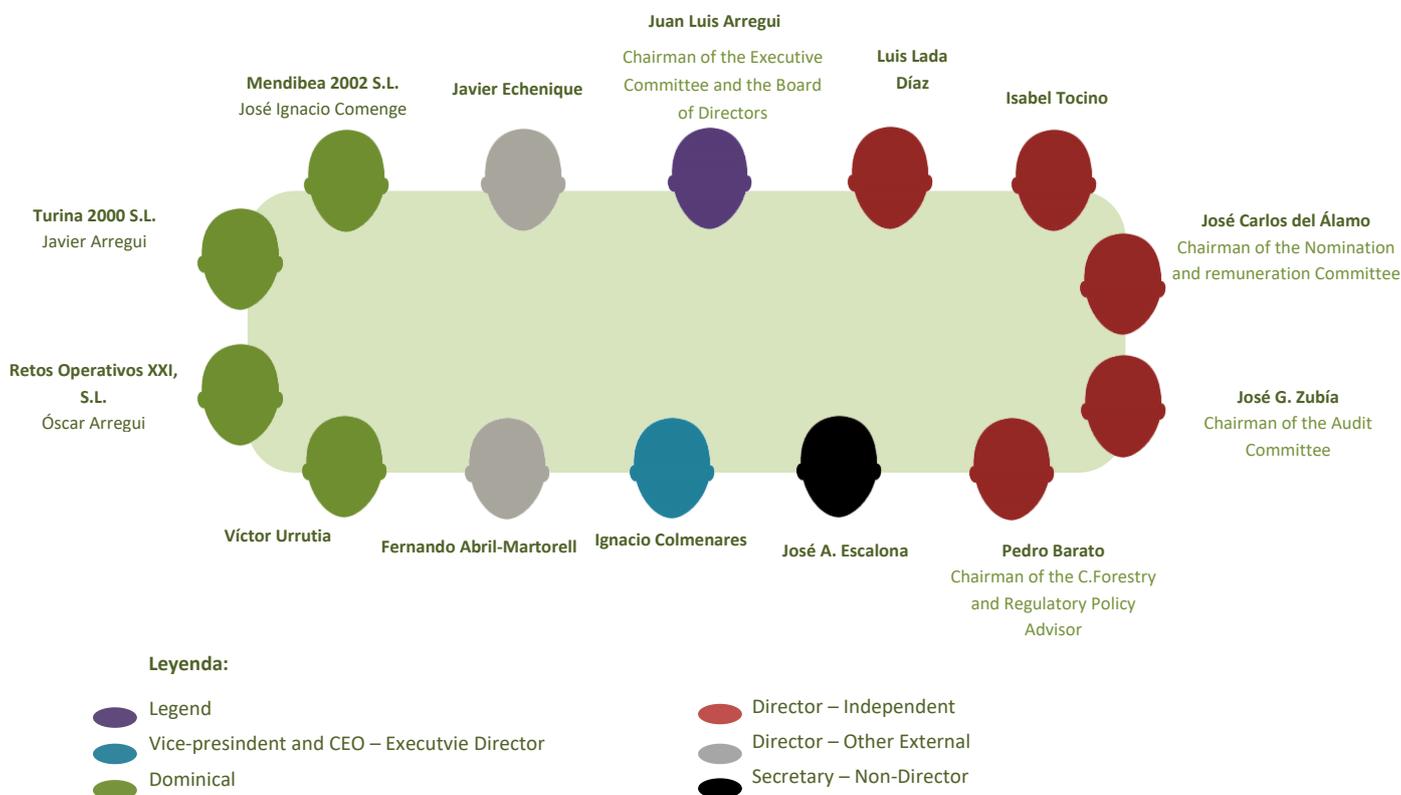
In order to promote assistance, participation, and the adoption of resolutions during the General Shareholders' Meetings, shareholders entitled to attend the General Shareholders' Meeting may cast their **vote remotely** on the proposals related to the matters on the agenda by means of postal correspondence, sending the attendance and

voting card duly completed and signed by the shareholder to the registered office, before 24 pm the day before the date scheduled for the holding of the General Shareholders' Meeting.

In addition, to improve the information made available to shareholders, Ence has the **Electronic Shareholders Forum**, a telematics initiative provided on the corporate website, which can be accessed by both shareholders and voluntary associations incorporated and registered in the special register, authorized for that purpose in the National Securities Market Commission. In this Forum, the proposals that may be presented as a complement to the agenda announced in the calling of the General Meeting, the request for adherence to such proposals and the initiatives to reach the percentage required to exercise minority rights envisaged in the law may be published, and offers or requests for voluntary representation.

The 36 % of the Ence Directors are independent

Board of Directors



The Board of Directors has been granted the task of **supervising the company and creating value for the shareholders**, as well as holding the powers of **representation and management** of Ence attributed to it by the Bylaws and the Law. Among its **core competences**, the following may be highlighted:

- Convening of General Shareholders' Meetings, the setting of their agenda and the formulation of proposals for resolutions.
- Formulation of the annual accounts and reports to be submitted to the General Shareholders' Meeting.
- Approval of the remuneration of the Directors within the limits set by the General Meeting.
- Approval of the strategic plan, the corporate social responsibility policy, the risk control and management policy, and the dividend policy.
- Determination of the corporate governance policy of the Company and the Group.
- Approval of information on financial data that is published periodically.

Composition and remuneration of the Board



The profiles of the Directors can be downloaded from the corporate website

- **Appointment and removal of Directors**
 - The Appointments and Remuneration Committee and the Board of Directors have the power to propose and report on the appointment, re-election and removal of Directors, so that once the proposal has passed through the Board, it is raised to the General Shareholders' Meeting. Shareholders.
 - The Directors shall hold office for a maximum term of three years, and may be re-elected, once or several times, for periods of equal duration.
 - The Appointments and Remuneration Committee evaluates the profile of the most suitable persons to be part of the Board and submits the corresponding proposals to it, as well as the proposals for independent directors to the General Shareholders' Meeting. This Commission ensures that both men and women have equal opportunities, establishing an objective of representation for the less represented sex, elaborating guidelines on how to achieve it and ensuring that the selection procedures do not suffer from implicit biases that may imply discrimination based on gender.
 - All the Directors of Ence must be persons of a recognized professional trajectory, in possession of the competences and the solvency necessary to perform the functions entrusted to a position of maximum responsibility
- **Remuneration**
 - The remuneration policy for Directors, approved by the General Meeting in accordance with the provisions of the Corporate Enterprises Act, shall determine the remuneration of directors in their capacity as such, within the statutory remuneration system and shall include the maximum annual remuneration to be paid to all the directors in that station.
 - Determination of the remuneration of each director in their capacity as such will fall to the Board of Directors, following a report from the Appointments and Remuneration Committee, which will take into account the duties and responsibilities attributed to each director, their membership of the Board Committees, and other objective circumstances that it considers relevant.

Operation of the Council

- **Meetings**
 - The Board of Directors meets, at the initiative of the Chairman, as many times as deemed appropriate for the proper functioning of the company, with a minimum of eight annual sessions and, at least, once a quarter. The Board shall draw up an annual **plan for the ordinary sessions** before the beginning of each year, establishing a periodicity for the meetings that allows the Board to perform its functions with the necessary effectiveness.
 - The convening of the ordinary sessions will be carried out by letter, fax, telegram, or electronic mail and will be authorized with the signature of the President or that of the Secretary or Deputy Secretary by order of the President. The announcement will be issued at least two days in advance.
- **Delegation of vote**
 - The Directors must do everything possible to attend the meetings convened by the Board, but in those cases in which they cannot do so personally, they shall endeavor to ensure that the representation they confer on behalf of another Board member corresponds to another representation of the same group. In those cases in which a non-executive director is involved, only another non-executive director may be granted proxy.
 - Written voting without a meeting is only allowed when no director opposes this procedure, by which the directors may send their votes by email and the considerations they wish to include in the minutes.
- **Adoption of resolutions**
 - Resolutions are adopted by absolute majority of the Directors, present or represented, concurrent to the meeting, unless the Law or the Bylaws require a higher majority. In the event of a tie, the Chairman of the Board has the casting vote.
 - Written voting without a meeting will only be admissible when no Director opposes this procedure.

During 2017 the Board met on 11 occasions

Committees

| | | |
|---|--|---|
| <p>Executive Committee</p> | <p>This is the delegated body of the Council for certain matters and operations that it deliberates. The delegation of powers by the Council includes all except those that are delegated under the Bylaws and the Board Regulations.</p> | <p>In 2017: 10 meetings 1 executive member 6 nonexecutive members</p> |
| <p>Audit Committee</p> | <p>It is the body responsible for ensuring regulatory compliance, financial transparency, and the evaluation of risks that may affect society. It is assigned, among others, the following functions:</p> <ul style="list-style-type: none"> • Proposing to the Board of Directors the appointment, re-election or replacement of external account auditors. • Supervising the company's internal audit services. • Supervising the process of preparing and presenting the regulated financial information, as well as the integrity of it. • Issuing annually, prior to the issuance of the accounts audit report, a report in which an opinion on the independence of the account auditors will be expressed. • Supervising the effectiveness of the internal control of the company and of the internal control and financial and non-financial risk management systems, including the internal control systems on financial information, environmental aspects, security, and prevention of occupational hazards. • Promoting the modification and adaptation of the Codes of Conduct. • Examining compliance with company governance rules and making the necessary proposals for improvement. In particular, the Audit Committee is responsible for receiving information and, where appropriate, issuing a report on disciplinary measures to members of the company's Board of Directors and carrying out a periodic evaluation of the adequacy of the corporate governance system of the Company. | <p>In 2017: – 5 meetings – 0 executive members – 5 nonexecutive members</p> |
| <p>Appointments and Remuneration Committee</p> | <p>It has powers of appointment, evaluation and remuneration of Directors. It has assigned, among others, the following functions:</p> <ul style="list-style-type: none"> • Evaluating the necessary competences, knowledge and experience in the Board. • Submitting to the Board proposals for re-election, separation or appointment of independent directors, and reporting on the proposals for re-election, separation or appointment of the other directors. • Proposing to the Board of Directors the system and the amount of the annual remuneration of directors and general directors. • Reporting on the evaluation process of the Chairman of the Board and the company's chief executive. | <p>In 2017: – 7 meetings – 0 executive members – 5 nonexecutive members</p> |

Advisory Commission on Forestry and Regulatory Policy

This is the organ proposed for matters related to **forestry and regulatory policy**, being competent to report, advise, collaborate and make proposals on the following subjects:

- Ence's actions regarding policies and regulation in those matters related to the activities and operations of the Company, especially in matters of forest management.
- The institutional relationship with the different competent authorities in the establishment of policies, regulation, sorting and planning of the aforementioned subjects.
- The establishment and development of policies, regulation, sorting and planning, before the different administrative and territorial areas, especially for the promotion of cooperation in the management of forest areas or cooperation or concentration of forest properties.

In 2017:

- 4 meetings
- 1 executive members
- 6 nonexecutive members

In addition to the former Committees, in Ence there is a **Management Committee** constituted by the Chief Executive Officer and the Directors of the business and management areas of the company. This committee is responsible for the management of the company and adopts collegially the main decisions that, if any, can be referred to the Board of Directors within its scope of competence.

Members of the Steering Committee

- Chief Executive Officer (Ignacio de Colmenares Brunet)
- General Director of Cellulose (Jaime Argüelles Álvarez)
- General Director of Energy Operations (Jordi Aguiló Jubierre)
- General Director of Supply Chain (Álvaro Eza Bernaola)
- General Director of Corporate Resources (María José Zuera Saludas)
- General Director of Finance and Corporate Development (Alfredo Avello de la Peña)
- Secretary General (Reyes Cerezo Rodríguez-Sedano)
- General Director of Communication and Institutional Relations (Luis Carlos Martínez Martín)

2.3. Risk Management

Adequate risk management allows optimizing the positive effects of the decision making and minimizing potential negative risks on the activity and results of Ence.

Ence's **Board of Directors**, with the help of **Senior Management**, defines the risk management principles to which the company is exposed and establishes the internal control systems that allow maintaining the probability and impact of the occurrence of said events within the company and the acceptable risk levels established. On the other hand, the **Internal Audit Department** verifies the adequate implementation of the principles and policies of risk control and management as defined by the Board of Directors and, likewise, monitors compliance with the internal control systems implemented in the organization.

Ence's Risk Management System

Ence has a Risk Management System (RMS) focused on the identification, evaluation, prioritization, response and monitoring of situations that may pose a threat to the activities and objectives of the company. The RMS covers Ence and the Group companies, all its businesses - cellulose, energy and forestry - and the activities of its corporate areas. There are different **roles and responsibilities** in corporate risk management:

- The **Board of Directors** has the top responsibility for the identification of risks and the implementation of adequate internal control systems that allow the achievement of strategic plans.
- The **Audit Committee** assists the Board of Directors in supervising the effectiveness of the internal control of the company and the systems of internal control and risk management, including internal control systems on financial information, environmental aspects, safety, and the audit of occupational risk prevention.
- Ence has an **Ethics and Criminal Compliance Committee**, reporting to the Audit Committee of the Board of Directors, with responsibility for defining and updating the criminal risk map of Ence in which the activities of the company are identified within which crimes can be committed that must be prevented.
- Ence's **Internal Audit Department** is responsible for managing the day-to-day risk of the company, preparing the procedures and criteria of the Group for risk management and its presentation to the Board of Directors.
- For this, the directors and managers of the different departments of Ence are the **Risk Managers** and perform a management function for the different risks within their areas permanently at their most operational level.

The RMS looks at risks for the different objectives established by Ence, distinguishing between strategic objectives, operational financial information, and regulatory compliance. The RMS is periodically revised to incorporate the general and sectorial best practices in this area.

The RMS is defined and explained in the Risk Control and Management Policy and the Risk Management Procedure of Ence

The following are the **main risks** that may impact on Ence's activity, together with the corresponding strategies and procedures adopted by the company to mitigate those risks:

| | | |
|--------------------------|---|---|
| Risks in decision making | Main risks associated to: | Strategies for risk mitigation: |
| | Continuity of the business in relation to catastrophes and natural disasters, unexpected meteorological and geological conditions and other physical factors, fires, floods or other types of catastrophe that could affect the production and storage facilities. | The prevention and minimization of potential impacts consists of different management measures, for example: <ul style="list-style-type: none"> - The fight against pests that threaten biological assets. - Training in fire prevention, insurance policy contracts, periodic audits and preventive measures for inspection, monitoring, and control of activities. |
| | Regulatory compliance , especially in relation to the future BREF regulation. | Ence is actively involved in decision-making forums on the new BREF regulations. |
| | The increase in market share , with respect to shrinkage of product demand and possible changes in market preferences. | ENCE reinforces its presence and positioning in the European market and continuously monitors trends in the pulp market. |
| Financial risk | Main risks associated to: | Strategies for risk mitigation: |
| | Financial discipline in relation to the volatility of pulp prices, exchange rate and interest rate. | Ence maintains permanent contact with financial institutions in order to engage, if necessary, the relevant financial and/or future hedging to mitigate the impacts derived from the volatility of the price of pulp. In addition, Ence monitors the foreign exchange market and the evolution of the price of the dollar and the euro, and links the most important financing operations at fixed interest rates, with respect to the volatility of the exchange and interest rates, respectively. |
| | The financial risk arising from the fiscal policy of the Public Administrations. | The Audit Committee continuously monitors the company's financial risks in order to assist the Board in its task of determining the management policy and control of financial risk. In addition, Ence has a team of advisers and experts combined with the availability of specific resources within the company, which have established internal guidelines for tax compliance and low risk assumption in this area. |
| | The risk of commercial credit in customers of the pulp business as a result of an unfavorable evolution of their business. | Ence has contracted an insurance program that allocates credit limits based on the credit quality of the client and grants coverage to practically all of the Group's pulp sales. |

| | | |
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| Operations Risks | Main risks associated with: | Strategies for risk mitigation: |
| | The improvement of productive capacity , in relation to the obsolescence of facilities and equipment | Ence works on civil works reviews , investments and maintenance programs to avoid obsolescence of facilities and equipment and to guarantee efficient productivity. |
| | The development of new products , in relation to the needs of customers. | Ence has reinforced the presence and positioning in the European market and continuously monitors trends in the pasta market. |
| | The optimization of operating costs , with respect to the most competitive goods and services. | Ence carries out a periodic control of the evolution of the main suppliers. The risk derived from an insufficient supply of wood is mainly managed through access to alternative markets and a greater presence in the market through standing purchases, contingency plans and minimum stocks to guarantee operations. |
| | The post-production logistics , regarding the breakages of the stock of the final product and the costs of maritime transport. | Ence performs a continuous review of the stock plans to identify deviations and correct them. Likewise, it has adopted as a management strategy internally assume the possible variation in the offer and the price of maritime transport to minimize the costs of maritime transport. |
| Organizational risks | Main risks associated with: | Strategies for risk mitigation: |
| | Changes in the regulation of the energy market . | Ence maintains production levels to achieve the initially estimated profitability levels despite the change in the regulation of the energy market. |
| | The guarantee of quality and Safety and Health at work. | Ence develops occupational risk prevention plans based on the training and maintenance of integrated management systems and obtaining ISO, OSHAS and FSC certifications. |
| Environmental risks | Main risks associated with: | Strategies for risk mitigation: |
| | Environmental risks refer to the main risks associated with the impact of operating activities on the environment. | Ence's mitigation strategies refer to continuous improvement actions and investments in facilities to reduce the risk of impact on the environment. Ence actively participates in the decision forums on the new BREF regulations. |

2.4. Ethics and Compliance

Ence is a socially responsible company committed to a corporate culture based on the ethical behavior of its employees, managers, and advisors and makes transparency one of its lines of action, both internally and in its interaction with the environment

Code of conduct

The Ence Code of Conduct applies to all employees, officers, directors, and third parties acting on behalf of the company or included in the scope of the Code.

The **main objective** of the Code of Conduct is the definition of the ethical foundations of trust in line with the vision of Ence, creating a strong corporate culture and improving its corporate reputation.

The Ence Code of Conduct is available on the corporate website www.ence.es

Ethical pillars of Ence

- Sustainability
- Continuous Improvement
- Commitment
- Responsibility
- Transparency
- Professionalism
- Care
- Respect
- Dialog

The Code includes the **ethical pillars** of the company's culture and sets out the principles that Ence unilaterally commits to following, establishing a commitment to ethical behavior both within the company and outside of it with the rest of the stakeholders.

The **monitoring and control** of the application of the Code of Conduct is the responsibility of the **Audit Committee**, which is the guarantor of its correct disclosure and strict compliance at the corporate level. In addition, Ence has a **Whistleblower Channel** through which all persons subject to the Code of Conduct can report possible breaches or acts and behavior contrary to the Law and Ence's internal regulations. This channel can be accessed by email and postal mail. In 2017, two complaints were received through the aforementioned complaints channel and the corresponding files were initiated.

Main actions carried out during 2017 in the field of:

- Review of the audits carried out throughout the year in compliance with the provisions of the Annual Internal Audit Plan.
- Quarterly monitoring of the action plans established in each operational center and coordinated at a Group level in relation to the areas of industrial and structural safety, occupational safety, and the environment
- Development and implementation of internal policies and procedures to mitigate risk exposure to specific crimes.
- Development of knowledge training activities and awareness of the Code of Conduct in all Ence centers.
- Internal cascade communication and presentation to the management staff and individual contract personnel.
- Formal acceptance through the annual declaration of compliance with the Code of Conduct and Declaration of Conflict of Interest.
- Audit of compliance with the Code of Conduct.
- Meetings with the Company Committees of the Navia and Pontevedra operations centers in order to explain and deepen knowledge and dissemination of the Ence Code of Ethics.

Model of crime prevention and detection

During 2017 Ence has continued its activities aimed at promoting its policies to fight crime, through the Crime Prevention and Detection Model, in compliance with the requirements set by the Organic Law 1/2015 that came into force in July 1, 2015 amending the Penal Code.

The aforementioned model incorporates, in addition to the Code of Conduct, a series of procedures that aim to guarantee to the interest groups and before the judicial and administrative bodies that Ence exercises due prevention control that is legally required of any company. The **Crime Prevention and Detection Model** incorporates a series of specific measures and controls for each applicable crime identified in any field (environment, consumer market, corruption in business, workers' rights, etc.). The aforementioned model establishes the creation and functioning of the **Ethics and Criminal Compliance Committee** to control, supervise, evaluate and update this model, while the management and resolution of complaints received are the responsibility of the Audit Committee.

Corporate Social Responsibility Policy

As a leading company in the market for eucalyptus pulp, renewable energy from biomass, and its ongoing commitment to responsible management of forests and respect for the environment, Ence has systematically developed initiatives to their activity following the **principles of economic, environmental, labor, and social sustainability**, and with a vocation of relationship and closeness to the environment and its problems, and ultimately, to developing and improving the quality of life of people that dwell in it.

The commitment of Ence with its stakeholders is laid out in its **Corporate Social Responsibility Policy**, approved by the Board of Directors in accordance with the non-delegable powers of this body and in line with the recommendations of the Code of Good Governance of the National Commission of Securities Market in the area of Corporate Social Responsibility, with the purpose of ensuring its implementation and compliance. Ence's commitment is part of the company's vision and seeks to develop relationships with different groups in the most efficient and satisfactory way, establishing different communication channels that encourage the exchange of information and serve as a basis for a relationship of mutual benefit. The purpose of this policy is to:

- Contribute to improving the well-being of people
- Promote the economic and social development of the communities in which it is present
- Create sustainable value over time for its shareholders and investors, people, forest owners, customers and suppliers, influence groups, community and the environment

The Corporate Responsibility Policy allows Ence to identify the company's stakeholders and establish the type of relationship and the commitments to be reached with them. Ence's stakeholders and the main commitments with each of them are listed below:

Ence's CSR Principles

- Commitment and respect for the legality and ethical principles of Ence
- Commitment to people
- Commitment to our external and internal clients
- Commitment to institutions
- Commitment to the environment
- Commitment to improvement
- Commitment to results

| | Commitments |
|--|--|
| Shareholders and investors | Duty of Transparency, accountability and maximization of share value |
| People | Professional development, quality, safety and health, and satisfaction |
| Customers | Quality, trust and satisfaction |
| Partners and suppliers (including Forest Owners) | Trust, transparency and collaboration |
| Public Administrations | Trust, transparency and contribution |
| Community and Environment | Creation of sustainable value |
| Interest Groups | Transparency and collaboration |

Full policy Corporate Social Responsibility in Annex.

2.5. Excellence

Ence is committed to excellence in management based on quality, efficiency, and continuous improvement

Model of TQM (Total Quality Management)

Since 2011, Ence has implemented TQM (Total Quality Management) as a **model of cultural transformation and management practices**. Thanks to the involvement of Senior Management, a model of Excellence in Management has been developed, whose implementation is carried out through continuous improvement and with a focus on maximum efficiency and competitiveness, which combines aspects of quality in an integrated manner with safety and health of people, respect for the environment, and prevention of pollution.

The TQM Model is structured around three axes ("Direct improvement", "Process management" and "Daily activity management") that **facilitate their understanding and implementation**, and which also establishes a series of **fundamental improvement objectives** with a clear environmental focus:

- Odorous impact reduction
- Improvement of the quality of landfill
- Improvement of energy efficiency
- Reduction of the consumption of raw materials
- Reduction in the generation of waste

Integrated Management System

Ence has developed an Integrated Management System with the purpose of ensuring that all the company's activities are carried out in accordance with the management policy established by Senior Management, and the objectives and goals as defined. This integrated management system is **certified by an accredited body** that conducts the corresponding audits annually. The management is organized by processes that are identified and evaluated in order to facilitate their control and continuous improvement.

The integrated management system is implemented in the operations centers of **Huelva, Navia, and Pontevedra**, according to the following international standards:

- UNE-EN-ISO 9001:2008, **quality** management
- UNE-EN-ISO 14001:2004, **environmental** management
- OHSAS 18001:2007, management of **occupational safety and health**

In addition, the three factories adhere to **Regulation 1221/2009** of the European Union Eco-Management and Audit Scheme (**EMAS**). Validation of the Environmental Declaration allows them to remain in this registry, each of them in their respective autonomous communities, and the first to access this demanding voluntary commitment, which even today remains a small number of member companies.

Focus of continuous improvement

Within the TQM management model, operational standards have been developed that favor the control and management of possible environmental impacts. The improvement in process control with the **PDCA** (Plan, Do, Check, Act) cycle and **SDCA** (Standardize, Do, Check, Act) and operational improvements of key performance indicators (KPIs), make it possible to achieve results that confirm the effectiveness of this management model.

These results are obtained, in addition, as a result of the commitment of all the people who work in Ence and of the investment effort that the Company has been carrying out in recent years, with the implementation of **the best available techniques** (BAT), as well as the best environmental practices defined in the BREF of the sector (Best Available Techniques in the Pulp and Paper Industry 2014) approved by the European Parliament's Environment Commission.

Ence's environmental management is based on **compliance with current regulations**, which establish the requirements that all activities related to cellulose production must comply with. The operations centers of Huelva, Navia, and Pontevedra, and the plants of La Loma, Enemansa and Lucena, have the corresponding **Integrated Environmental Authorizations (AIA)** for the development of their industrial activity, according to the provisions of Law 16/2002 of Integrated Prevention and Control of Pollution. The objective of the AIA is to avoid, or where this is not possible reduce and control, pollution of the atmosphere, water and soil, in order to achieve a high protection of the environment as a whole. To this end, the AIA includes various authorizations relating to atmospheric emissions, the emission of liquid effluents, the management of waste, and the protection of soil and groundwater. In this context, the AIA establishes limit values for each installation, based on the best available techniques and monitoring and control plans for all relevant environmental aspects.



Nordic Swan Eco-label

Since 2014 the plants of Navia and Pontevedra have the ecological label Nordic Swan (official eco-label of the Nordic countries established in 1989 by the Nordic Council of Ministers, consisting of Sweden, Denmark, Finland, Iceland, and Norway) for complying with the most demanding respect for the environment, which allows consumers to make purchasing decisions that respect the environment.

After a rigorous process of evaluating the impact on the environment of products throughout their lifecycle, this eco-label guarantees compliance with their demanding requirements in terms of mitigation of climate change, energy efficiency, and use of resources (water, chemical products, and raw materials).

3. Lines of Activity

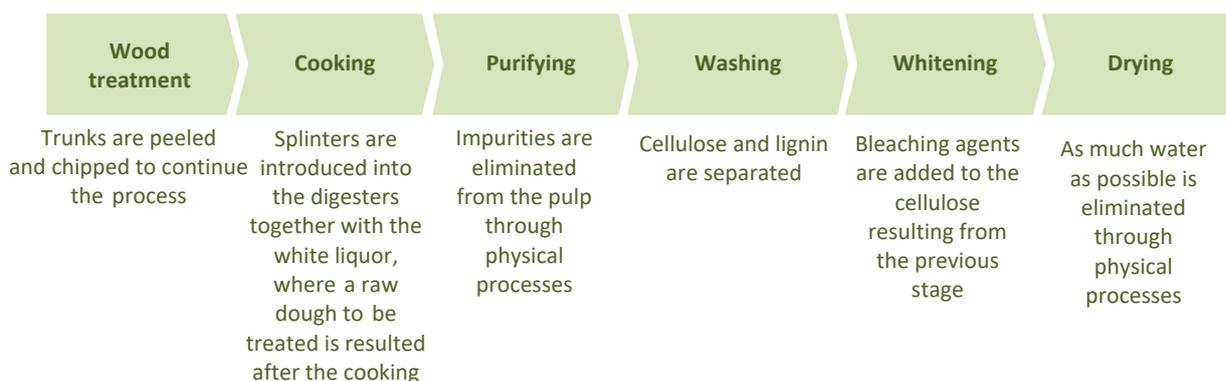
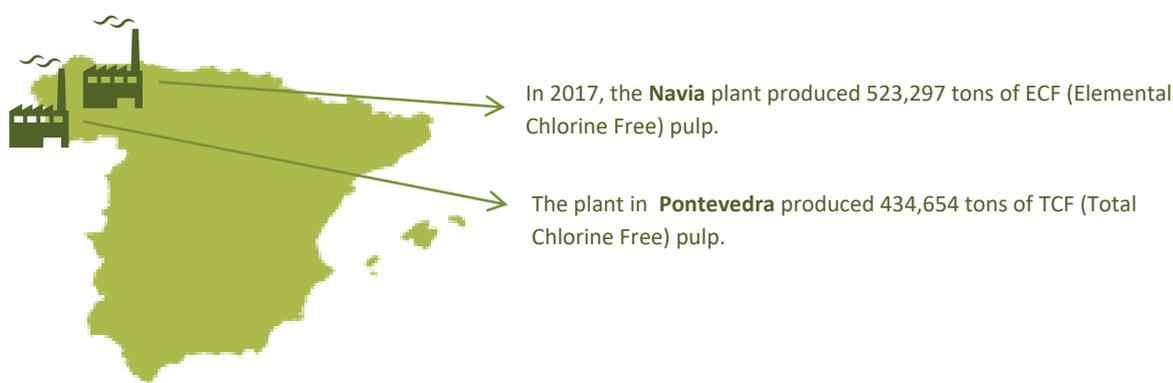
Ence participates in different stages of the value chain of forest products, developing its activity as forest area manager, producer of cellulose, and also taking charge of the energy use of biomass.

3.1. Cellulose production

Ence is foremost in Europe in the production of eucalyptus pulp and second in terms of market share by sales.

Ence produces **eucalyptus pulp**, used mainly as a raw material for **making paper**. In 2017, 63% of the pulp that Ence sold was used for the manufacture of **tissue**, 9% for **printing and writing paper**, 27% for **specialties**, and the remaining 1% for the manufacture of **packaging**.

Ence's cellulose production in 2017 amounted to 957,951 tons.



Ence produces high quality eucalyptus pulp in its plants in **Navia** (Asturias) and **Pontevedra**, where it applies technologies that respect the environment and processes of continuous improvement to reinforce its competitiveness and the quality of its product. Thanks to this, and through an advanced logistics system, it **sold 84.7%** of its pulp production to Europe, where the most demanding customers in the global market are located.

Sales in 2017 were 975,302 tons, of which 84.7% was destined for Europe

Additionally, and in the same locations of its pulp production plants, Ence has a series of cogeneration and power generation units based on lignin and agroforestry biomass. These units are linked to the cellulose production business and have a total capacity of 77 MW in Navia and 35 MW in Pontevedra.



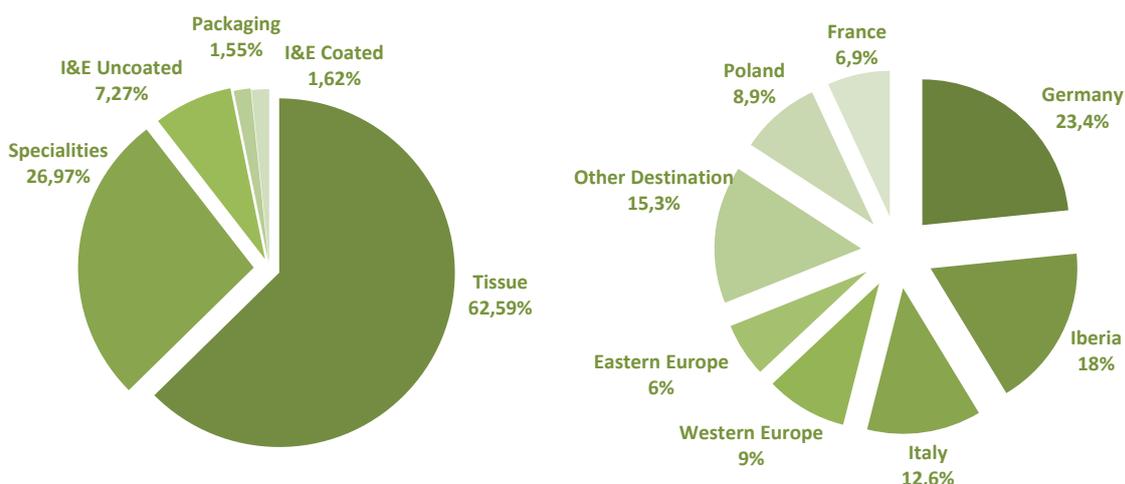
R&D&i

In 2017, Ence continued to work on **two research programs in the area of lignin**. Both projects aim to develop the commercial field of lignin. Lignin is a polymer present in the cell walls of plant organisms that is responsible for lubricating the stem. In this regard, the more lignin the plant material contains, the more woody the plant is.

Firstly, a three-year international research **project was developed for functional applications** in the field of lignin kraft. The project includes the production of lignin and the conversion to high value-added products such as carbon nanofibers at low cost, resins, and active carbon fibers.

Secondly, **the Ligno-Spread project** for the conversion of Ence kraft lignin to chemical precursors of renewable origin that generate products with high technical, environmental and economic added value. This project is part of the "Challenge of Action on climate change and efficiency in the use of resources and raw materials" of the FEDER-INTERCONNECTA 2015 announcement and is supported by the Ministry of Economy and Competitiveness and the European Regional Development Fund. It is a competitive project that Ence develops together with a consortium of companies from Galicia.

Pulp sales in 2017 reached **975,302 tons**, which represents an increase of 5.62% compared to sales in 2016. Almost 60.8% of sales have been to Germany, Iberia (Spain and Portugal), Italy, and France.



The company is addressing the implementation of a new **commercial mix** that will allow it not only to optimize the profitability of its sales, but also to strengthen the company's commercial strategy, specifically based on:

- **Development of new products:** identifying differing needs with greater added value
- **Capillarity:** focusing on customers with small and better margins
- **Client orientation:** seeking excellence in its management, and increasing the commitment and involvement of the entire organization

By the nature of the activity, Ence has an effective **Environmental Management System** through which potential impacts and mitigation actions are identified. In the same vein, Ence promotes the application of Best Available Techniques (BAT) to improve efficiency of the processes, reduce the associated economic costs, and minimize possible impacts on the environment.

Forest management

Within this business is the sustainable management of forest areas, their cultivation, care and maintenance for the extraction of wood and biomass that, together with research applied to the performance of the species, constitute the main activities of Ence in forestry

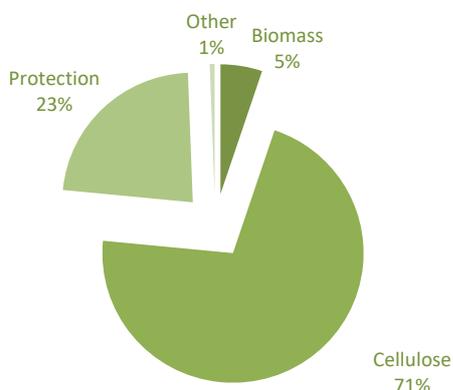
The activity of Ence forestry is the **creation, maintenance, and development of forests** under the most demanding criteria of sustainability, with the following main objectives:

| | | |
|--|---|---|
|  <p>Development of production capacity of wood and biomass</p> |  <p>Maintenance of direct and indirect environmental values (biodiversity, soil, air and water quality, etc.)</p> |  <p>Development of the surrounding areas (job creation and income distribution, forestry sector promotion, etc.)</p> |
|--|---|---|

In this context, the patrimonial, forestry, exploitation activities and, in an integral way, applied research are combined and coordinated.

Regarding the area managed by Ence, in 2017 71% was directed to the production of wood for pulp and 5% to the production of biomass. Around 15,000 hectares, or 23%, has been earmarked for the protection and conservation of ecosystems.

Surface managed by use (ha)*



23% of the areas managed by Ence is oriented towards protection

During 2015, the main focus was the production of wood for pulp (59%), followed by the production of biomass (16%). 23%, which corresponds to 16,300 hectares, was directed to the projection and conservation of ecosystems. During 2016, the main focus of the total area managed by Ence was pulpwood production (59%), followed by biomass production (17%). 23%, around 16,000 hectares, was dedicated to the protection and conservation of ecosystems.

| Company | Biomass | Cellulose | Protection | Other | Total |
|-----------------|--------------|---------------|---------------|------------|---------------|
| Ence Energy | 39 | – | 3 | – | 42 |
| Energy - Huelva | 911 | – | 24 | – | 935 |
| Norfor | 36 | 10,914 | 1,768 | 389 | 13,106 |
| Silvasur | 2,425 | 35,657 | 13,308 | 101 | 51,492 |
| Iberforestal | – | 1,543 | 206 | – | 1,750 |
| Total | 3,410 | 48,114 | 15,310 | 491 | 67,325 |

Forest management is carried out through a transparent, efficient, and responsible **Management Plan** that integrates a rational use of all the forest's goods and services, both productive and ecological and social. Among the main **tools** that enable proper control and monitoring activities, it is worth highlighting:

- Management of the mountain forests
- Continuous Forestry Inventory with the use of LiDAR technology
- Instituting preventive plans against fires
- Integrated pest control plan
- Specific mechanisms for the conservation and promotion of biodiversity
- Specific management plan for terraced areas
- Identification, assessment, and protection of peculiarities
- Comprehensive mapping of non-productive areas with management plans
- Identification of High Conservation Value Forests
- Establishment of ecological corridors
- Fragmentation of cutting surfaces
- Implementation of a system of excellence in management (TQM)

Ence, as the leading forestry manager in Spain, managed 67,325 hectares of forest in 2017, 66% of which it owned

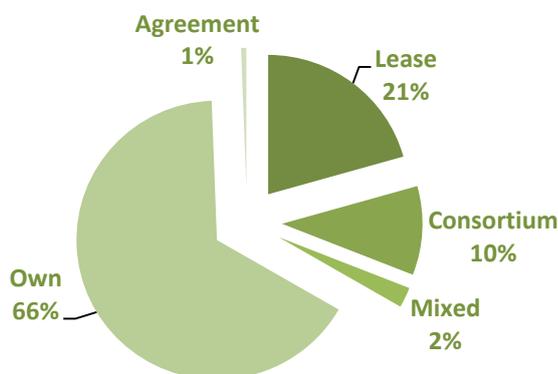
Most relevant actions in terms of Forest Management:

- Participation in the Standards Committee of FSC Spain for the development of the new standard of Sustainable Forest Management
- Sectoral meetings (technical workshops) of Sustainable Forest Management with owner certification groups (Andalusia, Galicia, and Asturias)
- Project "biofactories" to support the integrated fight against the plague of Gonypteris in the Cantabrian cornice
- Project to recover eucalyptus masses degraded by fires (up to 5,400 ha)
- Design of an incident management system for nursery plants, with geolocation of plantations, to be developed in 2018
- Meetings to present the results of the presentations of the Technical Committees of the National Environmental Congress on biodiversity, energy efficiency, and payments for environmental services
- Creation of a Chain of Custody group for small forestry suppliers in order to facilitate their access to the certified wood market
- Implementation of environmental control audits in the use of standing purchases in the Northern Area

- Assistance to the FSC General Assembly, on behalf of Ence and Asapel, on sectoral issues (small property certification)
- FSC Standards Committee: Approval of the FSC Spanish standard for Sustainable Forest Management (application expected from second semester 2018)
- FSC Controlled Wood Committee; Declaration approved low-risk source of non-certified wood in Spain
- Initial draft approval of the Ence Biomass Sustainability Standard (development of the basic rules) for public consultation and development in 2018
- Past audit of second part of Fair Wood. Third audit forecast in June 2018
- Annual Fair Trade Assembly participation
- Development of the "Certification 2.0" Project, reinforcing forest certification mechanisms in the Cantabrian cornice. Implemented in the first half of 2018
 - Development of a pilot project with FSC Spain, FSC International, and AENOR for Ence's heritage certification under the new "Payment for Environmental Services" standard
- Biological control project against the plague of Gonipterus in the Cantabrian cornice: the autumn campaign of biological treatment against Gonipterus is completed, having treated an additional 14,634 hectares, for a total of 22,692 hectares in the Autumn, and an annual total of 47,858 hectares, 29.35% more than in 2016
- The work of the Forestry Sector continues: Meetings with the new director of the Forestry Industry Agency, sector agreement on measures for the urgent extraction of wood and recovery of forests affected by fires, participation in the conference convened by the Juana de Vega Foundation for the development of a Universal Thesis of the Forestry Sector, participation in the Forestry Council of December
- Continuation of the works and meetings of the forestry working group of the Chamber of Commerce of Pontevedra, and awarding of prizes to innovation projects in the forestry sector

This business unit is also entrusted with the purchase of wood from third parties, since not all the wood consumed by Ence comes from forest areas managed directly by the company. The activity of Ence as a buyer of wood, both in the form of standing purchase, as in supplies, has mobilized 2.9 million cubic meters of wood for an amount of more than 183 million euros. In terms of biomass, the total movement of supplies to all plants reached 1.22 million tons, creating a value of over 45 million euros.

Area managed by type of contract (ha)*



| | Wood (m ³) Buying up + Suppliers | Amount (€) Buying up + Suppliers | Biomass (t) all plants | Amount (€) of biomass |
|------|--|--|---------------------------|--------------------------|
| 2015 | 2,456,318 | 161,598,131 | 1,026,222 | 44,100,174 |
| 2016 | 2,724,111 | 174,066,098 | 974,662 | 38,900,908 |
| 2017 | 2,851,637 | 183,630,030 | 1,220,962 | 45,092,814 |

| | 2015 | 2016 | 2017 |
|-----------------------------------|--------------|--------------|--------------|
| Buying up | 611,232.01 | 743,634.63 | 768,807.46 |
| Small suppliers | 1,310,820.99 | 1,203,320.94 | 1,375,800.36 |
| Total year supply | 2,671,114.29 | 2,824,972.56 | 2,857,482.80 |
| % Purchases of small suppliers | 72% | 69% | 75% |

* Ence considers small suppliers as those owners with purchases of less than 3,000 m³ of wood per year.



Support for forest owners

Ence encourages the direct purchase of forest owners, basing their relationship with them in the proximity and mutual benefit, and putting all means at their disposal to promote and **enhance the management of the forest owner**.

In this way, the forestry activity of Ence goes beyond the financial. The **extension of forestry** (exchange of ideas, knowledge and techniques aimed at improving the management of forests and trees) has been one of the **main activities of the company for years**, based on the **conviction** that a structured, professionalized and modernized sector will generate an environment of **mutual benefit** for owners and companies in the sector.

To this end, the property support policy is maintained in aspects such as:

- The transmission of know-how
- Joint work in the fight against plagues
- The promotion of planting with quality genetic material
- Forest certification
- Association of ideas

In 2017, direct purchases of Forest owners and small suppliers reached 75% of timber purchases

In addition, Ence continues working on the promotion of the **integration of related forest crops** of different forest owners - the so-called "body of farms" - essential to reduce exploitation costs and for the competitiveness of the sector.

Ence, for one more year, has remained as a manager of reference in the field of Sustainable Forest Management, both in the heritage area and in the forest supplies, through the application of the most demanding and internationally recognized corporate responsibility criteria, not only in their own forests, but also working to extend this policy to its environment. The company promotes the **certification of forest areas** according to the voluntary certification schemes of Sustainable Forest Management and Chain of Custody FSC (*Forest Stewardship Council*) and PEFC (*Program for the Endorsement of Forest Certification schemes*). The objective, in both cases, is to move to full certification (100% of assets and purchases) in both systems (PEFC and FSC).

| Year | % FSC | % PEFC |
|------|-------|--------|
| 2011 | 28 | 89 |
| 2012 | 30 | 72 |
| 2013 | 31 | 68 |
| 2014 | 40 | 75 |
| 2015 | 55 | 82 |
| 2016 | 69 | 85 |
| 2017 | 71 | 84 |

The certification of the Chain of Custody by both schemes is maintained as a tool that guarantees the traceability of certified wood).

In 2017, 84% of the total certifiable area has PEFC certification and 71% FSC.

The goal of Ence is to reach 100% of the area with double certification in a maximum period of two years.

Finally, it should be mentioned that during the last three years, 9.23% of the area managed by Ence corresponds to High Conservation Value Forests (HCVF), a concept created by the FSC and that refers to areas, surfaces or managed locations that have high conservation values according to certain attributes, such as the inclusion in SPA (the EU Special Protection Area), the presence of cataloged species, and the supply of the basic needs of local communities, among others).



R&D&i

Ence's efforts in the area of Forest R&D during 2017 have been developed within the Ence Improvement Plan established more than 30 years ago. This Plan addresses three Improvement Programs: Genetic improvement program, forestry improvement program, and program for the control of pests and diseases. In particular, last year's Improvement Plan developments have brought to fruition the following projects:

- GONIPTERO project to improve the phytosanitary status of the forests of Eucalyptus globulus by fighting against Gonipterus platensis (eucalyptus weevil).
- Micos Project, for the evaluation of new clones tolerant to Mycosphaerella and Gonipterus.
- Hybrids Project, for the selection of new genotypes from contracted crosses for evaluation by genetic characters of economic interest.
- Agricultural Biomass Project, to improve the use of agricultural residual biomass through the development of harvesting and logistics processes for agricultural biomass.

Within the GONIPTERO project, we can highlight the improvement of the processes of reproduction of parasitoids in bio-factories that have allowed a significant reduction of costs, with a reduction of 36%, while ensuring a biological treatment campaign of more than 24,000 ha. Both factors, cost and volume of delivery, are a guarantee for the sustainability of biological treatment as a mark of control of the pest in the future. This project stores developments and results for the second consecutive year, having analyzed and evaluated the results of biological control in detail. Within the same project they have concluded the first laboratory work with the parasitoid Anaphes inexpectatus, which has allowed, among others, certifying their suitability as goniptero controller, combining and complementing control by A. nitens today.

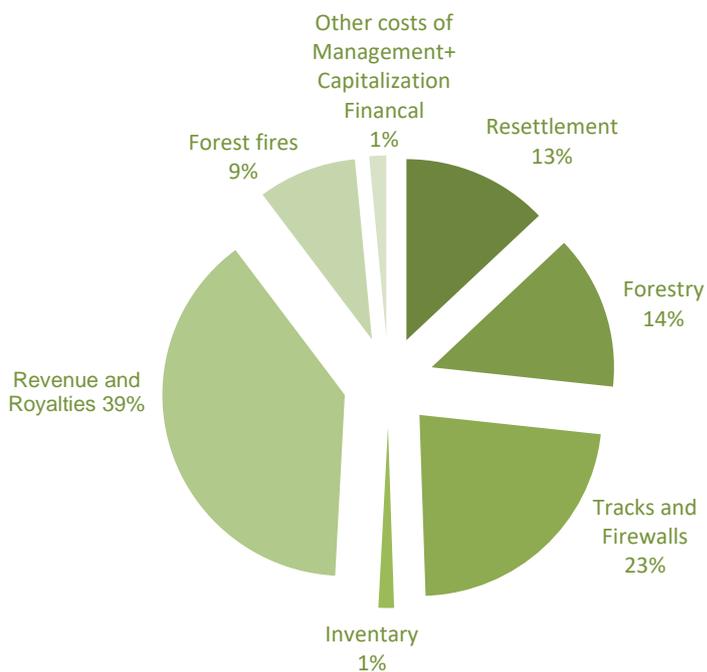
The new experimental developments in the field of Genetic Improvement have allowed the installation of new test plots with Gonipterus pest-tolerant material and Mycosphaerella disease. The latter case has completed the pre-assessment of a tolerant clone itself and has initiated pilot scale reproduction. New hybrid materials have also been obtained between E. nitens and E. globulus species through controlled crosses between elite individuals of each species. These materials are being evaluated for their rooting ability in order to analyze the opportunity for clonal reproduction.

The Agricultural Biomass project has reached major milestones, most notably those obtained for in the case of use of biomass of corn with an improved collection process and energy use of straw and successful completion of a development supply plant at an operational scale. These results were achieved after a complete analysis of the harvesting technology available as well as a study of efficiency and effectiveness. The study has been completed with the results obtained for multi-product harvest systems (grain + straw) by means of the CornRower II (New Holland®) and other prototypes developed within the project. In this same project, work has begun on the study and improvement of the processes of utilization of other agricultural biomasses such as vine shoots, citrus pruning, olive pruning, cotton, sunflower and rice.

Ence R&D collaborates actively with associations and forest owners in the solution of phytosanitary and silviculture problems related to eucalyptus plantations, advising them from the selection of species and variety of eucalyptus, preparation of the land and plantation, to all the necessary silviculture works for the improvement of productivity. In this regard it is worth mentioning that during the past year the supply of improved Eucalyptus globulus plant through our nurseries has experienced a growth of 39% over 2016.

In addition, Ence R&D collaborates with the Government of Galicia and the Principality of Asturias in the biological control of Gonipterus, as well as with research and technology centers such as the Plant Pathology Station Do Areiro and SERIDA (The Regional Service of Agrifood Research and Development of Asturias). During the past year a collaboration agreement has been signed with the University of Extremadura (Department of Construction and Research Group MATERIA) for the development of the project "Characterization of Byproducts Resulting in Plants for the Production of Energy from Biomass". Finally, the technical team has participated in different congresses, technical transfer workshops, and symposiums at a national and international level.

Forestral invertions (euros)*



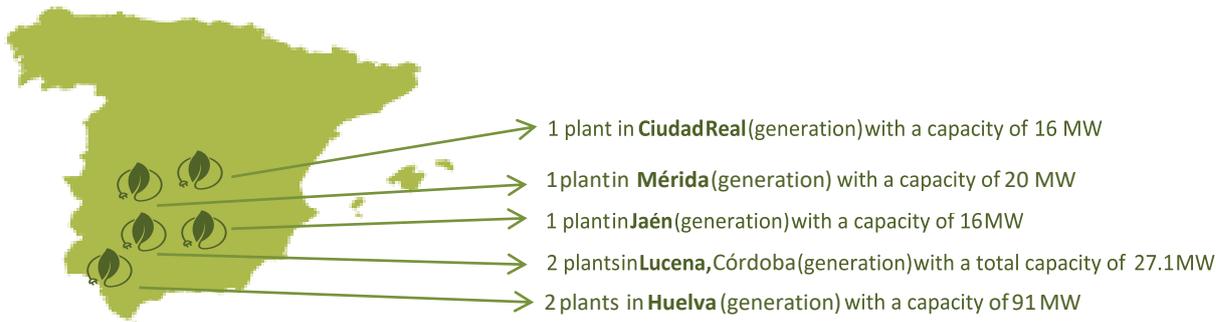
The set of investments made by Ence during the year 2017 stood at around 3.6 million Euros, highlighting the amount destined to care and maintenance of the areas, with 2.2 million Euros, and the revenues and royalties generated, which reached 1.4 million Euros.

3.2. Energy

Ence is the leading Spanish producer of renewable energy from agroforestry biomass.

Ence generates electricity in its seven production plants (two in Huelva, two in Córdoba, one in Mérida, one in Jaén and one in Ciudad Real. These are **electricity generation** plants that are exclusively powered by biomass of agroforestry origin.

Ence's renewable energy production in 2017 was 1,671 GWh



Despite the difficulties posed by the reform of the electricity market, renewable energy with biomass has a huge development potential in Spain, which is the second country in the European Union in terms of forest areas. Forest biomass is the only renewable energy that presents a positive economic balance with respect to the benefits generated, given its capacity to create employment, develop the rural environment, and contribute to the improvement of the environment, both through the capture of CO₂ as well as the care and clearing of the mountains, with a reduction of the fire risk of up to 70%.

All Ence generation and cogeneration groups are entered in the register of electricity producers under the special regime, regulated by RD 413/2014, which regulates the production of electricity from renewable energy sources.

To the 170 MW of independent renewable energy generation, 110 MW of cogeneration and generation derived from the cellulose process are added, totaling an energy production capacity of 280 MW, both sustainable and low emission.

Energy management

In addition to the activities of electricity generation, this business unit is also responsible for managing all tasks related to the sector:

- Purchase and sale of electric power (front-office, middle-office and back-office)
- Planning and control of the energy business
- Operation and management of the plants
- Monitoring of national and international energy regulations
- Study and implementation of new projects



Ence participates in the electricity market through its own energy control center. The company does not transfer to third parties the tasks related to the sector, but manages them through a multidisciplinary team within its staff. This team is responsible for the daily and intraday offers of sale and purchase of electricity to the Operator of the Iberian Energy Market (OMIE), as well as helping the Electrical Network of Spain (REE), the effective balance of the System operating in the different markets of the latter (Tertiary Regulation, Deviation Management, etc.), in addition to the procedures coming from the National Commission of Markets and Competition (CNMC), the Ministry of Industry, and other bodies of the sector.

The production of electrical energy in the year 2017 was **1,671 million kWh** and electricity sales accounted for **1,548 million kWh**.

Thanks to the efforts in R&D and the experience gained in the use of biomass, it has been possible to develop a **100% Spanish technology** that gives Ence the opportunity of leading a global project in the field of the use of biomass for the production of energy.

Production and sales of energy (GWh)*



3.3. Performance 2017

The results of the year 2017 confirm again the success of Ence in the execution of its Strategic Plan, which is already at its midpoint, and that translates not only into strong growth and improvement of margins of the company's business, but also in a very important improvement of all environmental parameters and the safety of the company's factories.

In fiscal terms, the figures speak for themselves: The Group's EBITDA improved by 72%, reaching € 216 Mn, and Net Profit improved by 139% to € 92 Mn.

The EBITDA of the Cellulose business improved by 79%, driven by a 14% improvement in the average sales price of pulp, a 6% increase in the volume of tons sold, and a reduction of 2% in the cost of production (cash cost), equivalent to € 7/t.

This improved cash cost is achieved despite the increase during the year of € 12/t in the wood component due to its link to the evolution of the price of cellulose. This mechanism allows us to maintain the flexibility of our cost structure in any price scenario.

In 2017, strong growth in global demand for short fiber pulp continued, with an increase of 5%, equivalent to 1.6 million tons. The growth of supply has clearly been insufficient to meet the growth in demand. This has caused the price of short fiber (BHKP) in Europe to rise steadily throughout the year, reaching \$ 979/t at the end of December.

The strong continued growth of global cellulose demand and the absence of large projects to increase production capacity suggest a scenario of high prices during 2018 and that will last for at least the next two years.

On the other hand, the EBITDA of the Energy business improved by 51% due largely to the contribution of the three biomass plants acquired last year, but also to the significant savings achieved with our strategy of diversification of forest biomass towards biomass from the agricultural sector, which already represents close to 60% of the total and that will continue to increase in the future.

The strong generation of free cash in the period allowed us to allocate € 40 million to the remuneration of our shareholders, € 62 million to investments related to the execution of the Strategic Plan, and reducing net debt by another € 65 million.

The Group's leverage level stands at only 0.7 times the EBITDA at December 31. This will allow us to accelerate the pending investments of our Strategic Plan during the next two years.

The next steps in the Cellulose business will be the capacity increase of 30,000 tons at the Pontevedra factory in March 2018, followed by another capacity expansion of 40,000 tons in 2019, and the expansion of 80,000 tons at the Navia factory in April 2019.

In the Energy business, we have already begun the construction of the new 40 MW biomass generation plant in Huelva that will be operational by the end of 2019 and which will contribute an EBITDA of € 11 Mn during its first year of operation.

In addition, we continue to analyze investment alternatives in Spain and Europe to acquire more biomass plants in order to achieve an annualized EBITDA in this business of close to € 80 Mn, compared to € 50 Mn in 2017.

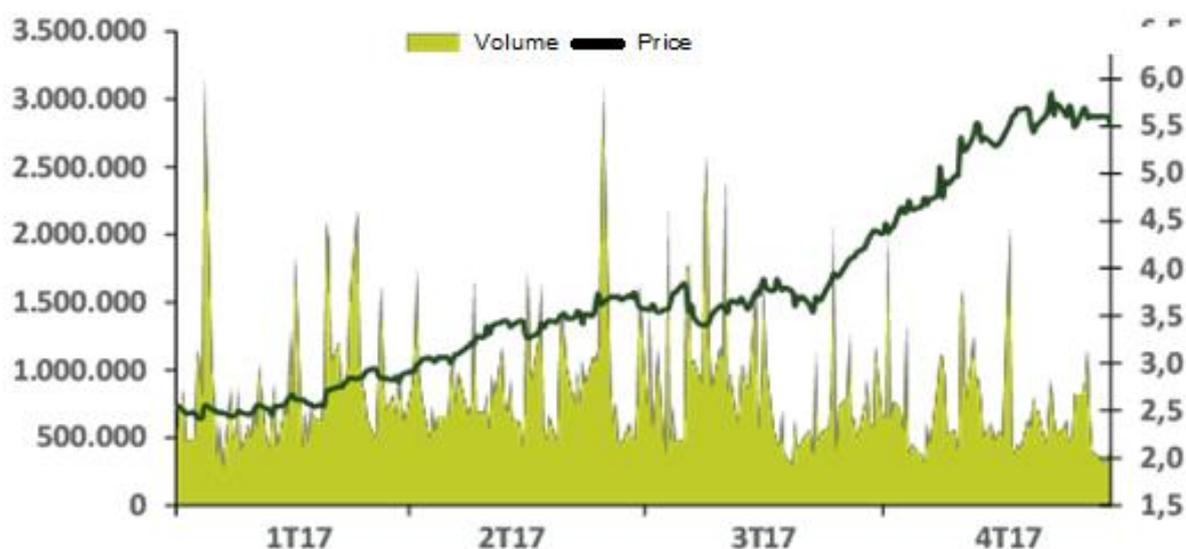
Ence in the stock market

Ence's share price closed on December 31 at 5.5 €/share; representing a 119.1% appreciation in the year. In the same period, the average of comparable companies in the sector has risen by 26.7% (*).

The share capital of Ence consists of 246,272,500 shares with a par value of 0.90 euros each, represented by book entries and with the same political and economic rights.

The shares of the Company have been listed on the Spanish stock exchanges and in the Continuous Market since its complete privatization in 2001 and are part of the Ibex Small Cap and the FTSE4Good sustainability index.

Ence is working on a new Strategic Plan that continues to generate value for our shareholders, environmental excellence for our surroundings, and security for our employees and facilities beyond 2020.



Source: Bloomberg

| | 1T17 | 2T17 | 3T17 | 4T17 |
|---|---------|---------|---------|---------|
| Share price at close | 2.89 | 3.59 | 4.40 | 5.5 |
| Capitalization at close | 711.7 | 884.1 | 1083.6 | 1354.5 |
| Quarterly evolution | 15.1% | 24.2% | 22.6% | 25.0% |
| Average daily volume (shares) | 883,525 | 938,535 | 927,095 | 723,124 |
| Quarterly evolution of the sector* | 1.9% | 5.3% | 17.7% | 6.8% |

(*) Altri, Navigator, Fibria and Suzano

4. Impact on stakeholders

The commitment with the different stakeholders of Ence is part of its vision, within which are all the people, groups or institutions affected by the activity of the company and that can significantly influence it. For this reason, it is an objective of Ence that the relationship with these stakeholders is developed efficiently and satisfactorily, and for this, different channels of communication are established that encourage the exchange of information and serve as the basis for a relationship of mutual benefit.



4.1. People

Ence is committed to its human capital as a strategic lever for creating sustainable value for the company and the environment. Ence encourages safe work behavior, autonomy, participation, and teamwork in order to attract and retain talent, live the company's values, and achieve the satisfaction of the people who work in the company.

The average workforce during the year 2017 was **937 people**, 7.3% more than in 2016.

| | | | | | |
|--|--------------------------------------|--|---|--|--------------------------|
| More than 19% of the workforce are women | 72% are aged between 30 and 50 years | 89% have a permanent contract and 97% work full time | 61% of permanent contracts are workers covered by the Collective Bargaining Agreement | Absenteeism has increased by 14% compared to 2016 ¹ | Staff turnover was 4.83% |
|--|--------------------------------------|--|---|--|--------------------------|

For Ence, the management of human capital is the basis for achieving the strategic objectives of the company because these are the people, with their shared values and skills, who work every day to achieve the best results.

So, in 2016 we developed the 2016/2020 People Strategic Plan with the aim of having well-trained professionals in technical and management skills, committed to Ence, the client, the results, continuous improvement, safety and the environment, based on the following propriety areas for action:

¹ Due mainly to the greater number of paid and union leave as well as the increase of sick, maternity or paternity leave.

- Developing "support and guidance" leadership and a style of participatory management
- Increasing skills, techniques, management, and safety at work
- Enhancing the commitment of people with the values of Ence
- Attracting and retaining talent needed for the success of the Strategic Plan
- Evaluation and competitive compensation
- Labor relations based on dialogue, trust, and co-responsibility
- Recognizing achievements and results

Talent Scholarships

During 2015, Ence launched the Talent Scholarship program with the aim of promoting professional development and employment among young people, in addition to facilitating the selection of talent, as another example of the company's commitment to the community.

The Talent Scholarship program is carried out both in the corporate offices of Madrid and in the operations centers of Huelva, Navia and Pontevedra, with an average of 53 interns participating in 2017, performing responsibilities in different areas of the company such as Engineering, Production, Maintenance, Finance, Purchasing, Forestry, Legal Advice, Communication or Human Capital.

Diversity and equal opportunities

Ence promotes diversity and equal opportunities and rejects any type of discrimination, whether due to race, sex, religion, or nationality, a commitment recognized in its **Code of Ethics** and laid out in its **Equality Plan**. This plan promotes the effective application of the principle of equality between men and women, guaranteeing in the workplace the same income opportunities and professional development at all levels of the organization. In the same vein, the remuneration policy guarantees non-discrimination and remunerates in a competitive manner according to market criteria. The ratio between the initial salary and the inter-professional minimum established in state legislation is above 130%.

In addition, through the Harassment Prevention Policy, Ence is committed to preventing, avoiding, resolving, and punishing any cases of harassment that may occur, as an essential requirement to guarantee the dignity, integrity, and equal treatment and opportunities for all persons who work in the company. During 2017, no reports of harassment were received through the channels established for this purpose.

Social benefits

- Medical insurance (payment of 50% of the insurance premium)
- Complementary benefit of up to 100% of the real salary in ordinary hours for those situations of temporary disability that are due to a common illness or accident
- Life and accident insurance (payment of 50% of the insurance premium)
- Pension Plan
- Commissary (financed by the company)
- Factory dining room (subsidized by the company through a restaurant card)
- Transport (covering the amount of the monthly subscription)
- Loans for housing acquisition, housing or vehicle repair, and for urgent situations
- Scholarships for children of employees who attend university studies or secondary level vocational training
- Gratuities for birth and marriage, and death grants
- Flexible Compensation Plan

Internal communication and participation

Internal communication is essential to support the strategic vision and cultural change. Its effectiveness depends directly on the involvement of everyone, especially the Management Committee and the entire management team, and the success in fulfilling the 2016-2020 Strategic Plan relies largely on motivation, an adequate internal climate, and knowing what we can contribute to each of the people of Ence.

Thus the Internal Communication Strategy must contribute to the workers being informed, knowing their mission and contribution, values and strategy and feel part of it and, therefore, willing themselves to give their all.

That is why last year we developed an Internal Communication Plan 2016/2020 with the following objectives:

- Ensure understanding of the Strategic Plan, its objectives, and the TQM model

- 🌱 Help the people of Ence to assume the cultural and organizational changes necessary for the fulfillment of the Strategic Plan
- 🌱 Foster internal motivation by recognizing the achievements of the team
- 🌱 Help to create a participatory and transparent business model
- 🌱 Integrate internal communication in the general management of Ence
- 🌱 Improve the image and internal reputation of Ence

In order to respond to the lines of action of the Communication Plan, during 2017 a series of actions were carried out by the Management Committee:

- 🌱 Successive presentation of the Strategic Plan to the entire organization in face-to-face meetings
- 🌱 Annual meeting of the Management Team, in which the main challenges for the following year were analyzed, the market vision
- 🌱 Knowledge improvement program on TQM through informative pieces in the workplace and a section on "Ence Team Day"
- 🌱 Conference call/WebEx to communicate the progress of the business
- 🌱 Information on results on Intranet
- 🌱 Information on the "Voice of the Customer" on the "Ence Team Day" bulletin
- 🌱 Christmas Cards Contest
- 🌱 Definition of responsibilities and agreement of annual objectives (Executives and individual contract)
- 🌱 Biannual follow-up of objectives
- 🌱 Annual performance review
- 🌱 Organization of events "Take the Word"

Another priority of Ence is the **recognition of and gratitude to the people** who have participated in improvement activities. During the year 2017 we have carried out different acts of recognition:

1. Recognition of those evaluated as REFERENTS in the 2016 performance evaluation process, conducted in March 2017
2. Annual recognition of operations centers, Huelva, Navia, Pontevedra and Supply Chain
3. Recognition of the "Excellence Team" annual management meeting

Training and development

Training is an important chapter in the Strategic People Plan, in which the following corporate training plans have been defined in addition to the specific Training Plans of each operations center. The main training initiatives that Ence has developed during 2017 are:

In 2017, a total of 17,821 hours of training were given, with a ratio of 16 hours of training per worker

Occupational Health and Safety

Training to promote and integrate **safe behaviors** at all levels of the organization, through an ambitious Safety and Health Training Plan being developed between 2015 and 2017, which has meant a significant increase in training hours dedicated to Security in this period.

TQM model and management tools

This type of training aims to guide management to improve customer satisfaction and continuous improvement in the efficiency of operations, in addition to training in the use of management tools.

Environmental training

Environmental training serves to sensitize all workers to care and respect for the environment, as well as the responsible use of resources.

Leadership development

This training seeks to develop a more participative management style. Management skills training is aimed at people in key positions, people managing teams, as well as people in development.

Technical and management skills

Its objective is to train operators in the knowledge of the process and its technology, as well as their development within the profession (knowledge of hydraulics, pneumatics, mechanics, instrumentation, processes, etc.). The major initiatives in this type of training in 2016 included the Plan of Technical Training in operation and maintenance and training in Lean Six Sigma Green Belt, Black Belt, and Project Management (PM).

| CORPORATE TRAINING PLAN 2017 | No of Hours of Training per Person | No of Participants Planned in 2017 |
|---|------------------------------------|------------------------------------|
| Develop the leader Ence n-4 | 28 | 106 |
| 2 nd Phase Driving your development: Skills n-2 / n-3 | 16 | 55 |
| 2 nd Phase Driving your development: Mentoring | 8 | 7 |
| Performance quality management talks: Project We Speak | 8 | 117 |
| Technical training plan for Operation | 28 | 240 |
| Technical Maintenance training plan | 32 | 120 |
| Training Plan in the management of Occupational Health Cellulose | 20 | 444 |
| Training Plan in the management of Occupational Health Forestry | 20 | 122 |
| Training Black Belt | 144 | 10 |
| Training Green Belt | 40 | 22 |
| Training Yellow Belt | 16 | 140 |
| Training Green Belt: Focus systems of measures Quality Control of Process | 16 | 16 |
| Training Green Belt: Focus Durability of Mt Equipment Reliability | 16 | 10 |

During 2017, Ence continued to work to integrate the management and retention of talent in people management processes, with the aim of ensuring that the company attracts, develops, and retains the necessary professionals to achieve a competitive and sustainable advantage. For this, Ence sets the following main axes:

- Establishment of a clear vision of the organization and the key positions of the company
- Identification of key managers, potential successors, and talents
- Anticipation and preparation for the next movements and substitutions
- Identification of possible “gaps” and the adoption of the necessary corrective measures

All this is based on two basic systems of people management, **Management by Objectives** ("what") and **Management by Performance** ("how"), consistent with the Ence culture. We want to involve the entire line of command in the management of people and Human Capital policies, making employees feel the confidence and recognition of their superiors, and therefore, among other actions, we will continue measuring the number of performance evaluations carried out and the number of people participating in the participative Management by Objectives system.

These evaluations are based on a continuous dialogue about goals, achievements, reinforcements and acknowledgments, which analyze not only "what is achieved", but also "how it is achieved", "by what means", and "in what situations". The process is performed continuously throughout the year for all technicians and managers of the organization, and is related to the variable component of the compensation.

In 2017, 31.47% of the workforce participated in the system of management by objectives and performance appraisal

Organizational Climate Study

For Ence, it is important to know the opinion and satisfaction of the people who work in the company to design future initiatives and adapt them to their expectations and needs. Thus, during 2017, the Organizational Climate Study was launched, with the CEO sending a letter to the entire staff explaining the project's content, objectives and deadlines.

In the first quarter of 2017 the results of the climate survey were known, and were communicated internally during the month of April.

Subsequently, work began on the development and implementation of improvement plans based on results of the survey. During the management convention held in El Escorial in November, more than 100 professionals worked together to develop the organizational culture aimed at improving the work climate.

Eight work groups were created, consisting of employees from all areas and businesses of the company that have focused on the diagnostics of the current situation, which identified the main needs and improvements within the action sections foreseen in the Project. Specific communication actions have also been carried out to disseminate the project among the entire workforce.

Labor relations

In Ence, labor relations are based on dialogue, trust and co-responsibility, thus maintaining the framework of industrial relations necessary to work on improving efficiency and productivity.

The most significant events in 2017 were as follows:

- **Madrid Offices:** Trade union elections were held for the works council of the Headquarters of Madrid on March 9. Result: 5 Trade Union members (4 collective agreement and 1 individual contract). In addition, the negotiating table of the Collective Agreement of Central Offices of Madrid was set up in May, and signed on July 21st.
- **Biomass Plants in Huelva:** Signature of the agreement on the payment of an electric premium on May 17, 2017.
- **Operations Center Navia:** Act of Recognition of the Record of Production of August of 2017.
- **Operations Center Pontevedra:** The negotiating table of the Collective Agreement of the operations center was established in January, and the 2017-2020 collective agreement of the Pontevedra Operations Center was signed on 23/6/2017.
- **Pontevedra Offices:** The negotiating table of the Collective Agreement of the headquarters of Pontevedra was constituted in March and an agreement was reached for signature in the month of July.

Occupational Health and Safety

Protecting the safety and health of the people who work at Ence is one of the strategic priorities in HR management. In this way, Ence seeks to generate a cultural change in the company that results in safer operations, processes, and facilities.

Principles of cultural change at Ence

- Integration of security in daily activities and in all operations with the slogan "Safety is the first priority" with the example and the visible commitment of the Management.
- Systematic evaluation of the risks related to safety, and implementation of adequate preventive measures to avoid them.
- Registration, analysis, and improvement based on all the accidents and incidents that occur in the group.
- Correction of all unsafe behaviors under the principle of "zero tolerance".
- Selection of approved suppliers and subcontractors in security, control of compliance with Ence's security regulations, and harmonization with our security improvement tools.
- Integration of the concepts of safety, hygiene, and ergonomics in the design of the facilities.

The **main risks** at the Ence facilities are falls at the same and different levels, risks associated with lifting loads, entrapments and bumps against objects, electrical risk, and

"Goal Zero" accidents in all activities, both of our own personnel and of contractor companies

contact with chemical substances. Among the management tools used by Ence in matters of occupational health and safety, it is worth mentioning the **PSO** (Preventative Safety Observations), which contribute to the homogenization of safe attitudes and behaviors through the identification of safe and unsafe practices, their correction, and communication to the company as a whole and helping to make visible the commitment to chain of command security, the **SOP** (Standard Operating Procedures), to establish the correct way to carry out tasks and avoid errors or unsafe practices, and the Work Permits that guarantee a specific evaluation of the risks associated to each task that is done in the work center, as well as the preventive measures to be adopted so that this is done in a safe way. In this regard, inspections and security audits are carried out periodically.

In addition, Ence has a **Joint Occupational Risk Prevention Management System** certified according to the **OHSAS 18001** standard, that permits reducing work accidents and increasing productivity, complying with legislation on prevention, and fostering a culture of prevention by integrating prevention into the overall system of the company, and the commitment of all people working in the company to continuous improvement in the performance of health and safety.

The Joint Prevention Service that has taken over the **surveillance of health**, in addition to carrying out medical examinations based on specific protocols, produces informative documents that explore general health aspects, promoting **healthy living guidelines**.

Ence aims to achieve zero accidents in all its activities through:

- The visible and permanent commitment of the line of command.
- The guarantee of prevention and search for safe and healthy working conditions for our own staff, contractors, and those who visit us.
- Leading by example and prioritizing safety in management in a process of continuous improvement.
- Ongoing training in occupational Health and Safety and emergency response.
- Ensuring that contractors integrate Ence's principles into their management systems.

Accidents at work have been reduced by 34% during 2017 compared to 2016.

Accidents with sick leave have been reduced by 33%.

• **Main activities developed in 2017**

| | |
|------------------|--|
| FORESTRY | <ul style="list-style-type: none"> - Exceeding audits recertification OHSAS without Non-Conformities - Participation in meetings of the forest health and safety working group with the ISSGA (Galician Occupational Health and Safety), and representation in the business group of the forestry sector: Spanish Confederation of Wood Businessmen (Confemadera). - North Forest has participated in training on Health and Safety. Work at the Secondary Education Institute of Arzúa in A Coruña. - Conducted Conferences of security awareness in forest operations and use of chainsaws for contract workers. - Development of the safest contract ranking in Exploitation and Recognizance. - Implement communication devices in the forests. Encourage the use of new tools to aid in manual felling. Develop a computer tool (APP) for the review of felling cuts in forestry exploitation APP stumps. |
| CELLULOSE | <ul style="list-style-type: none"> - Regulatory recertification and PRL management system (OHSAS 18000). - Implementation of specific work permits and brief pre-shift talks. - Navia: Bonus 2017 (incentive regulated by RD 404/2010). Special mention in the V awards Escolástico Zaldívar de Fraternidad Muprespa. - Navia: HRP recognition of the insurer FM Global by plant highly protected against risks in general. - Navia: Collaboration agreement with the 112 desk of emergency service of Asturias. - Pontevedra: Zero personnel accidents and better historic accident rates. - Pontevedra: Participation of the Safety Manager in Safety Workshops organized for university students in Ferrol by the ISSGA (Institute of Safety and Health of Galicia) with the University of La Coruña. - Pontevedra: Development and implementation of new criteria for the improvement of road safety in the center in general and in wood transport and unloading activities in particular. Implementation of new tools for the improvement of contracts in terms of security. |
| ENERGY | <ul style="list-style-type: none"> - Audit of legal compliance and monitoring of OHSAS 18001 without nonconformities. - Annual shutdowns of the various plants without accidents. - Zero accidents with loss of own staff in 2017 (990 days without accidents with sick leave in Huelva). - Incorporation of new plants with the Ence Prevention management system. |

4.2. Partners and Suppliers

Ence's commitment to its suppliers translates into a relationship of closeness, trust, and mutual benefit, contributing to development and growth, especially at a local level

The main objective of the supplier management carried out by Ence is to maintain a relationship based on **trust** and **transparency**. To do this, it works to establish responsible links and contribute to development and mutual growth, especially of local suppliers. Ence conducts **periodic evaluations** as a tool for continuous improvement. They review compliance with the technical specifications of the products purchased and the contractual conditions of the services. The evaluation criteria take into consideration those of the ISO and *Total Quality Management* certification systems.

The goal of Ence is for 100% of their companies to be evaluated according to their environmental commitments

In relation to the purchases of wood made by Ence, it is necessary to differentiate **purchases from suppliers** and from **forest owners and associations**:

Purchases from suppliers

- Ence tries to encourage the purchase from small suppliers..
- The volume of purchases from small suppliers (<3,000m³sc/year) was 48%.
- In 2017 the origin of wood was 99% from Galicia and Asturias
- Of the 241 wood suppliers, 142 have double certification, 19 with the PEFC Chain of Custody Certification and 8 with the FSC Certification.

Purchases from forest owners and associations

- During the year 2017 Ence purchased wood from a total of 5,590 forest owners.
- The average annual purchase of Ence in 2017 was 170 tons per owner.
- 16% of purchases of wood made in 2017 were made through a forestry association.

In relation to the purchases of wood made by Ence, it is necessary to differentiate **purchases from suppliers** and from **forest owners and associations**:

In this way, since 2011 Ence has promoted the **direct purchase of wood from forest owners**, basing their relationship with them in proximity and mutual benefit, and putting all means at their disposal to promote and enhance the management of the forest owner.

The contracts signed with the lumberyard collectives go beyond the mere acquisition of wood, establishing guidelines for collaboration on structural issues for the **future of the forestry** sector such as management of forest crops, phytosanitary improvement, sustainable management of eucalyptus forests, or providing greater transparency to the timber market.

Proof of this is the efforts made by Ence to promote **good practices** when cultivating and obtaining certification of sustainable forest management. In this regard, Ence carries out training initiatives aimed at those forest owners where the cultivation of eucalyptus is especially suitable. These initiatives address issues such as the location of the plants, the price of wood or certification, as well as demonstrating the keys to developing an exemplary plantation. In addition, Ence shares with the forest owners the advantages of the **improved Eucalyptus globulus**, the result of decades of work and selection of the best specimens by experts in forestry research of Ence, which show a growth of over 30% more than those of the eucalyptus seed plant, thanks to forestry and appropriate treatments.

On the other hand, direct purchase from producers benefits both loggers and Ence. By **eliminating intermediary costs**, the company and producers can operate with the margin that is intended for third parties when there is an intermediary between the seller and the buyer.

4.3. Customers

Ence works to maximize the satisfaction of its clients in all its lines of activity, ensuring long-term relationships and seeking to become the leading supplier in the market

| | |
|---|---|
| <p>Cellulose</p> <p>Ence is present in those markets most demanding of cellulose at a European level, markets to which it oriented 84.7% of its production in 2017. In this way, Ence is progressively adapting to the reality of the market, increasing its presence in the expanding paper segments (tissue) and reducing it in those segments that are contracting.</p> | <p>Energy</p> <p>In the energy market, Ence must comply with all the obligations imposed within the national regulatory framework on electrical energy sellers. Ence works to ensure that the main players in the electricity sector know the reality of the company, through the generation of cooperation ties and strategies of common interest and mutual benefit.</p> |
|---|---|

Ence has a **customer relationship system**, implemented in 2012, which allows to articulate its relationship with customers and record possible incidents that occur, depending on:

- **Incidents:** Concerning possible breaches of product or service requirements agreed internally by the organization or directly with the client, which could affect it in any aspect (quality, quantity, price, service, etc.).
- **Complaints:** Related to customer dissatisfaction with any established requirement of the service being provided or the product that is delivered, without affecting the breach of guarantees.
- **Claims:** Relating to customer dissatisfaction that affects the breach of guarantees, or other more serious aspects such as accidents caused by the product or service provided, extra costs, returns, etc.

However, Ence's customer relationship system is a **proactive** system, in which Ence does not wait for the customer to claim, but rather, through sales managers, **periodic visits are made to customers** or they are invited to **visit our facilities** to see the progress of their expectations about the products and services provided by the company.

In the management of claims, the final communication with the client is made with the preparation of an 8D Report (description of the problem, containment actions, root cause analysis, corrective actions, actions so that the problem does not recur, and actions check). The degree of customer satisfaction is obtained from the feedback provided. In addition, Ence developed the VOC (Voice of Customer) model in order to discover the perceptions and expectations of customers to implement improvement initiatives that contribute to developing special and differentiated products that meet the needs of our customers and help us increase market share and capillarity in Europe. Ence also uses other types of communication channels with clients such as computer applications designed to share specific information, emails or conference calls.

In 2017, more than 250 customer visits were made

In 2017, two VOC model visits were made, attended by different people from the different plants, always incorporating a person from the industrial, logistics, commercial, and quality areas. In this type of visit, interviews are conducted with questions on six topics (image of Ence, products, commercial service, logistics service, technical assistance service, and future perspective on aspects related to the market).

4.4 Environment

Aware of the potential environmental impacts of its activities, and through the application of best available techniques, Ence wants to become an industry leader in environmental matters. The company recognizes climate change as a matter of importance for the development of its businesses and will implement measures to manage this issue and reduce its impact.

Sustainable forest management

Ence has become the **national benchmark** in terms of forest sustainability due to its activity in three main lines of action: **environmental responsibility, efficiency in management, and social commitment**. Thus, Ence applies internationally recognized criteria of excellence in the management of its own forests and promotes them in those of third parties, such as FSC (*Forest Stewardship Council*) and PEFC (*Program for the Endorsement of Forest Certification*) schemes. In addition, Ence aims to continuously improve its efficiency in the use of natural resources and the performance of its forest management. Finally, Ence works to promote its management principles and the know-how acquired through its activity in the rural environment in which it operates, actively collaborating in matters of management, pest management, plant material and forest certification, among other aspects.

Forest management not only takes into account criteria of environmental sustainability, but also promotes the development of local communities, generating employment and creating value

Ence offers days of free training to owners on the best silvicultural practices to guarantee the care and good sanitary status of the plantations

Ence has a **Management Plan** that integrates the rational use of all the goods and services of the forests, productive, ecological and social. Within the framework of the Forest Management System, Ence prepares Forestry Management Technical Plans, Dasocratic Plans, and the Continuous Forestry Inventory. In addition, each management unit has an Organizing Project in which criteria, objectives and management priorities are defined, alternatives are evaluated, and decisions are made. All these tools allow for the correct monitoring and control of activities, including the controlled use of phytocides, verification of the sanitary status of the forests, verification of the protective

functions, and consideration and inventorying of the peculiarities of each forest area. Based on these activities, corrective and preventive measures are identified and implemented.

Pests and diseases endanger the conservation of forest resources and undermine productive yields. Depending on the disease in question, the annual growth of trees can be reduced by up to 30%, possibly resulting in the loss of the tree in extreme cases. For this reason, the fight against pests and diseases to improve the phytosanitary status is a key aspect of management.

Ence addresses the improvement of techniques and treatments against pests and diseases with R&D&i, developing plants that are more vigorous and resistant to different conditions, through agreements and studies with national and international laboratories to find the best possible health treatments, and with the development of important biological control treatments against the main health problem of eucalyptus, gonipterus. In the case of the latter, the treatments are carried out twice a year in coordination with those carried out by the governments of Galicia and Asturias, as well as with associations of forest owners and with neighboring forest communities.

To this end, since 2016, Ence has developed two bio-factories, in which it produces media for bio-sanitary defense, and has become the private entity of reference in biological control, increasing the availability of treatment in Spain and obtaining a reduction in costs per hectare of 80% in the performance of treatment. Ence, in addition, has put all their developed knowledge at the disposal of the rest of the sector to guarantee the good condition of the forest plantations. The treatments implemented in 2016 and 2017 exceed 80,000 ha, and were carried out free of charge.

FOREST CERTIFICATION

To achieve the maximum effectiveness of the sustainable forest management that it develops, Ence has an **Integrated Forest Management System (IFMS)**, which serves as a framework for compliance with the guidelines set by the ISO standard for quality and environmental management and by the standards on Sustainable Forest Management and Chain of Custody of PEFC and FSC.

Ence also encourages the **certification of third-party forests** through a wide-ranging forestry extension program that offers the means to provide private owners with the tools to improve the sustainability of their management. In addition, it promotes the creation of **certification groups for owners and suppliers** that facilitate their access to the FSC and PEFC certification schemes.

Sustainable forest certification in the forests is a key issue, since responsible forest management is crucial to guarantee the future of the forestry sector.



FSC forest management certification guarantees that the forest management unit is being run according to the **10 Principles and 56 Criteria** of the standard. This certification is valid for 5 years, but in-depth reviews of the management systems and their results on the ground are conducted annually. The certifying body evaluates the social, economic, and environmental conditions in that forest area, demonstrating the sustainability of its management.

Having succeeded in breaking the technical and economic barrier that prevented FSC forest certification for small proprietors, Ence's objective is to encourage **dual certification of forest stands** to allow owners to have better access to certified timber markets.



PEFC certification aims to ensure that forests are managed responsibly, and that its multitudes of functions are protected for present and future generations.

Products of forests certified by PEFC guarantees that consumers are buying products from sustainably managed forests, combatting **illegal logging**, and promoting the **main functions** that forest resources play, such as contributing to the maintenance of ecosystems and biological diversity or supporting many rural populations, among others.

Promoting double certification (PEFC + FSC) allows both a higher premium certification for the owner, and a greater flexibility for Ence in terms of meeting the requirements of its customers (selecting the required certification according to the needs), and guarantees the highest standard of sustainability in third-party forest management. Ence's commitment to forest certification has permitted an increase in the area managed under the criteria of sustainability and, therefore, an improvement in the management of third-party areas.

| Total area managed | PEFC | % PEFC* | FSC | % FSC* |
|--------------------|--------|---------|--------|--------|
| 67.325 | 56.580 | 84% | 47.710 | 71% |

**The percentage is calculated on the potentially certifiable total, that is, excluding energy crops leased to third parties.*

PROTECTION OF NATURAL SPECIES AND SPACES

More than 6,200 hectares of the surface managed by Ence are considered High Conservation Value Forests (HCVF) as they demonstrate some of the attributes established by FSC. In addition, more than 11,189 hectares are Protected Natural Spaces, officially declared by the various national competent administrations.

In areas with some type of protection, the safeguarding of these areas and their habitats is prioritized through actions that improve their conservation status and the development of preventive measures. In general, no type of operation is carried out unless it is necessary in order to allow its natural evolution, maintain its ecological functions, and preserve the forest structure and diversity. **Regular monitoring** of these areas is done annually and, in addition, every 5 years their classification is monitored as well as their ecological function and the evolution of their conservation status.

In order to avoid the isolation of these areas of natural vegetation, Ence takes the necessary measures to connect, whenever feasible, these areas with each other and with others outside the mountains, in order to improve one of the functions of these areas, which is the refuge and passage of wildlife, working as **ecological corridors**.

The Integrated Management System has **specific instructions and management recommendations** for protected species through the application of systematic identification and monitoring, taking into account the particularities in terms of feeding, reproductive cycle, and the habitats of cataloged inventoried species.

Legal Framework

- The protected species incorporated in the Ence inventory are those included in the following regulations:
- Directive 92/43/CEE on the conservation of natural habitats and wild fauna and flora (Annexes II, IV and V)
- Spanish Catalog of Endangered Species (CEEAA)
- List of Wild Species in the Special Protection Regime (LESRPE)
- Regional or autonomous catalogs of Endangered Species
- Red List of the Spanish Vascular Flora
- Directive 2009/147/CE on the conservation of wild birds

Environmental uniqueness of the managed areas

Ence identified during 2017 all the unique heritages with a specific management orientation, validated in audit processes. Five new singularities were identified by unique spaces, 6 by elements of an archaeological heritage, and another 6 by other heritage elements; all in the south.

- **The number of protected species of flora** identified in the managed forests comes to 16, confirming their presence through the visual identification specific reports. The exact number of species of protected fauna is not available due to the lack of specific inventories of their presence.
- **The number of forests with the presence of protected species of flora** reaches 92, which means a presence in 11% of the forests managed by Ence.
- **Regarding the number of floristic studies in certified forests with quarter B these are:**
 - South: 157 FSC forests (155 analysed), 165 PEFC forests (155 analyzed)
 - North: 128 FSC forests (all analyzed), 180 PEFC forests (all analyzed)
- **The number of Habitats of Interest to the Community (HIC)** identified in the managed forests comes to 57, according to the EU.

TRACEABILITY

Because Ence not only obtains wood from the forest areas it manages but also buys wood from third parties for the supply of its factories, the **traceability of the wood purchased** is another fundamental aspect of the management carried out by Ence.

Ence has established a **system of evaluation of wood suppliers**, whereby it analyzes the different aspects of their activity (origin, regulatory permits, etc.) Suppliers are subject to a **periodic audit program** to ensure compliance with established criteria. Ence, also has a **traceability system**, which covers the suppliers evaluated, based on a system of delivery notes that guarantees that all the wood purchased by Ence is identified and is accompanied by information regarding the origin, volume, and forest management certificate, in the event that it has the latter.

Management of environmental impacts associated with the cellulose production process

Ence is the European leader in the production of eucalyptus pulp, the first Spanish company in the production of renewable energy with forest biomass, and leader in Spain in the comprehensive and responsible management of areas and forest crops.

As a company firmly committed to sustainability and the environment, Ence operates through an integrated production model that follows the criteria of sustainability and corporate responsibility that is the most demanding and internationally recognized. Ence's integrated production model includes tree cultivation, renewable energy generation and natural cellulose production, including the criteria of economic, social, and environmental sustainability, guaranteeing results orientation, mutual benefit in its relations with suppliers, forest owners, customers, and other interest groups, and management of the impacts on the environment.

Since 2011, Ence has implemented TQM (Total Quality Management) as a model of cultural transformation and management practices. Thanks to the involvement of Senior Management, a model of Excellence in Management has been developed, whose implementation is carried out through continuous improvement and with a focus on maximum efficiency and competitiveness, which integrates aspects of quality, safety and health of people, respect for the environment, and prevention of pollution.

The TQM Model is structured around three fundamental axes; Directing improvement, "Process Management" and "Management of daily activity", that facilitate their understanding and implementation, and which also establishes a series of fundamental improvement objectives with a clear environmental orientation directed towards:

- Reducing odorous impact
- Improving the quality of landfill
- Improving energy efficiency
- Reducing the consumption of raw materials
- Reducing waste generation

Additionally, in the operations centers of Pontevedra and Navia, Ence has developed an Integrated Management System with the purpose of ensuring that all the company's activities are carried out in accordance with the management policy established by Senior Management and the objectives and the defined goals. This integrated management system is certified by an accredited body that annually conducts the corresponding audits. This management is organized by processes identified and evaluated in order to facilitate their control and continuous improvement.

The integrated management system is implemented according to the following international standards:

- UNE-EN-ISO 9001:2008, quality management
- UNE-EN-ISO 14001:2004, environmental management
- OHSAS 18001:2007, management of occupational safety and health

In addition, both factories adhere to Regulation 1221/2009 of the European Union for Eco-Management and Eco-audit (EMAS). The validation of the Environmental Declaration can keep them in this registry, with each of them in their respective autonomous communities being the first to accede to this demanding voluntary commitment, and which even today has a small number of member companies.

Ence's environmental management is based on compliance with current regulations, which establish the requirements that all activities must comply with. All the operations centers have the corresponding Integrated Environmental Authorizations (IEA) for the development of their industrial activity, according to the provisions of Law 16/2002 on Integrated Pollution Prevention and Control. The objective of the IEA is to avoid, or when this is not possible, reduce and control, pollution of the atmosphere, water, and soil in order to achieve a high protection of the environment as a whole. To this end, the IEA includes various authorizations relating to atmospheric emissions, the emission of liquid effluents, the management of waste, and the protection of soil and groundwater. In this context, the IEA establishes limit values for each installation, based on the best available techniques and monitoring and control plans for all relevant environmental aspects.

But for Ence, environmental management is not based solely on compliance with current regulations, but goes further. Ence wants to be a benchmark regarding environmental management. Therefore, within the TQM model, operational standards have been developed that favor the control and management of possible environmental impacts. The improvement in the control of the processes with the Plan-Do-Check-Act (PDCA) and Standardize-Do-Check-Act (SDCA) cycle, and operational improvements of the key process indicators (KPI), allow achieving results that certify the effectiveness of this management model.

These results are also obtained as a result of the commitment of all the people that work in Ence as well as the investment effort that the Company made in recent years, through the implementation of the best available techniques as well as the best environmental practices defined in the BREF of the pulp and paper industry (Best Available Techniques in the Pulp and Paper Industry 2014) approved by the Environment Commission of the European Parliament.

The excellent environmental results achieved allow, for example, that the cellulose produced in Pontevedra and Navia, since 2014, have the Nordic Swan eco-label (official Nordic eco-label established in 1989 by the Nordic Council of Ministers made up of Sweden, Denmark, Finland, Iceland, and Norway) for complying with the most demanding standards of environmental respect, and which allows consumers to make purchasing decisions that respect the environment.

After a rigorous process of evaluating the impact on the environment of products throughout their lifecycle, this eco-label guarantees compliance with their demanding requirements in terms of mitigation of climate change, energy efficiency, and use of resources (water, chemical products, and raw materials).

Throughout 2017, a series of projects aimed at improving environmental performance have been carried out in Pontevedra. This plan, with a total investment of € 2.5 million, includes actions aimed at reducing the odorous impact, reducing noise emission levels, and reducing the generation of waste.

Also, within the investment projects of 2017, all the works foreseen in the first phase of the landscape integration project have been completed.

Finally, faithful to a commitment to the environment, on the website www.encepontevedra.com, the environmental performance indicators of the Ence Operations Center in Pontevedra are published daily, where you can check the data of the last 30 days, conveniently contextualized in front of the parameters defined in the Integrated Environmental Authorization and the indicators of the EU BREF Reference for the pulp and paper sector.

CONSUMPTION OF MATERIALS AND WASTE GENERATION

Ence uses a series of raw materials and auxiliary products for the production process of cellulose pulp. The main raw material is **wood**, composed mainly of 50% cellulose, 25% lignin, and 25% hemicelluloses, in addition to containing resins, fats, waxes, and other substances in small quantities. The rest of the materials consumed in the industrial process, relevant to Ence due to their volume, are **chemical products** that are added at different stages of the production process to separate and treat the cellulose contained in the wood and to manage the waste generated.

Responsible use of chemicals and chlorine-free bleaching

In application of Regulation 1907/2006 concerning the registration, evaluation, authorization and restriction of chemical substances and preparations (**REACH Regulation**), Ence verifies that the chemicals used comply with these regulations before authorizing their use. Therefore, Ence has registered: calcium oxide, calcium carbonate, chlorine dioxide, white, green and black liquors, ashes (from the biomass boiler) and dregs (inert elements from the clarification of green liquor). In addition, all the requirements of this regulation have been incorporated into the Integrated Management System.

On the other hand, Ence actively participates in **the consortia of the registered substances** to update the registry in case of changes in the composition or new identified uses. Although cellulose pulp does not have to be registered because it is a natural substance that is not chemically modified and not classified as hazardous, REACH compels the collection of information on the uses of the customers for the registered substances present in the final product.

Ence also requires its **suppliers** to have registered the substances supplied for their specific use in the production process, that all substances have the relevant safety sheets, and that they are correctly labeled according to current European regulations.

Beyond the responsible use of chemical products, Ence is committed to **chlorine-free bleaching** in its production centers, using the process known as ECF (*Elemental Chlorine Free*) in the factory in Navia, where elemental chlorine is replaced by dioxide chlorine to prevent dioxin contamination. In the Pontevedra factory the bleaching is TCF (*Total Chlorine Free*), where no chlorine compound is used, but hydrogen peroxide is used as a bleaching agent. On the other hand, some of the Best Available Techniques (BAT) applied, such as oxygen delignification or modified cooking at low kappa index, significantly reduce the consumption of bleaching agents.

During the cellulose pulp production process, mainly **dregs** (inert elements from the clarification of the green liquor), **ashes** from the biomass boiler, and **biosolids** from the effluent treatment plant are produced. Ence, throughout the entire production process, minimizes the generation of waste by using by-products, such as biomass, for its energy use. The dregs and the ashes are collected and managed by authorized agents and used for the development of Technosols, used in land reclamation. The biosolids are valued in the biomass boiler for their energy use.

In the factories, Ence performs the selective collection of non-hazardous waste (urban solid waste, paper and cardboard, glass, scrap, and wire) to encourage recycling. Hazardous waste (used oils, used batteries, and empty containers, among others) are collected by authorized carriers and managed by authorized agents.

Regarding the packaging that the company puts on the market, Ence uses a type of paper to wrap the sold cellulose in that meets the necessary characteristics so that customers can incorporate it into their process directly with the paste, thus reducing the amount of waste generated for the consumption of Ence products.

ENERGY CONSUMPTION AND ATMOSPHERIC EMISSIONS

The consumption of energy in the form of fuel and electricity is another of the most relevant aspects of Ence's environmental activity. Thus, the fuel most used in the production process is **lignin** and **biomass** and, thanks to the implementation of **dry debarking** or the **concentration of solids** in the black liquor, Ence has achieved an increase in the efficiency of the energy use of the biomass obtained during the production process.

Ence is a signatory to the "Carbon Price Communiqué" since 2012

Fuel is the main source of furnace feeding and is used as a booster fuel in boilers (natural gas is only used in cogeneration plants).

The emission sources (recovery boiler, biomass boiler, and lime kilns), have **automatic measuring systems**, which are connected to a **control system** by means of which the measured parameters can be identified and managed. In this way, the emission limits established in the corresponding environmental authorizations of each factory are controlled and not exceeded.

In addition to these control systems and initiatives aimed at greater energy efficiency of processes, Ence has implemented measures to reduce emissions such as the installation of **electrostatic precipitators and scrubbers** (purification systems).

The results of the emissions to the atmosphere obtained in the operations centers of Ence comply with the **limits established in the corresponding AAI**, as well as the values of the reference range of the BREF (Best Available Techniques Reference Document) or Best Available Techniques (BAT) that will be applicable as of September 2018.

In the **Pontevedra** operations center, all the planned actions of Phase II of the Environmental Reliability Plan have been completed, focused on avoiding the impacts of atmospheric emissions that could occur in the event of incidents. The application of this plan, together with the improvement obtained by the daily routine of the SDCA cycle as well as the PDCA improvement cycle, has meant that the number of odorous minutes in the channeled lights has been reduced by 25% and 17% the case of diffuse outbreaks with respect to 2016.

At the **Navia** operations center, a plan has been carried out to reduce the emission of particles in the biomass boiler through a project to improve the performance of electrofilters. The optimization of the expansion of the treatment facility for diluted odorous gases has also proceeded and has allowed a reduction of 95% of the odor with external repercussion with respect to last year.

| EMISSIONS TO THE ATMOSPHERE | | | | | | |
|-----------------------------|------|------|------|------|------|-----|
| Parameter | 2014 | 2015 | 2016 | 2017 | BREF | AAI |

C.O. PONTEVEDRA

RECOVERY BOILER

| | | | | | | |
|---------------------------------------|-----|------|------|------|---------|-----|
| Particles (mg/Nm ³) | 21 | 19 | 12 | 10 | 10-40 | 150 |
| SO ₂ (mg/m ³) | 28 | 24 | 14 | 19 | 5-50 | 200 |
| TRS (mg/Nm ³) | 1,9 | 3,04 | 2,09 | 0,76 | 1-5 | - |
| SH ₂ (mg/Nm ³) | 1 | 1,6 | 1,1 | 0,4 | - | 5 |
| NO _x (mg/Nm ³) | 185 | 188 | 186 | 190 | 120-200 | 260 |

LIME KILNS

| | | | | | | |
|---------------------------------------|-----|------|------|------|---------|-----|
| Particles (mg/Nm ³) | 11 | 9 | 8 | 5 | 10-30 | 50 |
| SO ₂ (mg/m ³) | 14 | 10 | 10 | 10 | 5-70 | 300 |
| TRS (mg/Nm ³) | 3,2 | 2,42 | 1,98 | 0,88 | 1-10 | - |
| SH ₂ (mg/Nm ³) | 2,1 | 2,2 | 1,8 | 0,8 | - | 5 |
| NO _x (mg/Nm ³) | 142 | 167 | 139 | 170 | 100-200 | 380 |

BIOMASS BOILER

| | | | | | | |
|---------------------------------------|-----|-----|-----|-----|---|-------|
| Particles (mg/Nm ³) | 19 | 25 | 26 | 32 | - | 100 |
| SO ₂ (mg/m ³) | 259 | 219 | 261 | 250 | - | 1.700 |
| NO _x (mg/Nm ³) | 385 | 426 | 469 | 448 | - | 600 |
| CO (ppm) | 122 | 89 | 104 | 91 | - | 616 |

| EMISSIONS TO THE ATMOSPHERE | | | | | | |
|-----------------------------|------|------|------|------|------|-----|
| Parameter | 2014 | 2015 | 2016 | 2017 | BREF | AAI |

C.O NAVIA

RECOVERY BOILER

| | | | | | | |
|---------------------------------------|------|------|------|------|---------|-----|
| Particles (mg/Nm ³) | 22 | 24 | 29 | 24 | 10-40 | 50 |
| SO ₂ (mg/m ³) | 51 | 15 | 9 | 16 | 5-25 | 200 |
| TRS (mg/Nm ³) | - | - | - | - | 1-5 | - |
| SH ₂ (mg/Nm ³) | 0,70 | 0,70 | 0,40 | 0,50 | - | 7,5 |
| NOx (mg/Nm ³) | 221 | 192 | 158 | 154 | 120-200 | 300 |

LIME KILNS

| | | | | | | |
|---------------------------------------|------|------|------|------|---------|-------|
| Particles (mg/Nm ³) | 21 | 27 | 29 | 22 | 10-30 | 50 |
| SO ₂ (mg/m ³) | 92 | 43 | 42 | 43 | 5-70 | 1.200 |
| TRS (mg/Nm ³) | - | - | - | - | 1-10 | - |
| SH ₂ (mg/Nm ³) | 1,40 | 1,50 | 1,00 | 0,50 | - | 7,5 |
| NOx (mg/Nm ³) | 348 | 315 | 248 | 364 | 100-350 | 600 |

BIOMASS BOILER

| | | | | | | |
|--------------------------------------|-----|-----|-----|-----|--------|-----|
| Particles (mg/Nm ³) | 47 | 25 | 14 | 13 | 2-12 | 20 |
| SO ₂ (mg/m ³) | 82 | 40 | 33 | 20 | 10-70 | 200 |
| NOx (mg/Nm ³) | 141 | 177 | 201 | 197 | 50-180 | 250 |

C.O. HUELVA

BIOMASS BOILER 40 MW

| | | | | | | |
|--------------------------------------|----|-----|-----|-----|--------|-----|
| Particles (mg/Nm ³) | 62 | 64 | 23 | 20 | 2-15 | 30 |
| SO ₂ (mg/m ³) | 5 | 2 | 13 | 147 | 15-100 | 200 |
| NOx (mg/Nm ³) | 76 | 230 | 257 | 237 | 70-225 | 300 |

BIOMASS BOILER 50 MW

| | | | | | | |
|--------------------------------------|-----|-----|-----|-----|--------|-----|
| Particles (mg/Nm ³) | 1 | 3 | 2 | 3 | 2-12 | 20 |
| SO ₂ (mg/m ³) | 7 | 10 | 25 | 47 | 10-70 | 200 |
| NOx (mg/Nm ³) | 154 | 150 | 167 | 187 | 50-180 | 250 |

C.O MERIDA

BIOMASS BOILER 20MW

| | | | | | | |
|--------------------------------------|-----|-----|-----|-----|--------|-----|
| Particles (mg/Nm ³) | 5 | 6 | 4 | 3 | 2-15 | 50 |
| SO ₂ (mg/m ³) | 23 | 16 | 8 | 14 | 15-100 | 200 |
| NOx (mg/Nm ³) | 238 | 230 | 210 | 249 | 70-225 | 400 |

EMISSIONS TO THE ATMOSPHERE

| Parameter | 2014 | 2015 | 2016 | 2017 | BREF | AAI |
|-----------|------|------|------|------|------|-----|
|-----------|------|------|------|------|------|-----|

C.O LA LOMA

BIOMASS BOILER 55 MWt

| | | | | | | |
|--------------------------------------|--|--|-----|-----|--------|------|
| Particles (mg/Nm ³) | | | 6 | 10 | 2-15 | 50 |
| SO ₂ (mg/m ³) | | | 2 | 4 | 15-100 | 200 |
| NOx (mg/Nm ³) | | | 618 | 79 | 70-225 | 300 |
| CO (mg/Nm ³) (2) | | | 9 | 256 | 30-250 | 1445 |

C.O ENEMANSA

BIOMASS BOILER 55 MWt

| | | | | | | |
|---------------------------------|--|--|------|-----|--------|-----|
| Particles (mg/Nm ³) | | | 53,6 | 0,9 | 2-15 | 30 |
| NOx (mg/Nm ³) | | | 280 | 105 | 70-225 | 300 |
| CO (mg/Nm ³) | | | 477 | 192 | 30-250 | 350 |

C.O LUCENA

BIOMASS BOILER

| | | | | | | |
|--------------------------------------|--|--|-----|-----|--------|-----|
| Particles (mg/Nm ³) | | | 10 | 9 | 2-15 | 50 |
| SO ₂ (mg/m ³) | | | <30 | 15 | 15-100 | 200 |
| NOx (mg/Nm ³) | | | 188 | 184 | 70-225 | 300 |
| CO (mg/Nm ³) (2) | | | 82 | 70 | 30-250 | 250 |

RECOVERY BOILER

| | | | | | | |
|--------------------------------------|--|--|---|-----|--------|-----|
| Particles (mg/Nm ³) | | | 2 | <2 | 2-15 | 5 |
| SO ₂ (mg/m ³) | | | 0 | <3 | 15-100 | 10 |
| NOx (mg/Nm ³) | | | 8 | <19 | 70-225 | 350 |

DRYER 1

| | | | | | | |
|--------------------------------------|--|--|-------|------|---|-----|
| Particles (mg/Nm ³) | | | 25 | 4 | - | 50 |
| SO ₂ (mg/m ³) | | | <25 | <3,3 | - | 10 |
| NOx (mg/Nm ³) | | | <1,54 | <21 | - | 350 |

DRYER 2

| | | | | | | |
|--------------------------------------|--|--|-------|------|---|-----|
| Particles (mg/Nm ³) | | | 13 | 5 | - | 50 |
| SO ₂ (mg/m ³) | | | <0,35 | <3,2 | - | 10 |
| NOx (mg/Nm ³) | | | <4,48 | <21 | - | 350 |

CONSUMPTION OF WATER AND LIQUID EFFLUENTS

Another relevant consumption for Ence's activity is water. In the Operations Centers, **water** consumption is performed by capturing **surface sources** whose requirements are established in the corresponding authorizations.

Throughout the entire process, Ence seeks measures that promote **efficiency in water consumption** and its **reuse**, such as dry debarking or condensate stripping. The use of this resource in the production process leads to the **generation of spills**, mainly associated with the process of cooking, washing, bleaching, and drying of cellulose pulp.

These liquid effluents are characterized by their content in **suspended solids** (mainly cellulose fiber) and the associated **organic load**. The main **parameters analyzed** are suspended solids, pH, BOD (Biological Oxygen Demand), COD (Chemical Oxygen Demand), nitrogen content in its different forms, and phosphorus.

Applying the **principle of prevention** before correction, Ence carries out an operational control in the processes to minimize the amount of effluents and improve their quality as far as possible, but always complying with the requirements established in the corresponding discharge authorizations.

The discharge results obtained in all the operations centers not only meet the **limits established in the corresponding AAI**, but also comply with and improve on the BREF values (Best Available Techniques Reference Document) even though these will not be applicable until September 2018.

| LIQUID SPILL | | | | | | |
|-------------------------------|----------|----------|----------|--------|-----------|-------|
| Parameter | 2014 | 2015 | 2016 | 2017 | Bref | AAI |
| C.O. PONTEVEDRA | | | | | | |
| Flow (m3/tAD) | 32,2 | 31,1 | 32,0 | 28,9 | 25-50 | 37 |
| Solids in suspension (kg/tAD) | 0,42 | 0,53 | 0,54 | 0,44 | 0,3 - 1,5 | 1,8 |
| DQO (kg/tAD) | 4,47 | 4,50 | 4,18 | 3,65 | 7-20 | 7 |
| DBO (mg/L) | 10 | 9 | 9 | 8 | 25 | 48 |
| AOX (kg/tAD) | < 0,0004 | < 0,0003 | < 0,0003 | 0,0003 | 0,20 | 0,02 |
| Total nitrogen (kg/tAD) | 0,21 | 0,22 | 0,25 | 0,21 | 0,05-0,25 | 0,65 |
| Total phosphorus (kg/tAD) | 0,011 | 0,012 | 0,011 | 0,009 | 0,02-0,11 | 0,09 |
| C.O. NAVIA | | | | | | |
| Flow (m3/tAD) | 33,2 | 34,4 | 33,0 | 33,8 | 25-50 | 45 |
| Solids in suspension (kg/tAD) | 1,10 | 1,15 | 1,20 | 0,97 | 0,3 - 1,5 | 2 |
| DQO (kg/tAD) | 5,80 | 4,89 | 4,70 | 3,57 | 7-20 | 15 |
| DBO (mg/L) | 27 | 24 | 21 | 16 | 25 | 100 |
| AOX (kg/tAD) | 0,05 | 0,07 | 0,03 | 0,03 | 0,20 | 0,2 |
| Total nitrogen (kg/tAD) | 0,17 | 0,14 | 0,06 | 0,10 | 0,05-0,25 | s/e |
| Total phosphorus (kg/tAD) | 0,033 | 0,036 | 0,019 | 0,039 | 0,02-0,11 | s/e |
| C.O. HUELVA | | | | | | |
| Flow (m3/tAD) | 588 | 232 | 227 | 160 | | |
| Solids in suspension (kg/tAD) | 26 | 13 | 20 | 7 | 5-30 | 150 |
| DQO (kg/tAD) | 40 | 15 | 12 | 11 | 30-150 | - |
| DBO (mg/L) | 0,04 | 0,08 | 0,10 | 0,08 | | 8,7 |
| AOX (kg/tAD) | 2,51 | 1,83 | 1,20 | 1,20 | 1-50 | 8 |
| Total nitrogen (kg/tAD) | 0,21 | 0,53 | 0,78 | 0,98 | | 4 |
| Total phosphorus (kg/tAD) | 14 | 4 | 5 | 4 | | 150 |
| C.O. MERIDA | | | | | | |
| pH | 7,8 | 7,7 | 8,0 | 8,0 | | 6-9 |
| Conductivity (µS/cm) | 854 | 1062 | 1082 | 1023 | | 1.200 |
| Solids in suspension (kg/tAD) | 9,5 | 12,5 | 12,4 | 5,1 | 5-30 | 20 |
| Chloride (mg/L) | 114 | 149 | 152 | 153 | 500-1000 | 200 |
| Sulphate (mg/L) | 242 | 243 | 205 | 205 | 300-1500 | 300 |
| DBO (mg/L) | < 5 | < 5 | 5,25 | 4,21 | | 10 |
| Total nitrogen (kg/tAD) | < 5 | < 5 | 6,35 | 5,09 | 1-50 | 25 |
| Nitrate (mg/L) | 23,9 | 6,9 | 17,5 | 12,1 | | 25 |
| Total phosphorus (kg/tAD) | 0,48 | 0,41 | 0,57 | 0,34 | | 3 |

| LIQUID SPILL | | | | | | |
|-------------------------------|------|------|-------|-------|--------|--------------|
| Parameter | 2014 | 2015 | 2016 | 2017 | Bref | AAI |
| C.O. LA LOMA | | | | | | |
| pH | | | 8,1 | 8,1 | - | 6-9 |
| Conductivity (µS/cm) | | | 748 | 776 | - | 2.000 |
| Solids in suspension (kg/tAD) | | | 4,9 | 3,4 | 10-30 | 35 |
| DBO (mg/L) | | | 7 | 6 | - | 25 |
| DQO (mg/l) | | | 24 | 17 | 60-150 | 125 |
| AOX (mg/L) | | | 0,58 | 1,50 | - | 0,15 |
| Residual free chlorine (mg/L) | | | 0,10 | 0,10 | - | 0,30 |
| Total phosphorus (kg/tAD) | | | 1,30 | 1,00 | - | 1,5 |
| Toxicity | | | 4,2 | 2,2 | - | 12 |
| Temperature (°C) | | | 15,0 | 20,0 | - | 25 |
| C.O ENEMANSA | | | | | | |
| pH | | | | | - | 5,5-9,5 |
| Conductivity (µS/cm) | | | | | - | 2.500 |
| Color | | | | | - | Inapreciable |
| Solids in suspension (kg/tAD) | | | | | 10-30 | 35 |
| DBO (mg/L) | | | | | - | 25 |
| DQO (mg/l) | | | | | 60-150 | 125 |
| Chloride (mg/L) | | | | | - | 2.000 |
| Sulphate (mg/L) | | | | | 10-25 | 2.000 |
| Iron (mg/L) | | | | | - | 1 |
| C.O LUCENA | | | | | | |
| Conductivity (µS/cm) | | | 1.530 | 1.366 | | 2.000 |
| Solids in suspension (kg/tAD) | | | 9 | 8 | | 35 |
| DBO (mg/L) | | | 8 | 9 | | 25 |
| DQO (mg/l) | | | 26 | 29 | | 125 |

ODORS AND NOISE

Ence considers the generation of odors as another relevant impact of its activity, and in order to reduce the number of minutes of odor in the diluted foci, Ence has developed a project to expand the current treatment facility for diluted odorous gases in the Navia operations center.

In 2017, at the operations center of **Pontevedra**, it has reached the lowest value for the number of minutes of odorous emissions, having obtained a reduction of more than 99% from the start of the project in 2010

**Ence's goal is
"ZERO ODORS"**

The Odorous Impact Index (OII), which is the general indicator that measures the degree of progress of the odor reduction project, and that, in addition to the number of minutes of odorous episodes in channeled foci and diffuse foci, includes the perception of odor that the industrial activity has in the environment, has been reduced by 46% compared to last year.

Regarding the minimization of noise from the installations, an **action plan** for the reduction of sound emission in the perimeter of the factory to 55 dBA has been defined in the Navia operations center. Among the actions taken should be noted the implementation of targeted measures to reduce noise in the woods park facilities by removing a portable crushing plant biomass with a high noise impact. In addition, discontinuous steam purges with high noise impact and the sound emissions from the effluent treatment plant, the lamination and semaphore building, and from line 1 of the woods park have been reduced.

| NOISE | | | | | |
|------------------------|----------|----------|----------|------|-----|
| Parameter | Año 2014 | Año 2015 | Año 2016 | 2017 | AAI |
| C.O. PONTEVEDRA | | | | | |
| Day | 61 | 62,1 | 62,8 | 63,5 | 70 |
| Afternoon | 60 | 61,1 | 62,2 | 61,7 | 70 |
| Night | 55,9 | 57 | 59,7 | 57,9 | 60 |
| C.O. NAVIA | | | | | |
| Day | 61,3 | 60,7 | 60,6 | 60,0 | 55 |
| Afternoon | 60,4 | 59,3 | 59,0 | 59,8 | 45 |
| C.O. HUELVA | | | | | |
| Day | | 68,0 | 67,4 | 65,1 | 75 |
| Afternoon | | 59,7 | 59,2 | 57,0 | 70 |
| C.O. MERIDA | | | | | |
| Day | 66,4 | 66,4 | 59,2 | 58,9 | 65 |
| Afternoon | 57,0 | 57,0 | 56,6 | 51,0 | 55 |

Production of renewable energy

Ence leads a global project in the field of the use of biomass for the production of energy thanks to efforts carried out in R&D and experience gained in the use of biomass, developing a **100% Spanish technology**. Ence is committed to gradually increase its capacity to produce renewable energy with biomass in Spain and abroad in the coming years, to mitigate the **environmental impact** associated with energy production and the **impact on its results** of the cyclicity of the pulp and paper sectors.

Renewable energy with biomass has a **huge development potential** in Spain, the second European Union country in terms of forest areas. In fact, it is the only renewable energy that presents a positive economic balance due to the benefits generated given its capacity to **create employment, develop the rural environment**, and contribute to **improvement of the environment**, both through the capture of CO₂ and the care and cleaning of forest areas, with a reduction of the fire risk of up to 70%.

In addition, renewable energy is the most stable and the only one that is manageable without relying on variable factors such as sunlight, wind, or the availability of certain agricultural waste. Biomass could participate in the **progressive substitution of national coal**, creating employment in the affected mining basins, given the proximity of these basins with forest areas with potential for biomass production.

All these advantages are increased thanks to Ence's commitment to **generate value** in the areas where it operates through close collaboration with forestry producers, **business growth** and **investment capacity**, and **research efforts** to improve the efficiency of its operations, **mitigating its environmental impacts**, and **reducing the country's energy dependence**.

Main socio-economic advantages

- **Job creation:** The fulfillment of the 2020 Renewable Energy Plan (PER 2020) in terms of expanding the installed capacity for the use of biomass will create 15,000 new direct and indirect jobs in rural areas.
- **Source of income and savings for Public Treasuries:** The fulfillment of PER 2020 will mean the generation of 671 million euros per year of new income and savings.
- **Investment in rural areas:** The fulfillment of PER 2020 will involve an investment of 3,000 million euros in rural areas, mainly with national suppliers.
- **Economic development of rural areas:** The fulfillment of PER 2020 will involve the use of agriculturally unprofitable land, which does not compete with agri-food uses, providing the rural sector with new viable and stable long-term farming alternatives.

Main environmental advantages

- **Compliance with environmental objectives set internationally:** The use of biomass can meet a significant part of the European objective for Spain on the origin of renewable sources of gross energy consumption.
- **Massive capture of CO₂ emissions:** Biomass has a positive balance in capturing CO₂ emissions (the CO₂ emitted is less than that captured). The CO₂ capture process is especially efficient in energy forest crops.
- **Reduction of fires and reforestation:** Sustainable forest management, specifically related to the collection and cleaning of biomass that accumulates in forests, presents three major advantages of great environmental value:
 - Reduction of fire hazards
 - Optimization in the use of areas
 - Support for the natural regeneration of forest areas (reduction of the risk of pests and improvement of the quality of trees)
- **Reuse of forest, agricultural and industrial waste:** assuming a reduction in uncontrolled burning of agricultural wastes, reducing visual pollution, waste utilization, cost reduction of the industrial process and value, etc.

Ence's Ten Commandments for the sustainability of biomass as a fuel

In July 2017, Ence presented a Decalogue for the Sustainability of Biomass as Fuel, a pioneering initiative in the Spanish company established to guarantee its commitment to sustainability in the use of biomass and care for the environment in the use of this renewable source of energy.

With this initiative, Ence foresees the future of biomass generation and guarantees to all its stakeholders the sustainable use of biomass and permanent respect for natural resources. For its preparation, Ence relied on the criteria necessary for the sustainability of biomass established by some of the most important environmental organizations in Europe.

1. It will respect the natural environment:

Biomass management will respect at all times the ability to renew the biomass resource, soil quality and will not cause damage to the natural environment.

2. It will be compatible with sustainable agricultural and forestry practices:

The activity of Ence will be compatible with the manuals of good agricultural and forestry practices of any crop and species.

3. It will not burn logs:

Ence will not use as fuel logs over 10 cm in diameter or coming from cultivated invasive species.

4. It will respect the priority uses of biomass:

The biomass that Ence will use will not compete with other possible sustainable and priority uses of biomass (food, construction, furniture, etc.)

5. It will not use biomass that competes in resources with food:

Ence will not use biomass that comes from energy crops plantations on land suitable for agriculture and food production.

6. It will use only residual agricultural biomass:

It will only use residual agricultural waste and that which involves decreasing the quantities destined to be cattle feed.

7. It will respect laws and human rights:

Biomass harvesting will always be undertaken with respect to current legislation, human rights, and communities.

8. It will use the best available technologies:

Ence will always apply the best available techniques for the transport, storage, and production of energy with biomass in order to minimize the environmental impact and maximize energy efficiency.

9. It will minimize carbon emissions:

It will take into account the total carbon footprint, considering the balance of greenhouse gas emissions throughout its lifecycle, and will limit the collection distance of agricultural and forestry waste.

10. It will always pursue the highest energy efficiency:

Ence will promote maximum energy efficiency through the development and application of technology for the use of residual heat from its plants useful for other local industries and applications.

4.5. Society

Ence considers attention to be a priority – listening to and commitment with the concerns of third parties related to the activities carried out by the company

Ence's relationship with society is fundamentally expressed through its relationship with neighbors in the environment where the company operates, but also through the media and collaboration with **Non-Governmental Organizations** (NGOs). In this sense, Ence works proactively to create and maintain a solid and trustworthy link with these stakeholders to resolve those individual and collective concerns that are directly or indirectly related to the company's activity.

In addition, from this **bidirectional and proactive relationship**, Ence expects to obtain information about the environment that can be put to use for improvement and that allows the generation of cooperation ties that permit developing actions and strategies of **common interest and mutual benefit**, always with the duty of disclosure and accountability with maximum transparency.

Main Activities carried out

- **Society**

- **Pontevedra Social Plan:** First call of the Social Plan of Ence in Pontevedra, which envisages allocating up to 3 million euros per year to grants to finance projects of a social, cultural, environmental, sports or economic promotion and employment among other sections.

226 Projects awarded in the First Edition, divided into the following areas:

Sports Support: **92**

Support and Aid for Education and Culture: **22**

Miscellaneous Local Aids: **26**

Specialized Employment: **1**

Boosting Entrepreneurship and the Economy: **34**

Fight against Social Exclusion: **28**

Recovery and Care of the Environment: **23**

| Actuation area | Amount Paid (Dec 17) |
|--|----------------------|
| Support and aid for education and culture | 255.566€ |
| Boosting entrepreneurship and the economy | 802.919€ |
| Recovery and care of the environment | 268.200€ |
| Sports support | 888.425€ |
| Fight against social exclusion | 500.000€ |
| Various neighborhood supports | 59.408€ |
| Administration, management and communication | 64.118€ |
| Boosting specialized employment | 140.000€ |
| Overall Total | 2.978.637€ |

- Visits to factories and presentation of facilities to students, neighborhood associations, groups of unemployed people in training, etc.
- Sending direct communications to neighbors in the immediate vicinity of the factories to warn of aspects of the operation that may have an impact (noise and dust).

Main activities carried out

- **Society**
 - Regular meetings with associations and neighborhood leaders of each operations center.
 - Sponsorship/patronage of initiatives of the civil society of the surroundings of the factories, programs of scholarships, agreements of investigation with universities.
 - Development of specific procedures for attention to calls from factory neighbors.
 - Accomplishment of joint projects with public administrations and local entities.
 - Working meetings with groups of special relevance to exchange information on topics of interest.
 - Permanent presence in the main social networks (Twitter, LinkedIn, Facebook, YouTube).
 - Participation in chats and/or radio programs organized by means of communication to resolve doubts and/or concerns of the citizens.

- **Media communication**
 - Permanent dissemination of information to the media.
 - Permanent and timely delivery of information requested by the media.
 - Open access for media to company facilities and main events of the company (Shareholders' Meeting, Annual Technical Stoppages).
 - Presentations to the media of the main improvements projected for the Pontevedra factory.

Regarding responsible communication practices, the Report on the **Economic Impact of Forestry Activity of Ence in Galicia** is available through the Ence Chair of the University of Vigo, an analysis of more than 250,000 commercial operations to determine the real impact of the forestry activity of Ence in Galicia.

This report shows that the forestry purchases made by Ence in one year in Galicia exceed 122 million euros. This figure includes both purchases of wood and purchases of products and services related to forest management, which amount to about 25 million euros per year.

From the analysis of the researchers of the University of Vigo, it is concluded that just in forestry work the company's annual demand for wood generates about 178,000 daily wages in the mountain areas. In addition, the paper subsector, in which the influence of Ence exceeds 90%, is the link of the Forest-Wood Chain in Galicia that generates a greater productivity per hour worked and improves by 75% the subsector of furniture and other wood manufacturing industries.

With the aim of promoting employment and patronage in Navia (Asturias), and as part of Ence's commitment to the environments in which it operates, in 2017, the company signed a Collaboration Framework Agreement with the City Council of Navia, which includes the provision of 100,000 euros a year to sponsor social activities and improve the environment, 50% of new incorporations of residents of the municipality each year, the priority of hiring local suppliers, the development of professional skills through internships with university graduates, degree or master's degree, and support for projects for the improvement and care of the natural environment of Navia.

In addition, Ence signed a Framework Collaboration Agreement with the City of San Juan del Puerto (Huelva). The purpose of this is to implement actions that promote the generation of employment and improvement of the environment and the wellbeing of the citizens of the town. The agreement includes:

- Contributions to the European Life project, through which Ence will collaborate with the City Council in the recovery of the Rio Tinto environment, damaged by the impact of the mining industry and the discharge of wastewater.
- Collaboration with the municipal placement agency in the dissemination of job offers and selection of local staff for its production center.
- Joint promotion of the advantages of biomass and support to the sector by launching communication actions with this objective.
- Construction of the access gateway to the Tinto wharf.

The company also agreed to collaborate with the City Council of the municipality of Coaña (Asturias) to encourage the sponsorship of social, cultural, and sports events that take place there every year.

4.6. Shareholders

At Ence we are committed to creating value for our shareholders and investors and we have put in place the necessary means and procedures to guarantee **maximum transparency of and accessibility** to the Company's information.

Ence's share price closed 2017 at 5.5 €/share, equivalent to a market capitalization of € 1,355 Mn, after accruing an annual revaluation of 119.1% driven by the execution of its Strategic Plan, which translates into a strong growth and improvement of margins both in the pulp and energy business. In the same period, the average of the comparable companies in the sector have been revalued by 26.7%.

In addition, during the year 2017 the Company has allocated € 40 Mn to remunerating its shareholders by paying three dividends; this represents a return of 3% with respect to the stock market capitalization at year end close. On April 18, the payment of a complementary dividend was made effective against the results of the 2016 financial year amounting to 0.0473 euros gross per share. On September 6 and December 14, the first and second dividend payments for the fiscal year 2017, respectively, were paid in the amount of 0.061 euros gross per share on the first and 0.06 euros gross per share on the second.

The Investor Relations Department is in charge of Ence's **regular and permanent communication** with the different agents of the capital market: Shareholders and equity investors, bondholders and fixed income investors, brokers and financial analysts, credit rating agencies, etc.

Its main objective is to keep the different market agents adequately informed about the financial situation, the development of the management, the business strategy and any other relevant fact of the Company, ensuring **integrity, veracity, immediacy, equality, and symmetry** of the information.

Ence's chief communication channel with shareholders, investors, and the rest of the capital market agents is through the investors section of its website (www.ence.es), where the Investor Relations Department keeps all the information that may be of interest permanently updated and **accessible in an easy and immediate way**: Prices, dividends, relevant events, financial information, corporate governance and sustainability, debt and rating issues, corporate presentations, and results, etc.

During 2017 the **investor section of the Ence website received 18,420 visits**.

Presentations of the **quarterly financial results are broadcasted live** and interested parties are given the opportunity to ask questions to the Management team about the results. Access to the recordings of each presentation of results is also available permanently through the website.

All public information required by the National Securities Market Commission is also available through its website (www.cnmv.es), including the publication of relevant facts. During 2017 Ence reported 33 relevant facts.

The General Shareholders' Meeting is the main channel for participation in the governance of the Company and the Board of Directors promotes it with whatever measures are appropriate to ensure that the Board effectively exercises its functions under the Law and Ence's corporate governance guidelines.

Through its website, **Ence provides its shareholders with an electronic forum** in order to facilitate communication between them prior to the Meeting. With this, the Board of Directors seeks to know your opinion and concerns to take these into account when setting the agenda and formulating the proposals of agreement.

Ence is also present in social networks (**LinkedIn, Twitter, Facebook, YouTube**). Ence is aware of the impact that these new information technologies have today, through which it seeks to disseminate information about the Company's activities and establish a fluid and transparent dialogue with its stakeholders.

The Investor Relations department is responsible for permanently and individually dealing with queries from shareholders, bondholders, institutional and private investors, financial analysts, and other market agents through both e-mail, ir@ence.es, as well as the **shareholder attention telephone number (+34 91 337 8553)**.

Ence also participates in conferences and regularly organizes informative meetings with these interest groups in order to provide the most appropriate and up-to-date public information about the Company in order to exercise their rights and interests.

During 2017, the Investor Relations Department had **343 direct contacts** with investors through its participation in:

- 10 Roadshows with equity investors in Madrid (4), Bilbao, Barcelona, London, Paris, Zurich, and Geneva.
- 10 equity seminars (4 in London, 3 in Madrid, 2 in Paris, 1 in Lisbon).
- 2 fixed income Roadshows in Madrid and 2 fixed income seminars in Paris and Madrid.
- 4 conferences on the publication of results.
- 4 meetings of the CEO with investors in Madrid.
- Telephone meetings and conferences in our offices.

4.7. Public Administrations and regulators

Ence collaborates with Public Administrations and regulators in order to improve and develop new projects within the scope of their activities, to ultimately improve the quality of life and social, economic, and environmental well-being of the environment that Ence is part of.

Ence maintains a direct relationship with the main Administrations of the sector (Ministry of Industry, General Directorate of Energy Policy and Mines, Autonomous Communities, Local Administrations, National Energy Commission, among others) to publicize the activity of the company and its positive and potentially negative impacts.

For Ence, a trustworthy understanding with the public institutions of the places where we are installed is a hallmark. We contribute to the common goal of improving, for instance, the quality of life and social, environmental, and economic aspirations of the society that welcomes us and of which we are a part through the fulfillment of our obligations in tax matters, occupational risk prevention, and health care, etc. Ence shows constant proof of its willingness to collaborate and its predisposition to agreement, and is committed to the different institutional instruments that allow it to be channeled.

The contribution of the activity of ENCE to public authorities in **tax matters** during the year 2017 was **€ 118.72 million**:

- **€ 84.44** million deposited for the Central State Administration
- **€ 30.56** million deposited for the Autonomous Communities
- **€ 3.71** million deposited for Local Administrations

In addition, a recovery project for eucalyptus forests owned by third parties and damaged by fires (up to 5,400 ha) has been presented in Galicia, involving an investment of € 7 million, the creation of 67 jobs, and the generation of estimated income of € 42 million in 10 years.

Ence also participated in the working group that managed to agree on an adaptation of the international principles of FSC to the actual Spanish forests to ensure that the evaluation of the sustainability of the forests according to this scheme was consistent with the characteristics of our economic, social, and environmental setting. Ence has also participated in the non-certified wood risk analysis group, making Spain a low-risk country from the point of view of the legality and traceability of wood.

Regarding the PEFC system, Ence participates in the CTN-162, the Technical Standardization Committee in charge of voluntary regulation related to sustainable forest management, regarding the classification of forest types, the development of indicators, the definition of management units, and unregulated training aspects related to the subject.

The environmental sustainability approach is complemented by that of social responsibility, through the generation of income and employment in the rural world, contributing to the structuring of the territory. The work of financing certification groups, of transmission of know-how to forest owners and companies, and information through meetings and periodic bulletins, effectively contribute to sectorial development based in the group's environmental and social policies.

As regards the cellulose production activity, the different operations centers receive periodic inspections from the Public Administrations where compliance with the fundamental environmental guidelines established in the current legislation is reviewed.

Regarding the energy use of **biomass**, the objective of Ence, through relationships with Public Administrations and Institutions, is to show in a credible way the great benefits that biomass management brings to society, and to present proposals based on the promotion of biomass as an energy source, and which improves the socio-economic environment of the towns where Ence operates. Ence is part of different associations such as ACOGEN (Spanish Association of Cogeneration), APPA (Association of Renewable Energy Companies) and ASPAPEL (Spanish Association of Pulp, Paper and Cardboard Manufacturers), in which it participates actively to carry out activities to support energy generation from biomass.

5. About this Report

Scope

The information included in this 2017 Corporate Social Responsibility Report refers to all the activities carried out by the Ence Energía y Celulosa S.A. Group, from January 1, 2017 to December 31 of the same year.

This Report covers both the financial and non-financial performance of the company, in terms of its activity as a company specializing in activities of sustainable forest management, cellulose production, and generation of renewable energy through biomass.

Reference standards

The Corporate Social Responsibility Report of 2017 has been developed based on the guidelines established in the Guide for the preparation of sustainability reports of the Global Reporting Initiative (GRI) version G4.

The balanced and realistic presentation of Ence's performance during the year 2017 has required the application of the following principles:

- Principles to determine the content of the report, regarding the participation of the stakeholders, the context of sustainability, and completeness.
- Principles for determining the quality of memorandum in terms of balance, comparability, precision, periodicity, clarity, and reliability.

Annexes

Corporate Social Responsibility Policy

1.- Introduction

Ence is a reference company in Europe in the eucalyptus pulp market, a leader in renewable energy with biomass, based on integral and responsible management of wood and with an activity that respects the environment and its sustainability and is committed to respecting people, their safety and their development.

In accordance with the above, over the past few years Ence has been systematically developing initiatives aimed at developing its activity following the aforementioned principles of economic, environmental, labor, and social sustainability, requiring a relationship and closeness to its environment, with its problems, its development, and the improvement of the quality of life of the people who inhabit it.

All these initiatives have been included in the Sustainability Report that Ence has been regularly developing as well as in the Code of Conduct in which the ethical bases of behavior are defined, and which are necessary to create a solid corporate culture with which all its interest groups can be identified, and building the reputation of the company.

2.- Objective

Law 31/2014, of December 3, which modifies the Capital Companies Act (LSC) for the improvement of corporate governance, has given relevance to all of these aspects, to the point of requiring listed companies to have a Corporate Social Responsibility policy which, according to section a) of article 529.ter.1, must be approved in a specific and non-delegable manner by the board of directors.

In this regard, Ence's board of directors has agreed to approve this Corporate Social Responsibility policy and ensure its implementation and compliance with the aim of contributing to improving the well-being of people, promoting the economic and social development of communities in which it is present, and creating sustainable value over time for its shareholders and investors, employees, forest owners, customers and suppliers, influence groups, the community and environment.

This Corporate Social Responsibility policy can not be isolated from the rest of the regulations that govern Ence's governance system and whose principal component is the Code of Conduct, which establishes the principles and values that should guide the behavior of all the professionals in the company, with each other and in their relations with their stakeholders.

The Code of Conduct includes a chapter related to the transparency and integrity of financial information, which specifically mentions the accounting and financial information obligations existing in the company, and in particular indicates that professionals working in Ence must provide information that is complete, transparent, understandable, and accurate so that, when establishing relationships with the company, stakeholders can make independent decisions.

Ence has a disciplinary system that sanctions any action contrary to the law or to the principles included in the Code of Conduct.

3.- Corporate strategy

Ence makes sustainability the focus of its business. In its forestry, production, and electric power generation activities and in its management model, criteria of economic, social, and environmental sustainability are integrated that guarantee an orientation to results, a mutual benefit in its relations with suppliers, forest owners, clients and other stakeholders, and the management of impacts on the environment.

Ence's mission is to be a leading company in the production of eucalyptus pulp, a leader in renewable energy with biomass and grounded on the integral and responsible management of wood. For this, Ence is committed to continuous improvement, leading the company to become more efficient and competitive, together with its commitment to respect people, their safety and development, and the environment.

Ence seeks, through efficiency and competitiveness, to offer products and solutions to meet the needs of its customers, develop a strong forestry sector respecting the environment, and grow in renewable energy with biomass.

Ence's vision is to be a global leader in the total and sustainable use of timber and agricultural biomass.

The pillars of the corporate strategy are linked to efficiency in the production processes, diversification of sales, growth of the activity of energy production from agricultural and forestry biomass, and the maintenance of a solid and robust financial structure.

4.- General principles

To achieve its mission and vision, Ence bases its activity on the following principles, which serve as a framework to inspire and regulate the functioning of the organization:

- Commitment and respect for the legality and ethical principles of Ence: We have the duty to comply with, respect, and apply the laws and internal regulations of our company in the performance of the functions to which each one has assigned.
- Commitment to personnel: We respect and listen to our people, we recognize and value their work and contributions, and we take into account their safety and their professional and personal development.
- Commitment to our external and internal customers: We listen to our customers, we work to satisfy them, and we are consistent, do what we say, and fulfill our commitments.
- Commitment to the institutions: We collaborate with the different institutions of the areas where we carry out our industrial activity and contribute to the common goal of improving the quality of life of the society that welcomes us and of which we are part.
- Commitment to the environment: We pursue the sustainability of all our operations, be they economic, environmental or social, through responsible and sustainable management.
- Commitment to improvement: We are professionals, nonconformists, we learn and improve continuously, we encourage initiative and teamwork, and we seek excellence in management.
- Commitment to results: We fight for results and to add value to our shareholders, we like to meet our goals and commitments, and we work as a team.
- Commitment to Ence: The Ence project is our personal and collective commitment, we think of the company as our own, and we are proud to work in it.

5.- Relationship with interest groups

The interest groups, understood as the people, groups, or institutions affected by Ence's activity and that can significantly influence it, are one of the main axes of this Corporate Social Responsibility policy.

It is Ence's objective that the relationship with its stakeholders be developed efficiently and satisfactorily, and for this purpose, different communication channels have been established that promote the exchange of information and serve as the basis for a relationship of mutual benefit. Below are Ence's stakeholders:

- Shareholders and investors: these are the owners of Ence. They guide the company's strategy based on decisions that allow for growth, the company's sustainability, and short, medium and long-term results.
- Personnel: the professionals who work for Ence make it possible for the company to improve its activity and, consequently, its results. The trust, recognition, development of the people who work in or for the company are part of the management strategy and are considered key players in the company.
- Customers: Ence supplies quality products and establishes a relationship with its customers based on trust, respect, and the guarantee of timely supply.
- Allies and suppliers: they are an essential part of all Ence management systems (quality, environment, occupational risk prevention, chain of custody, sustainable forest management etc.). They guarantee the supplies and the optimal functioning of the activity, in addition to presenting themselves to society as an essential part of sustainable forest management.
- Forest owners: Ence works with forest owners, with which it maintains a strategy of growing rapprochement, promoting access, communication and direct dialogue with them. These initiatives establish guidelines for collaboration on issues such as the management of forest crops, phytosanitary

improvement, sustainable management, or the provision of greater transparency to the timber market.

- Public Administrations and Regulatory Bodies: Ence works with the sector's administrations in the defense of sectorial and private interests, in control tasks, in the promotion of new activities, and project development. In addition, through the payment of taxes and taxes, we contribute to the maintenance of public liabilities, which is one of our contributions to society.
- Community and environment: Ence shows a great interest in fostering a relationship with the environment in which it operates in order to know the anxieties and concerns of local communities and all the groups that represent them.
- Influence groups (analysts, media, NGOs): fundamental in the generation of standing and the necessary changes that in some places should occur in the perception they have about industrial activity, being respectful of the environment, and generating employment and wealth.

6.- Commitments with interest groups

The commitment with the different interest groups of Ence is part of its vision, in which reference is made to shareholders and investors, people, customers, suppliers, forest owners, public administrations, communities in which it operates, and influence groups.

Our commitments with these interest groups are detailed below:

6.1 Commitment to shareholders and investors

At Ence we are committed to creating value for our shareholders and investors and we do so through management based on transparency and closeness to the financial market. We have a strong financial structure that acts as a lever of competitiveness with a special focus on maintaining a low level of indebtedness and a solid liquidity position.

6.2 Commitment to people

We know, we comply with and/or we enforce the standards of treatment/behavior with others and safety procedures. We care for relationships and treat people with politeness, consideration, and respect, caring for their own safety and that of others.

We promote better working relationships and a safer environment. We value and appreciate the work, time, and contributions of other people, listen to their opinions, and share information and knowledge in an open and transparent way, identifying hazardous situations.

We are proactive with people. We offer help and dedicate time to others, and actively contribute with our conduct and contributions to make the environment, relationships, and working conditions more pleasant and safe.

6.3 Commitment to external and internal customers

We plan and execute with excellence and efficiency the necessary actions to meet the demands of our internal and external customers. We fulfill the commitments made to expedite their work, build their confidence, and gain their satisfaction.

We stand up for our clients, we put ourselves in their place, and we understand their points of view. We react with speed and agility to solve the problems and conflicts presented by our internal and external clients, and we propose ideas and solutions for their prevention.

We know our internal and/or external clients, whom we visit regularly, listen to proactively and systematically and with whom we communicate and collaborate to identify and respond to or anticipate their true needs. We propose initiatives that give them value and build long-term relationships.

6.4 Commitment to partners and suppliers

Ence rejects any type of violation of human rights and illegal exploitation of natural resources. For this reason, we conduct an evaluation of our suppliers and partners as a tool for continuous improvement to ensure that the fundamental rights of workers are respected.

We maintain a relationship based on mutual trust and two-way transparency with our suppliers of goods and materials as well as our collaborators and service companies.

We establish strong links with suppliers and responsible allies to improve mutual reputations and sustainability.

We contribute to the development and growth of suppliers, especially those in local proximity to our facilities.

We conduct periodic evaluations of our suppliers and partners as a tool for continuous improvement.

6.5 Commitment to forest owners

Ence is the leading private owner and manager of forests in Spain, as well as the main buyer of wood. Its performance in terms of forest sustainability makes it the main reference in the sector, acting on three major axes:

- Environmental responsibility: In forestry areas, Ence implements and promotes criteria of excellence in the management of third parties, choosing as a reference the framework of Sustainable Forest Management (both PEFC and FSC). In this sense, the objective is to achieve double forest certification in all its operations, both for its own forest areas and those of third parties.
- Efficiency in management: The forestry activity of Ence produces a series of impacts on the technical actions derived from the consumption of water, electricity and gas oil. Ence aims to be highly efficient in their use. It also develops the best management techniques (silviculture and genetic) to achieve the highest possible yield of the managed surface.
- Social commitment: Ence develops its forestry activity in a rural environment, where it is actively involved, trying to transmit its knowledge in different subjects in order to promote development, modernization, and efficient management.

Collaboration in the field of management, pest management, and plant material or forest certification are some of the lines of action.

The forestry area of Ence has an Integrated Forest Management System (IFMS) that serves as a framework for compliance with the ISO standards of Quality and Environment, and those of Sustainable Forest Management and Chain of Custody PEFC and FSC.

The forestry activities are carried out in accordance with the "Ence Sustainability Principles" approved by Senior Management.

6.6 Commitment with public administrations and regulatory bodies

In Ence we maintain a direct relationship with the main administrations of the sector and with the different regulatory bodies in the identification and defense of sectorial and private interests, in control tasks, in the promotion of new activities, and project development.

For Ence, the loyal understanding with institutions of the places where we are installed is a hallmark. We contribute to the common goal of improving the quality of life and aspirations, social, environmental, economic etc., of the society that welcomes us and of which we are part. Therefore, Ence gives constant indications of its willingness to cooperate and willingness to negotiate, and agrees with the various institutional instruments to direct it.

In fiscal matters, Ence assumes the commitment to comply with the legislation in force in the countries and territories in which it operates. In addition, it is Ence's will, in accordance with its history, not to constitute, acquire, or have any kind of contractual relationship with companies resident in tax havens, as well as to waive the creation or use of opaque or artificial structures unrelated to the company's own activities with the sole purpose of evading or reducing its tax burden.

In the field of forestry, Ence actively collaborates for the modification and adaptation of the rules on sustainable forest management.

6.7 Commitment to the environment

At Ence we take into account, comply with and/or enforce the regulations and procedures in force in all our activities have an economic or environmental impact in relationships with other people inside or outside the company.

We perform and/or ensure that activities are carried out in a strict and socially responsible manner; we are respectful of the environment, we minimize the consumption or misuse of resources of all kinds and their environmental impact (waste, emissions, effluents, noise, etc.)

We contribute with our ideas and we promote by our conduct and example, behaviors that help to create cooperation links and to improve those practices and internal operative procedures related to the consumption and efficient use of resources and their environmental impact.

For Ence, sustainability is the linchpin of our business. In our forestry, production, and electric power generation activities, and in our management model, we have integrated criteria of economic, social, and environmental sustainability.

The integral management of the forest masses for the production of pulp and renewable energy covers the entire value chain, and is a differentiating advantage. This presence throughout the value chain allows the application of best practices in forestry plantations and their use, which leads to greater efficiency in the production of energy and cellulose.

6.8 Commitment to other influence groups (analysts, media, NGOs)

Ence maintains a strong commitment with analysts, media, and non-governmental organizations (NGOs) that are fundamental in the generation of reputation and in the necessary changes that in some places must occur in the perception they have of industrial activity, respecting the environment, and generating employment and wealth.

Ence is aware of the need to maintain a close link with these interest groups as they are general rulers of the activity of Ence.

7.- Systems for monitoring results

The Board of Directors of Ence is the highest administrative and representative body of the company, being therefore the most responsible in terms of supervision and control of compliance with the corporate social responsibility policy.

For this purpose, quarterly and through its Audit Committee, it monitors the indicators and reports related to the stakeholders and that make reference to:

- Remuneration aspects
- Reconciliation of family life
- Social benefits
- Participation and internal communication
- Code of conduct
- Management and retention of talent
- Training and development
- Labor relations
- Cellulose occupational health and safety
- Odors
- Liquid effluents
- Atmospheric effluents
- Noise
- Water consumption in pulp mills
- Summary of activities related to forestry
- Surfaces by destination and types of property
- Sustainable forest management
- Consumption indicators

- Nursery production
- Consumption of energy products, chemicals, and packaging
- Materials and replacements
- Quarterly financial statements
- Report of quarterly results
-

8.- Risk monitoring mechanisms

Ence's Board of Directors is responsible for the supervision of all risks of Ence and develops its capabilities so that risks of all kinds that the company faces to meet its objectives are properly managed; that is to say, identify, evaluate, prioritize and treat.

Risk management is a continuous process carried out by Ence's Board of Directors, Management, and staff, applied in the definition and execution of the strategy and designed to identify, evaluate, and deal with all the risks that, should they materialize, could adversely affect achievement of the Group's objectives, keeping them within an acceptable level of risk.

Ence carries out a periodic update of its risk charts, which are classified according to their nature in environmental risks, associated with financial, legal, operational, and organizational decision making.

In addition, Ence believes that, for proper risk management, it is essential to maintain the highest level of transparency in the information provided, both inside and outside the organization. In this regard, Ence staff must take into account that the information provided on risk management must meet the following requirements:

- That it be complete, ensuring that all relevant information is passed on for proper risk management.
- That it is correct and truthful, ensuring that the information transmitted does not contain errors.
- That it creates value, by encouraging the development of a culture of control and management of risk.
- It must be transmitted on time, that is, at the time it is known, and is relevant for proper risk management.

9.- Communication channels with stakeholders

Ence maintains diverse channels of communication, participation and dialogue with its stakeholders, through which it informs the different aspects of importance for each of them and provides, as far as possible, a reasonable response to their expectations.

Each of these channels has its own characteristics in terms of format, frequency, and intensity of the relationship, from the available routes in a permanent and continuous manner, such as email and the corporate website, to periodic ones such as surveys, meetings, presentations, or those of a non-periodic nature.

The most relevant communication channels for Ence in its communication with the stakeholders are indicated below:

| Special interest group | Communication channels | Relevant aspects |
|----------------------------|--|--|
| Shareholders and investors | General Shareholders' Meeting Quarterly results information Quarterly presentation of results by the CEO Regular meetings Monthly information to the Board of Directors Roadshows Attending seminars and conferences Periodically sending updated information Report available at the CNMV Annual Report Annual Corporate Governance Report Sustainability Report Specific section on the corporate website Dossiers and press releases Email: ir@ence.es Social Networks | Corporate strategy Economic indicators Market trends Reputation Good governance Risk assessment and management Transparency |
| Individuals | Annual Report Sustainability Report Intranet Management policy Biannual survey of the labor market Performance evaluation Continual and abundant Communication Screens in installations Bulletin boards Email communications Monthly digital bulletin Health and Safety Committees Annual training plan Periodic area meetings Whistle-blowing channel | Company information Changes in the team Continual improvement of working conditions Labor relations |
| Customers | Annual Report Sustainability Report Publication of relevant facts Periodic visits Participation in sector meetings Satisfaction surveys Product Environmental Profile Dossiers and press releases Email Social Networks Whistle-blowing channel | Offers Data privacy R&D&i References FSC and PEFC certification Competitiveness Meeting their requirements Compliance with requirements Prices |
| Partners and providers | Annual Report Sustainability Report Participation in discussion forums within associations Monitoring compliance with current regulations Regular visits and meetings Proposals for framework agreements and others Whistle-blowing channel | Agreement Compliance Security in the contracting of long-term services Selection criteria Improvement of working conditions Financial assistance Timber market |
| Forest owners | Annual Report Sustainability Report Participation in discussion forums within associations Participation in conferences Site visits Dossiers and press releases Web page Receiving and responding to complaints, suggestions and requests for information CSR actions Whistle-blowing channel | Social benefits Adequate forest management Compliance with the agreement Legal compliance Business development Common interests Exchange of information Forest Certification |
| Public Administrations | Annual Report Sustainability Report Environmental Announcements Tax returns Round tables, working groups Regular Communications and meetings Specific reports of each environmental authorization Collaboration agreements Periodic reports and documentation Ad hoc reports and documentation | Verification of compliance with legal requirements Application of Best Available Techniques Support for the design and achievement of public policies Joint collaboration for technical-scientific development Promotion of the rational use of forest products and services |
| Community and environment | Annual Report Sustainability Report Environmental statements Talks, symposia and conferences Guided visits Receiving and responding to complaints, suggestions and requests for information CSR actions Web pages Whistle-blowing channel | Minimization of environmental impacts Efficient consumption of resources Common interests Interaction with other economic and cultural activities Conservation and promotion of the environment Conservation of protected species or habitats or special protection Protecting the natural heritage Creation of employment and wealth |
| Influence Groups | Annual Report Sustainability Report Environmental Announcements Permanent attention, sending dossiers, press releases, opinion | Conflict resolution R&D&i Environmental, economic and social impacts of our activities Economic data and activity results |

| | | |
|--|--|--|
| | articles Talks, symposia and conferences Site visits Web pages Collaborations and activities | |
|--|--|--|

Quantitative indicators on lines of activity

Area use

2015

| Corporation | Biomass | Cellulose | Protection | Other | Total |
|------------------|------------------|------------------|------------------|---------------|------------------|
| Ence Energía | 118.73 | - | - | - | 118.73 |
| Energía – Ext | 127.18 | - | - | - | 127.18 |
| Energía - Huelva | 3,699.39 | 4,484.67 | 544.42 | - | 8,728.48 |
| Norfor | 35.53 | 11,130.56 | 1,913.81 | 413.32 | 13,493.22 |
| Silvasur | 7,607.20 | 25,911.59 | 13,882.37 | - | 47,401.16 |
| Total | 11,588.03 | 41,526.82 | 16,340.60 | 413.32 | 69,868.77 |

2016

| Corporation | Biomass | Cellulose | Protection | Other | Total |
|------------------|------------------|------------------|------------------|---------------|------------------|
| Ence Energía | 40.01 | - | - | - | 40.01 |
| Energía - Huelva | 3,898.37 | 4,225.17 | 488.20 | - | 8,611.74 |
| Norfor | 35.53 | 10,962.22 | 1,828.42 | 403.70 | 13,229.87 |
| Silvasur | 6,903.43 | 26,478.98 | 13,714.96 | - | 47,097.37 |
| Total | 11,254.78 | 41,331.72 | 16,050.21 | 403.70 | 68,978.99 |

2017

| Corporation | Biomass | Cellulose | Protection | Other | Total |
|------------------|-----------------|------------------|------------------|---------------|------------------|
| Ence Energía | 39,01 | - | 3,41 | - | 42,42 |
| Energía - Huelva | 910,50 | - | 24,22 | - | 934,72 |
| Norfor | 35,52 | 10.914,20 | 1.767,56 | 389,20 | 13.106,48 |
| Silvasur | 2.425,45 | 35.656,91 | 13.307,90 | 101,31 | 51.491,57 |
| Iberforestal | - | 1.543,33 | 206,41 | - | 1.749,74 |
| Total | 3.410,48 | 48.114,44 | 15.309,50 | 490,51 | 67.324,93 |

Surface by type of contract

2015

| Corporation | Biomass | Cellulose | Protection | Other | Total |
|------------------|------------------|------------------|------------------|---------------|------------------|
| Ence Energía | 118,73 | - | - | - | 118,73 |
| Energía – Ext | 127,18 | - | - | - | 127,18 |
| Energía - Huelva | 3.699,39 | 4.484,67 | 544,42 | - | 8.728,48 |
| Norfor | 35,53 | 11.130,56 | 1.913,81 | 413,32 | 13.493,22 |
| Silvasur | 7.607,20 | 25.911,59 | 13.882,37 | - | 47.401,16 |
| Total | 11.588,03 | 41.526,82 | 16.340,60 | 413,32 | 69.868,77 |

2016

| Corporation | Biomass | Cellulose | Protection | Other | Total |
|------------------|------------------|------------------|------------------|---------------|------------------|
| Ence Energía | 40,01 | - | - | - | 40,01 |
| Energía - Huelva | 932,33 | - | 26,16 | - | 958,49 |
| Norfor | 3.182,87 | 10.962,22 | 1.828,42 | 403,70 | 13.229,87 |
| Silvasur | 6.903,43 | 26.478,98 | 13.714,96 | - | 47.097,37 |
| Total | 11.254,78 | 41.331,72 | 16.050,21 | 403,70 | 68.978,99 |

2017

| Corporation | Biomass | Cellulose | Protection | Other | Total |
|------------------|-----------------|------------------|------------------|---------------|------------------|
| Ence Energía | 39,01 | - | 3,41 | - | 42,42 |
| Energía - Huelva | 910,50 | - | 24,22 | - | 934,72 |
| Norfor | 35,52 | 10.914,20 | 1.767,56 | 389,20 | 13.106,48 |
| Silvasur | 2.425,45 | 35.656,91 | 13.307,90 | 101,31 | 51.491,57 |
| Iberforestal | - | 1.543,33 | 206,41 | - | 1.749,74 |
| Total | 3.410,48 | 48.114,44 | 15.309,50 | 490,51 | 67.324,93 |

Certified Area

| | 2014 | 2015 | 2016 | 2017 |
|------------|--------|--------|--------|--------|
| FSC Spain | 35.591 | 38.147 | 47.233 | 47.710 |
| PEFC Spain | 57.864 | 56.833 | 58.876 | 56.580 |

Forest investments

2015

| | Ence Energía | Energía Extremadura | Energía Huelva | Iberflorestal | Norfor | Silvasur | Total |
|---|--------------|---------------------|----------------|---------------|---------|----------|------------------|
| Resettlement | 835,607.68 | 169,816.26 | - | - | 51,804 | - | 1,057,228 |
| Silviculture | 149,251 | 269,775 | 119,115 | - | 349,554 | 107,156 | 994,850 |
| Tracks and Firewalls | 280 | - | 43,686 | 6,451 | 83,528 | 394,785 | 528,729 |
| Inventory | - | - | - | - | 15,376 | 790 | 16,166 |
| Rents and Fees | 1,411,646 | 1,505,601 | 853,383 | 175,343 | 551,358 | 386,148 | 4,883,479 |
| Forest Fires | - | - | - | - | - | 133,061 | 133,061 |
| Other Management Costs + Financial Capitalization | 356,852 | 204,468 | 86,492 | - | 166,076 | 91,364 | 905,252 |

2016

| | Ence Energía | Energía Extremadura | Energía Huelva | Iberflorestal | Norfor | Silvasur | Total |
|---|--------------|---------------------|----------------|---------------|---------|-----------|------------------|
| Resettlement | 63,318 | 5,466 | - | 7,870 | 150,638 | 92,905,10 | 320.198 |
| Silviculture | 52.121 | 51.301 | 166.475 | - | 639.723 | 66,398 | 976,018 |
| Tracks and Firewalls | - | - | 107,558 | - | 79,413 | 421,376 | 608,348 |
| Inventory | - | - | - | - | 2,408 | - | 2,408 |
| Rents and Fees | 77,663 | 150,000 | 94,007 | 168,495 | 322,777 | 399,874 | 1,212,815 |
| Forest Fires | - | - | 79,290,50 | - | - | 246,086 | 325,377 |
| Other Management Costs + Financial Capitalization | 54,599 | 37,494 | 128,215 | - | 87,841 | 212,007 | 520,155 |

2017

| | Ence Energía | Energía Extremadura | Energía Huelva | Iberflorestal | Norfor | Silvasur | Total |
|---|--------------|---------------------|----------------|---------------|---------|----------|------------------|
| Resettlement | - | - | 654 | - | 26,623 | - | 9,536 |
| Silviculture | 963,791 | 476,371 | 113,709 | - | 349,554 | 169,921 | 2,146,893 |
| Tracks and Firewalls | - | - | 38,193 | 6,451 | 82,436 | 358,645 | 492,677 |
| Inventory | 11,641 | 760 | 924 | - | 16,216 | 790 | 22,267 |
| Rents and Fees | 862,613 | 504,134 | 610,578 | 174,479 | 550,325 | 383,014 | 3,124,562 |
| Forest Fires | - | - | - | - | - | 132,955 | 132,955 |
| Other Management Costs + Financial Capitalization | 277,969 | 232,991 | 23,871 | - | 122,817 | 37,003 | 707,522 |

