



Sustainability Report 2019

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Interview with the Chairman

Could you make an overall assessment of Ence Energía y Celulosa's 2019 financial year? How has the company progressed in achieving the objectives set out in its strategic plan?

The year 2019 has been marked by the unfavourable evolution of pulp prices, which have reached historic lows this year. A situation that has affected the results of the company and the whole sector.

However, Ence has continued to follow the roadmap set out in our Strategic Plan to 2023 and has made significant operational investments that will lead to significant improvements in production, efficiency and the environment. In this regard, I would like to highlight the success of the projects to expand the pulp plant in Navia and to improve the efficiency of the one in Pontevedra, as well as the new renewable energy projects in Huelva and Puertollano.

On the commercial front, in 2019 we have taken an important step forward with the launch of "Ence Advanced", Ence's new bioproducts brand. In this way, we seek to approach and adapt to the needs of our client with efficient and innovative solutions. Thus, among the range of solutions included in Ence Advanced are, among others, pulp products specially designed to replace plastics.

Last March, the General Directorate for the Sustainability of the Coast and the Sea decided to stop defending the extension of the Ence Pontevedra concession in the case opened in the Audiencia Nacional (Spanish High Court). What can you tell us about it? Do you consider that there is any basis from the environmental or social point of view that justifies the closure of this biofactory?

The sudden change in the criteria of the Directorate-General for Sustainability of the Coast and Sea to give up the defence of its own decision to extend the concession of the biofactory was surprising. In fact, this is an arbitrary change in the criteria that had been maintained throughout the proceedings at the Audiencia Nacional.

At the company, we will use all legal means to defend the validity of the extension of the biofactory concession, whose renewal process scrupulously followed the procedure established by the Coastal Law in force. We are currently waiting for the Audiencia Nacional to give its opinion on this matter.

In any case, it is important to point out that Ence's industrial activity is governed by the highest standards of environmental responsibility. The parameters of the company's plants greatly improve on the most demanding European and Spanish environmental standards and permits. The Ence biofactory in Pontevedra is one of only two in Europe, and one of the few in the world, that does not use chlorine, but bleaches the pulp with oxygenated water. Tangible proof of Ence-Pontevedra's environmental quality are the important shellfish banks located next to the biofactory, as well as the existence of seven beaches with the EU blue flag distinction in the area of the Pontevedra Estuary near this plant.

The excellent environmental results of Ence Pontevedra have been recognised with important international awards, such as the Nordic Swan ecolabel—official ecolabel of the Nordic countries—the Gold distinction of the European Commission or the AENOR Zero Residue certification.

What is sustainability for Ence?



Sustainability is inherent to Ence's own activity as a leading company in bioeconomics and renewable energy production. It is fully integrated into the company's vision and mission and is a strategic priority for Ence. In fact, sustainability is one of the pillars of the company's Strategic Plan 2019-2023

Sustainability at Ence translates into a commitment to ensuring the good governance and ethical management of the company, improving the well-being and safety of people, respecting the environment with eco-efficient operations and the development of sustainable products. It also includes the responsible management of wood and other natural resources; the promotion of economic and social development of the communities in which we operate—with special attention to the rural environment—and the creation of long-term value for our shareholders, investors, employees and other actors in our value chain.

With this vision of sustainability, Ence wants to contribute to achieving the Sustainable Development Goals set by the United Nations Agenda 2030. We are actively working on those objectives to which we can contribute the most through our own business model, such as goal 13 (Climate Action), as a renewable energy company. In the same vein, as a responsible forest manager, we also contribute to goal 15 (Life on Land), protecting biodiversity. We are also aligned with goal 12 (Responsible Consumption and Production), as a company whose business model is based on the bioeconomy and the circular economy.

The generation of value and employment in the environments in which we operate also contributes to goal 8 (Decent Work and Economic Growth), just as the continuous improvement in our environmental performance contributes to goal 6 (Clean Water and Sanitation), through the minimisation of water consumption and the improvement of effluent quality. As an industrial company committed to sustainability and innovation, we also contribute to goal 9 (Industry, Innovation and Infrastructure). Finally, working within the framework of our Equality Plan, launched in 2018, we support goal 5 (Gender Equality).

Within the sustainability framework you have defined, what risks and opportunities do you visualise and how does the company plan to respond to them?

Adaptation to climate change is undoubtedly a challenge for a company that, like Ence, works directly with forest crops in the Iberian Peninsula and a large part of its energy business is based on production with biomass. A challenge that, on the other hand, we also see as an opportunity, since it is the driving force behind our commitment to the development of renewable energy projects. Indeed, the quest for a carbon-neutral society and the development into a fair ecological transition are at the heart of our business model.

Ence also promotes sustainable forestry and agricultural management through forest certification and our Decalogue for the Sustainability of Biomass as a Fuel—a pioneering initiative in Spanish business. These types of actions contribute to mitigating the effects of climate change, as well as to preserving biodiversity where we operate.

Ence, in its two business areas—energy and pulp—also constitutes a paradigmatic case of contribution to the circular economy and, in this sense, offers new biodegradable and renewable products and solutions, capable of replacing others that are less environmentally sustainable, as is the case with some plastic derivatives. Finally, it is worth noting that the crucial role of sustainability for Ence is evidenced by the creation of a specific Sustainability Committee in the Board of Directors, a work group at the highest corporate level that is responsible for identifying risks and opportunities that allow the company to grow towards that vision of sustainability that we share at Ence.

2019 has stood out due to the celebration of the COP25 in Madrid. How does Ence contribute to fighting the climate emergency?

We are fully aware of the seriousness of the problem of climate change and the urgent need to combat this emergency proactively. Therefore, at Ence we contribute to the fight against it through two lines of action.

On the one hand, thanks to our Energy business, we are helping to decarbonise the Spanish energy model by providing a type of energy, one generated from biomass, which is not only renewable but also provides manageability to the electricity system. The use of surplus biomass represents a sustainable energy alternative with great environmental advantages to contribute to the transition towards a low-carbon energy model, in line with the European Commission's guidelines and Spain's energy policy. On the other hand, with our Cellulose business we contribute to changing the consumption model of society, offering renewable alternatives with a lower carbon footprint than other products, such as those made from plastic.

The European and Spanish energy agenda focuses on enabling a fair transition of the energy model. As the main producer of renewable energy with biomass, what role does Ence play in this regard?

Biomass power generation helps to carry out a fair energy transition, as it is a source of sustainable employment in rural environments, which are often affected by depopulation. In addition, the closure of several coal-fired plants in the coming years opens up the possibility of developing biomass power generation projects at their sites, making use of existing infrastructures. Along this line, a clear example of Ence's contribution is the acquisition, in 2017, of the former site of the Elcogás coal-fired power plant in Puertollano, for the construction of a new biomass-based electricity generation plant, which we will inaugurate in January 2020.

What are you going to focus on in the future to further advance your contribution to sustainability?

Our 2019–2023 Sustainability Master Plan is based on six strategic pillars: Ence's people and values, safe and eco-efficient operations (i.e., the development of the company's activity in a safe and exemplary manner in environmental matters), agroforestry and rural development (to promote responsible management in the forestry and agricultural sectors, as a lever for sustainable socio-economic development and for fixing the population to the territory), the development of sustainable product, strong corporate governances and Ence's relationship with the communities, based on a proactive and transparent approach to our closest stakeholders.

In parallel, we will continue to focus on creating a culture of sustainability among all members of our team and on developing mechanisms to integrate sustainability criteria into operational decision-making, to mitigate ESG risks (environmental, social and good governance) and, going one step further, to identify opportunities to generate value for the company and for all our stakeholders. As far as 2020 is concerned, we have set annual targets for each of the core concepts of this Plan, placing a special focus on the reduction of greenhouse gases, as well as on the improvement of the environmental parameters of our biofactories. We also aim to make progress towards the sustainable certification of wood and biomass and to increase sales of sustainable products. Strengthening relations with communities, wherever we operate, is also a priority objective for 2020, as is, internally, making further progress towards our policy of equality, towards improving the organisational climate and towards training in sustainability for the entire team.

These objectives, as well as the business ones, are strategic for Ence and that is why we include them in the performance evaluation and remuneration schemes of our management team.



2. Business model and strategy

- a. Ence at a glance
- b. Business model and performance
- c. Strategic Plan 2019–2023
- d. Commitment to sustainability
- e. Business lines
- f. Commitment to improvement

Ence at a glance

FOREST MANAGEMENT



Forest Management Plan

Protection of biodiversity

Forestry R&D


SUSTAINABLE AGROFORESTRY RESOURCES




CELLULOSE



Cellulose produced (tAD) **912,028** 


 Diversification into new sustainable and alternative products

 Increase in production capacity and improving efficiency in biofactories

Decrease of:

↓ GHG emissions in Pontevedra and Huelva
↓ 20% water consumption in Pontevedra in 4 years
↓ Odour and sound impacts


 **99.3%** waste recovery

 **642.000 tCO2 avoided** by generation of renewable energy
809.000 tCO2 absorbed in managed forests

ENERGY



Energy sales (MWh) **1.76M** 

 New projects in various renewable technologies (biomass, solar thermal and photovoltaic)

 Increase in production capacity with commissioning and acquisition of new plants

PEOPLE



STAKEHOLDERS



PERFORMANCE



Business model and performance 2019

Ence Energía y Celulosa's business model combines three business lines based on **the sustainable use of renewable natural resources**, with a special focus on wood and biomass. Ence Energía y Celulosa is the European leader in the production of eucalyptus pulp, the first Spanish company to produce renewable energy with agricultural and forest biomass, and the leader in Spain in the integrated and responsible management of forest areas and crops.



Sustainability is fully integrated into Ence's **vision**, which is to be a leader in the sustainable use of natural resources to produce specialty pulp and renewable energy in factories integrated into their environment. This approach to sustainability and shared value creation is also integrated into Ence's **mission**, which is to provide solutions to meet the needs of its customers, promote a sustainable forestry sector, and grow and diversify in renewable energy and pulp. In defining its mission, Ence also declares its commitment to respect for people, their safety, their development and a good working environment, as well as to continuous improvement and to its environment. As such, Ence pursues returns for its shareholders, the growth of the company, and the generation of employment and wealth in the areas in which it works.

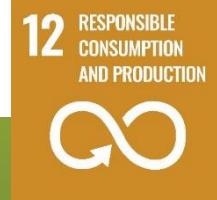
With its activity, Ence contributes to responding to other **global and local challenges** in the areas where it operates, thus supporting the achievement of the Sustainable Development Goals (SDG) of the UN Agenda 2020 for Sustainable Development:

- ✓ **Fight against climate change and decarbonisation of the energy model:** Ence contributes to the decarbonisation of the energy sector, generating renewable energy in its biofactories and independent energy plants. The generation of energy with biomass also represents a fundamental element in the transition towards a decarbonised model, since it is a manageable technology, unlike other renewable technologies such as wind or solar photovoltaic.



In addition, the forest areas that Ence manages directly, or from which it obtains wood, contribute to absorbing CO₂ from the atmosphere, mitigating the effects of climate change.

- ✓ **Transition from a linear model to a circular economy:** Ence's value generation model represents an example of a circular economy, since



it is based on the use of renewable resources, such as wood, biomass and other sources of clean energy. With its activity, Ence also contributes to the circularisation of other value chains in the agricultural and forestry sector, making use of the by-products of its activities to generate energy and reducing the environmental impacts derived from their uncontrolled disposal.

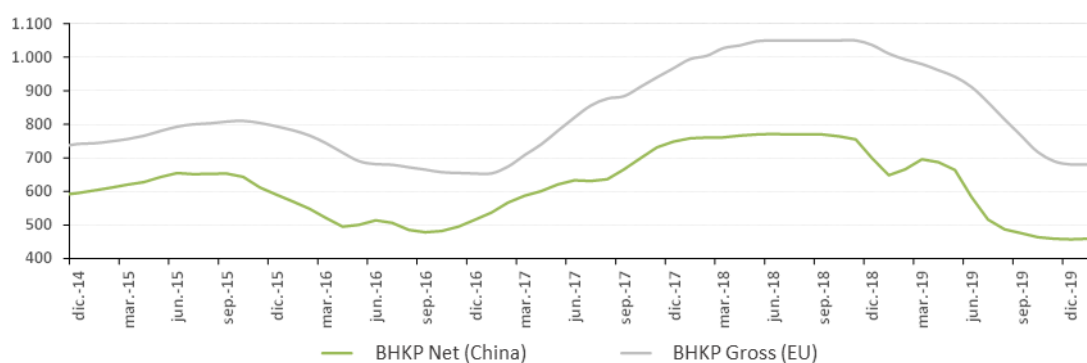
- ✓ **Responsible consumption:** with its special pulp production activity, Ence contributes to changing society's consumption model, offering low-carbon and renewable alternatives to other products, such as plastics and other oil-based materials.
- ✓ **Fair transition and the fight against the depopulation of the rural environment:** Ence represents an important engine of development in the environments in which it operates, especially in the rural environment. In its pulp production activity and through its wood supply chain, Ence contributes to generating employment and value for contractors, suppliers and forest owners in Spain. Moreover, the generation of energy with biomass in Ence's plants helps to carry out a fair energy transition, as it is a source for sustainable employment in rural environments, which are often affected by depopulation.
- ✓ **Fighting against deforestation and sustainable forest management:** Ence is committed to sustainable forest certification, not only in its forest properties, but also by actively promoting it throughout its supply chain. In addition, Ence contributes to the prevention of forest fires by promoting active forest management and removing excess forest biomass, thus reducing the risk of fire.



Results 2019

The results for 2019 were marked by the fall in the price of pulp and by the execution of significant investments foreseen in the Strategic Plan to expand capacity, both in the Cellulose and in the Renewable Energy businesses.

The sudden process of inventory reduction in the paper industry in the last quarter of 2018 and the first quarter of 2019 led to a sharp drop in demand for pulp and a corresponding increase in producers' inventories, which pushed the price of pulp to its 10-year low in the fourth quarter of 2019.



The growth in demand in the second half of 2019 and the normalisation of producers' inventories has helped to stabilise the price of pulp in the first quarter of 2020.

In this context, the EBITDA of the Cellulose business fell by 69% in 2019 compared to the previous year, to 75 million euros. The lower volume and higher costs related mainly to the capacity expansions carried out during the year explain 14%, while the lower average sale price justifies a fall of 42% and the effect of exchange rate hedges the remaining 14%.

In contrast, the EBITDA in the Renewable Energy business improved by 15% year-on-year in 2019 to 52 million euro, driven by the contribution of the Puertollano solar thermal plant incorporated in December 2018. This contribution was partially offset by the effect of the extraordinary shutdowns made to re-power several plants during the year, together with the lower price of electricity and the higher cost of biomass.

Thus, the Group's EBITDA and Net Profit reached 127 million euros and 7 million euros in 2019, respectively, while investments related to the execution of the Strategic Plan amounted to 260 million euros.

During the fourth quarter of 2019, the 80,000 tonne capacity expansion planned for the Navia biofactory was successfully implemented, which involved improving practically all the plant's industrial processes. Similarly, in the first quarter of 2019, the 20,000 tonne expansion planned for the Pontevedra biofactory was carried out. The extension of these 100,000 tonnes per year will contribute to a significant improvement in sales and a reduction in the cost of production per tonne in 2020.

In addition, Ence launched a cost reduction programme in 2019 to ensure compliance with the cost targets set in its Strategic Plan 2019–2023.

In the Renewable Energy business, the two new biomass plants with a combined capacity of 96 MW were incorporated in February 2020 and will represent an estimated increase in Renewable Energy generation of more than 50% by 2020.

Following these significant investments, the Group's net financial debt at year-end amounted to 513 million euros, of which 306 million euros corresponded to the Cellulose business and 207 million euros to the Renewable Energy business.

In order to continue growing in renewable energies in Spain, Ence has a 400 MW project portfolio with guaranteed access to the grid and location: 240 MW are from solar photovoltaic, 135 MW are from biomass and 25 MW are from the hybridisation of thermosolar plants. These last two technologies are awaiting the implementation of the European and national renewable energy plans.

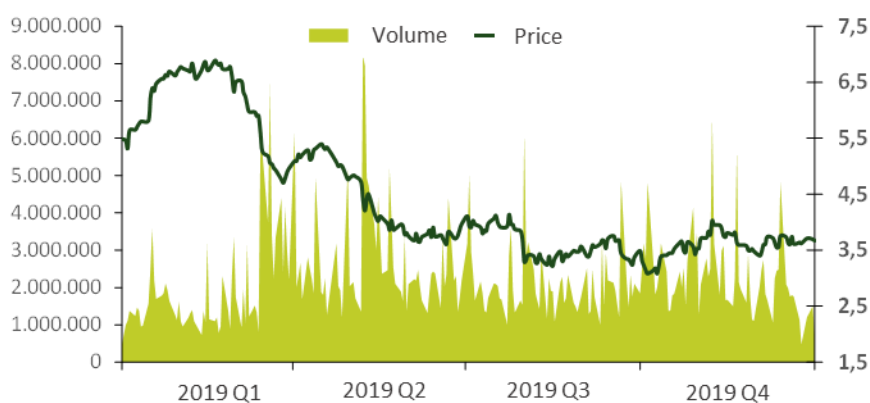
On the other hand, the Board of Directors has decided to postpone new investments related to the execution of the Strategic Plan in the Cellulose business, in line with its desire to maintain a financial leverage ratio below 2.5 times at average prices for the cycle in this business.

The priority in 2020 is to reduce costs and financial leverage.

Share price

Ence's share capital is made up 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 Company's shares have been listed on the Spanish stock exchanges and on the Mercado Continuo since its complete privatisation in 2001 and at the close of 2019 it was part of the Ibex 35.

Ence's share price at the close of 2019 was 3.67 euros per share; this represents a drop of 33.1% compared to the price at 31 December 2018, affected by the fall in the price of pulp and the uncertainty generated by the change in the State's criteria regarding the extension of the concession held by Ence in Pontevedra.



Source: Bloomberg

SHARE	2019 Q1	2019 Q2	2019 Q3	2019 Q4
Share price at the end of the period	4,96	3,97	3,49	3,67
Market capitalization at the end of the period	1221,5	977,2	859,5	903,8
Ence quarterly evolution	(9,6%)	(20,0%)	(12,0%)	5,2%
Daily average volume (shares)	1.993.546	2.748.155	2.108.567	2.309.519
Peers quarterly evolution *	11,3%	(22,9%)	(3,2%)	5,0%

(*) Altri, Navigator, Suzano, CMPC and Canfor Pulp

Source: Bloomberg

Generated and distributed economic value

Ence's activity proves to be an important focus of value generation for society in general and for its areas of influence in particular. Specifically, the value generated by Ence in 2019 amounted to 737.28 million Euros.

Most of the direct economic value generated by the company is distributed among its **stakeholders**, including **suppliers** and other components in Ence's supply chain. It is also worth noting the value distributed to the company's employees, with almost 76 million euros in 2019, almost 19% more than the previous year, and to **public administrations**, which was more than 32.3 million euros.

The figures below show the economic value generated, distributed and retained by the company in 2019:

Thousands of €	2019
Direct economic value generated	737,281
Economic value distributed	690,309
Operating/supplier costs	536,941
Salaries and welfare plans for employees	75,844
Payments to capital providers and shareholders	44,549
Payments to governments (taxes, fees, fines)	32,360
Investments in the community	615
Retained economic value	46,972



Strategic Plan

Market context

Ence operates mainly around two independent and complementary businesses with **solid long-term growth prospects**. The first is the production of special pulp and the second is the generation of renewable energy. The first is a cyclical business while the second provides stability and visibility to revenues.

Fast urban population growth and rising living standards in emerging countries are the main factors driving the **continued growth in global demand for cellulose** for hygienic products as well as viscose for textile applications. Added to this trend is the ability of cellulose, which is a natural, sustainable, renewable and biodegradable raw material, to replace other highly polluting materials such as plastics or synthetic fibres.

Growth in **renewable energy** is driven by targets set at national and international levels to combat climate change. In this sense, the European Union, in its framework for action on climate and energy until 2030, envisages reaching at least a 32% share of renewable energies. This framework was adopted by the European Council in October 2014 and the renewable energy and energy efficiency targets were revised upwards in 2018.

To achieve this goal, Spain will double its renewable energy generation capacity over the next 10 years. Specifically, the National Integrated Energy and Climate Plan anticipates the development of 22 GW in wind power, 30 GW in photovoltaic power, 5 GW in solar thermal power, 3 GW in hydraulic pumping power and 1 GW in biomass power.

In this sense, the European Green Deal presented by the European Commission in December 2019, which establishes the roadmap for Europe to achieve climate neutrality by 2050 and proposes a tightening of the targets for reducing emissions and decarbonising the energy sector, is an even greater boost for renewable electricity generation activities.

Strategic Plan 2019–2023

At the end of 2018, Ence presented its Strategic Plan for the period 2019–2023, articulated around four pillars:

1) Growth

With the execution of the new Strategic Plan, Ence intends to practically double the Group's EBITDA measured at constant pulp prices and reduce its cyclicity. To this end, it plans to increase production capacity in the Cellulose business by 40% and triple the operating profit of the Renewable Energy business, to a minimum base of 150 million euros.

2) Diversification

Ence is committed to diversification in order to make use of these growth opportunities, while simultaneously increasing the flexibility and sturdiness of its business model. A diversification that focuses not only on products, but also on raw materials and renewable energy generation technologies.

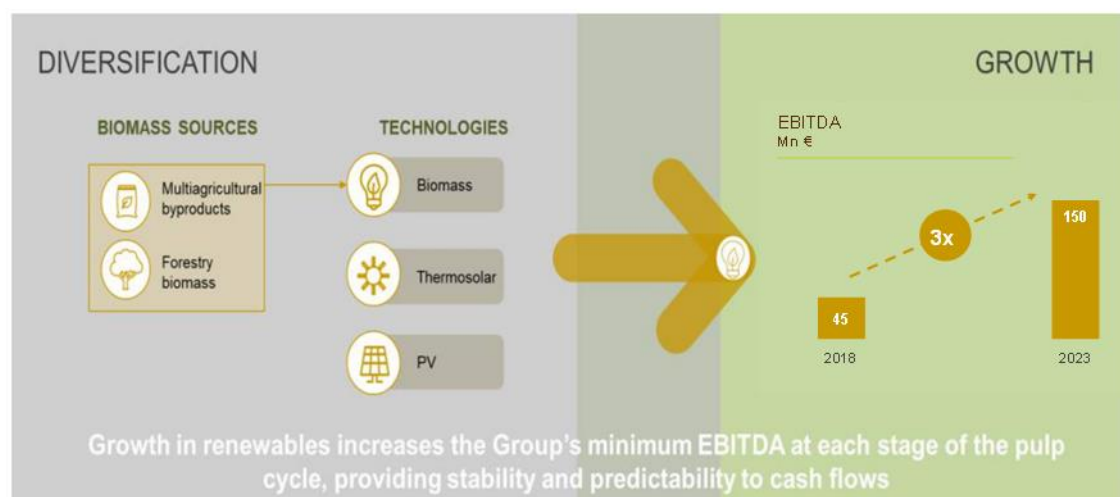
PULP



In the cellulose business, the Strategic Plan also envisages the addition of two new products to our portfolio of special cellulose: cellulose for absorbent hygiene products and cellulose for viscose, which is used in the textile industry. Both have even higher growth rates than the different types of pulp for manufacturing paper that Ence currently markets.

Furthermore, the Plan envisages a greater diversification of the wood species that Ence uses as raw materials to manufacture its special cellulose. In addition to boosting the use of eucalyptus *nitens*, Ence will also incorporate pine into its production process. This diversification of raw materials is intended to increase the availability of wood and offer our customers higher value-added products.

RENEWABLE ENERGY

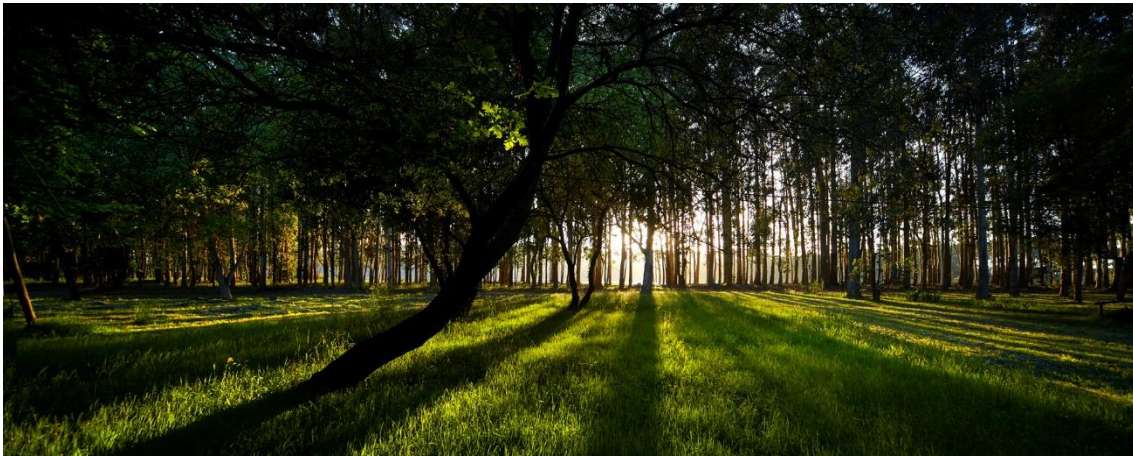


In the renewable energy business, Ence also intends to make use of diversification. On the one hand, the company will add new types of agroforestry biomass to its supply, which will increase its availability and reduce its cost. On the other hand, renewable energy generation technologies will be diversified.

3) Excellence in sustainability

The third pillar on which the Strategic Plan 2019 - 2023 is based is excellence in sustainability across all the company's activities. To this end, Ence has a budget of up to €140 million to invest over the projected timeframe of the Plan so to strengthen the reliability, flexibility, environmental excellence, and safety of its facilities.

In its Sustainability Master Plan 2019–2023, the company has defined the priority areas of action and the roadmap to achieve this positioning of excellence in sustainability in the same time frame as the Strategic Plan. The Master Plan is described in detail in the section on Commitment to Sustainability (p. 19–25)



4) Financial discipline

In order to achieve the objectives of the Strategic Plan, Ence has designed an investment plan in different independent projects that will be executed in stages to ensure financial discipline. Each of them must be reaffirmed by the Board beforehand to:

- Ensure that the **profitability** criteria are met
- Ensure that the **debt limits** established by business line are not exceeded (2.5 times Net Debt/EBITDA in Cellulose at mid-cycle prices and 4.5 times Net Debt/EBITDA in Renewable Energy).
- After the distribution of **50% of net profit in dividends**.

Change in the State's criteria regarding the extension of the Pontevedra biofactory concession.

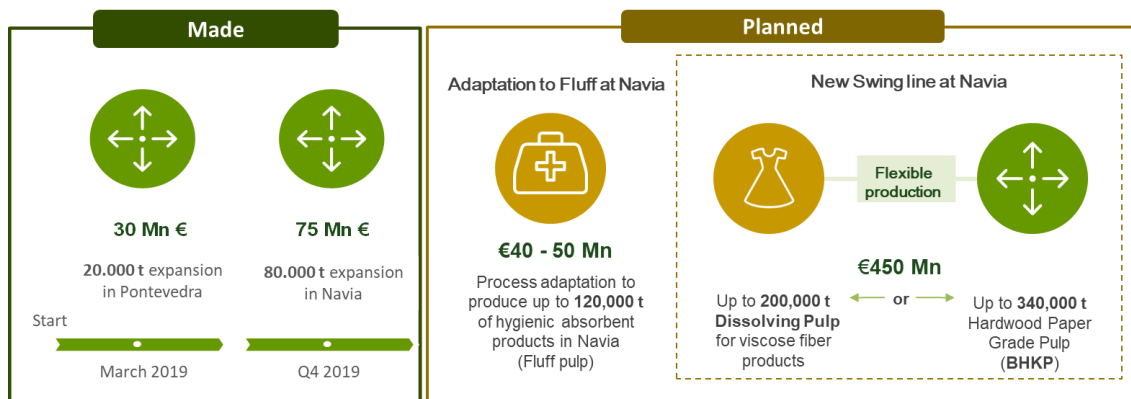
As a result of the change in the State's criteria regarding the extension of Ence's concession in Pontevedra, in March 2019, the Board of Directors decided to concentrate the investments of the Strategic Plan for the Cellulose business in the Navia biofactory, maintaining the approved objectives of growth, diversification, sustainability and financial discipline.

At the end of 2019, Ence continues to defend the legality of the extension of its concession in Pontevedra, granted until 2073, at the Spanish Audiencia Nacional.

2019–2023 Strategic Plan Progress

Cellulose Business

The Strategic Plan for the Cellulose business is made up of 4 independent projects with a budgeted investment of around 600 million euros.

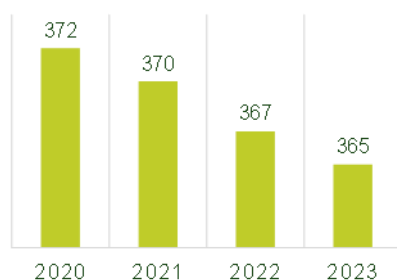


The first two projects, the 20,000 ton capacity expansion at the Pontevedra biofactory and the 80,000 ton capacity expansion at the Navia biofactory, were executed during the 2019 fiscal year and represent a 9% increase in cellulose production capacity.

In addition, during the 2019 financial year, progress was made in engineering, in obtaining the necessary permits and in the negotiation of the EPC for the two remaining projects: the adaptation in stages of the Navia biofactory for the manufacture of absorbent hygiene products and the construction, also in Navia, of a new "swing" line. This new line would have the capacity to produce up to 340,000 tonnes of paper cellulose or, alternatively, up to 200,000 tonnes of viscose cellulose or any combination of the two, depending on market conditions.

The start-up of both projects is pending, in line with the commitment to gradually implement the Strategic Plan to ensure financial discipline.

Gradual cash cost reduction (BHKP) €/t



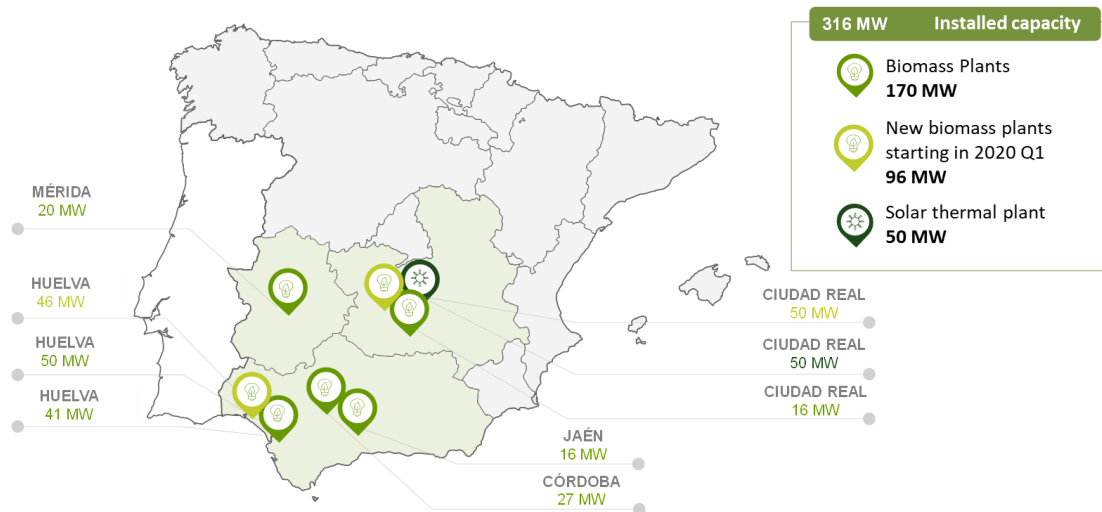
With the implementation of these 4 projects, Ence is pursuing 3 objectives:

- ✓ Increase cellulose production to **1.36 million tonnes**
- ✓ Incorporate two new products: cellulose for absorbent hygienic products and cellulose for viscose.
- ✓ Reduce the production cost per tonne of our paper cellulose (BHKP) to **365 euros per tonne**.

To ensure that the cost targets of the Strategic Plan are met, Ence has launched a cost reduction programme in 2019.

Renewable Energy Business

The Strategic Plan 2019–2023 in the renewable energy business contemplates an investment budget of 475 million euros, including the construction in 2019 of two new biomass plants with a joint capacity of 96 MW, which are expected to be incorporated in the first quarter of 2020.



These two new plants mean a 44% increase in the installed capacity of renewable energy generation, to 316 MW. Most of these correspond to agroforestry biomass plants and 50 MW to a thermosolar plant acquired in December 2018.

With this acquisition, Ence took its first step towards diversification into other renewable technologies, as it is a **50 MW solar thermal plant** in Puertollano (Ciudad Real) for a net amount of €140 million.

With the acquisition of this facility in the vicinity of the new biomass plant that the company has built in the same town, Ence is committed to the hybridisation of solar thermal plants with biomass boilers to increase their hours of use and thus turn a non-manageable renewable asset into a manageable one, with a tight investment.

To achieve the objectives of the Strategic Plan, Ence Energía also has a portfolio of projects adding up to 405 MW and which already have ensured access to grid and location: 240 MW are from solar photovoltaic, 140 MW are from biomass and 25 MW are from the hybridisation of thermosolar plants. These last two technologies are awaiting the implementation of the European and national renewable energy plans.



Sustainable financing

Ence understands that financing with sustainability criteria is a key tool for companies, as it encourages the integration of ESG aspects into their strategy to attract this type of investment and offers financing opportunities with more advantageous conditions. But Ence also considers that the integration of extra-financial criteria in investment and financing decisions is also an opportunity for investors and financial

institutions, since by taking into account ESG aspects they can get to know the companies in which they invest better and assess their risk profile and future profitability.

Based on this conviction, in 2019 Ence has maintained and strengthened its commitment to obtaining sustainable financing for the investments envisaged in its Strategic Plan. Specifically, Ence has set itself the objective of maintaining the structural financing instruments for each business that has been categorised as green and to achieve the extension of the green financing seal to the rest of the structures at the time of their renewals. So far, the company has obtained over 496 million euro in green financing for both its cellulose and renewable energy businesses, as detailed below:

Cellulose business:

- ✓ **Revolving Credit Line:** in May 2018, Ence Energía y Celulosa signed a credit line for the amount of 70 million euros, which is intended to finance the corporate and working capital needs of the cellulose business. The margin of this credit line is linked to the improvement in the ESG rating carried out by an independent external entity specialising in extra-financial analysis.
- ✓ **Bilateral loans:** Ence Energía y Celulosa has also granted 155 million euros in bilateral loans to finance the investments of the extensions of the biofactories in Pontevedra and Navia. Out of these, 90 million euros are loans associated with projects to improve the efficiency and environmental performance of the plants. The margin of these 90 million euro is also linked to the ESG rating of an independent external entity.

In 2019, the ESG rating for these two financial instruments improved by 31.5% over the previous assessment.

Energy Business:

- ✓ **Corporate Financing:** in November 2017 Ence Energía SLU closed a corporate financing for a maximum amount of 320 million euro to finance the development of the renewable energy business with biomass. This funding was rated 79/100, in the highest range of the sustainability rating scale employed by the financier. In November 2018, this loan was extended for an additional amount of 60 million euro, with this tranche obtaining the same rating as the previous one. At the end of December 2019, this financing will be available in the amount of 224 million euros.
- ✓ **Project Finance:** In March 2018, Ence Energía signed a loan in Project Finance format for a maximum amount of 109.6 million euros to finance the purchase of the solar thermal plant in Puertollano (Ciudad Real). This financing was also evaluated as Green Financing by S&P, obtaining a score of 85/100.



2.d. Commitment to sustainability

- I. Sustainability management and governance
- II. Sustainability Master Plan

Sustainability is inherent to Ence's business model, as a leading company in bioeconomics and renewable energy generation, but it is also explicitly integrated into the company's vision and strategy.

Ence's vision is to be a leader in the sustainable use of natural resources to produce special cellulose and renewable energy in factories integrated into their environment. In formulating the vision, Ence emphasizes the more material aspects of its commitment to sustainability, such as the sustainable use of resources, the generation of renewable energy and the relationship with the communities in which it operates.

Excellence in sustainability is also one of the pillars of the company's strategy, as set out in the current Strategic Plan 2019–2023. Therefore, Ence has developed various measures to strengthen the governance of sustainability at the highest level and to carry out strategic planning of actions in this area.

Sustainability management and governance

Ence's general principles of action to help improve people's well-being, ensure the environmental sustainability of its operations, promote the socio-economic development of the communities in which it operates and create long-term value are defined in the [Sustainability Policy](#) approved by the Board of Directors in 2018. The Policy also sets out the commitments the company makes to its **main stakeholders**:

- Shareholders and investors
- Contributors
- Customers
- Partners and suppliers
- Forest owners
- Public administrations and regulatory bodies
- Community and environment
- Groups of influence (analysts, media, NGOs, etc.)

The relevance of sustainability for Ence is evident with the creation in 2018 of a **specific committee of the Board of Directors**. The Sustainability Committee was created with the aim of promoting the company's sustainability strategy and initiatives and has independent experts in this field among its members. The functions of the committee include:

- Regularly review and update the Sustainability Policy.
- Monitor sustainability strategy and practices and assess the degree of compliance with them.
- Coordinating non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.
- Supervise and evaluate the communication strategy and relationship with different stakeholders, except for shareholders and investors.
- Understand and guide the company's environmental and safety policies, checking that they are effective and that they are managed to promote and ensure compliance.
- Know and promote the company's social action strategy.

Further details on the functions of the committee and how it operates are provided in the Board Regulations (download [here](#)) and in Ence's Annual Corporate Governance Report (download [here](#)). The committee meets at least once every quarter and in 2019 it has held a total of 6 meetings.

At executive level, the main governing body for sustainability at Ence is the **Sustainability Committee**, chaired by the Managing Director and made up of the General Managers of all the business areas (cellulose, energy, supply chain, safety, health and environment, finance, general secretariat, human capital and communication), the heads of sustainability of the areas and the head of corporate sustainability.

The committee is the body responsible for, among other functions, preparing and reaching consensus on Ence's sustainability strategy, monitoring the initiatives proposed, supervising the reporting of non-financial information and establishing the channels for relations with stakeholders in order to have an active and dynamic platform for dialogue with them and thus update the materiality analyses.

Ence's strategic commitment to sustainability is also reflected in the **integration of sustainability objectives in the long-term variable remuneration (LTR) system** for the company's management team. In this way, all of Ence's directors and middle managers have objectives linked to environmental, safety, equality, community relations or supply chain responsibility aspects included in their incentive system.

Materiality analysis and Sustainability Master Plan

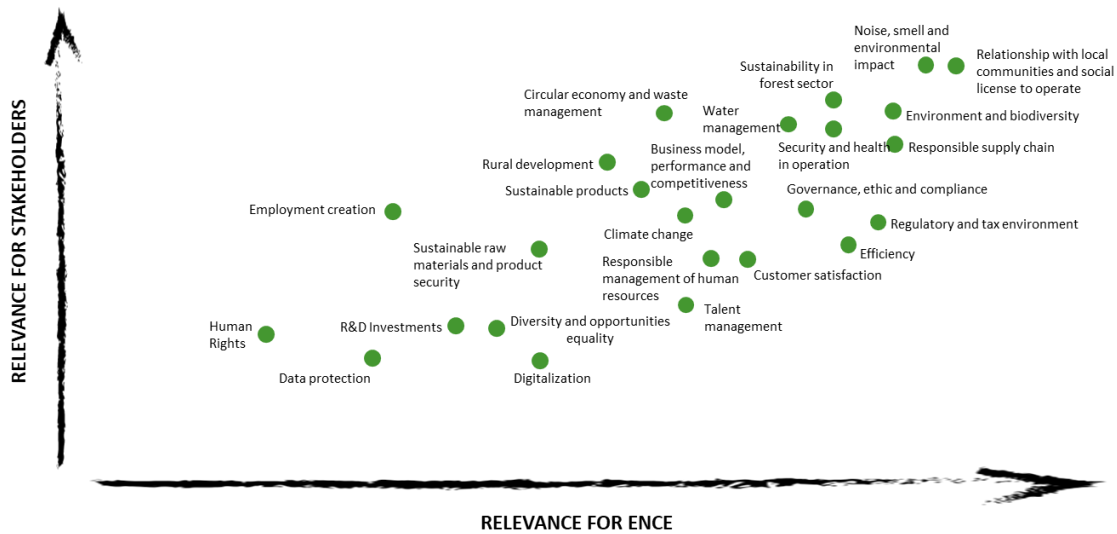
To define the priorities for action in sustainability in line with the Strategic Plan 2019–2023, Ence has defined its **Sustainability Master Plan 2019–2023**, which was approved by the Board in October 2019.

The definition of the Master Plan has been based on a **materiality analysis** in which the most relevant aspects for Ence's main stakeholders and for the company itself have been identified and which constitute the focus areas to which the plan responds.

In order to identify these material aspects, an extensive study of various sources of information has been carried out: on the one hand, a context analysis, in which regulatory risks and global trends have been reviewed, with special focus on the Sustainable Development Goals, as well as requirements from analysts, customers, NGOs and other relevant stakeholders for Ence. On the other hand, a sectorial *benchmarking* has been carried out, reviewing the strategies and communication of the sustainability performance of other companies in the paper and energy sectors, as well as cross-sectional best practices in aspects such as human capital management or corporate governance.

The results of the consultations and perception studies that Ence carries out among its stakeholders have also been analysed, in order to detect priorities and expectations towards the company from local communities, public administrations, etc. Finally, an internal reflection has been carried out with members of the Board of Directors, the management team and those responsible for sustainability in the different business lines to identify challenges and priority areas of work for Ence.

The results of these analyses have been used to construct the **materiality matrix** identifying the relevant aspects addressed in the Master Plan:



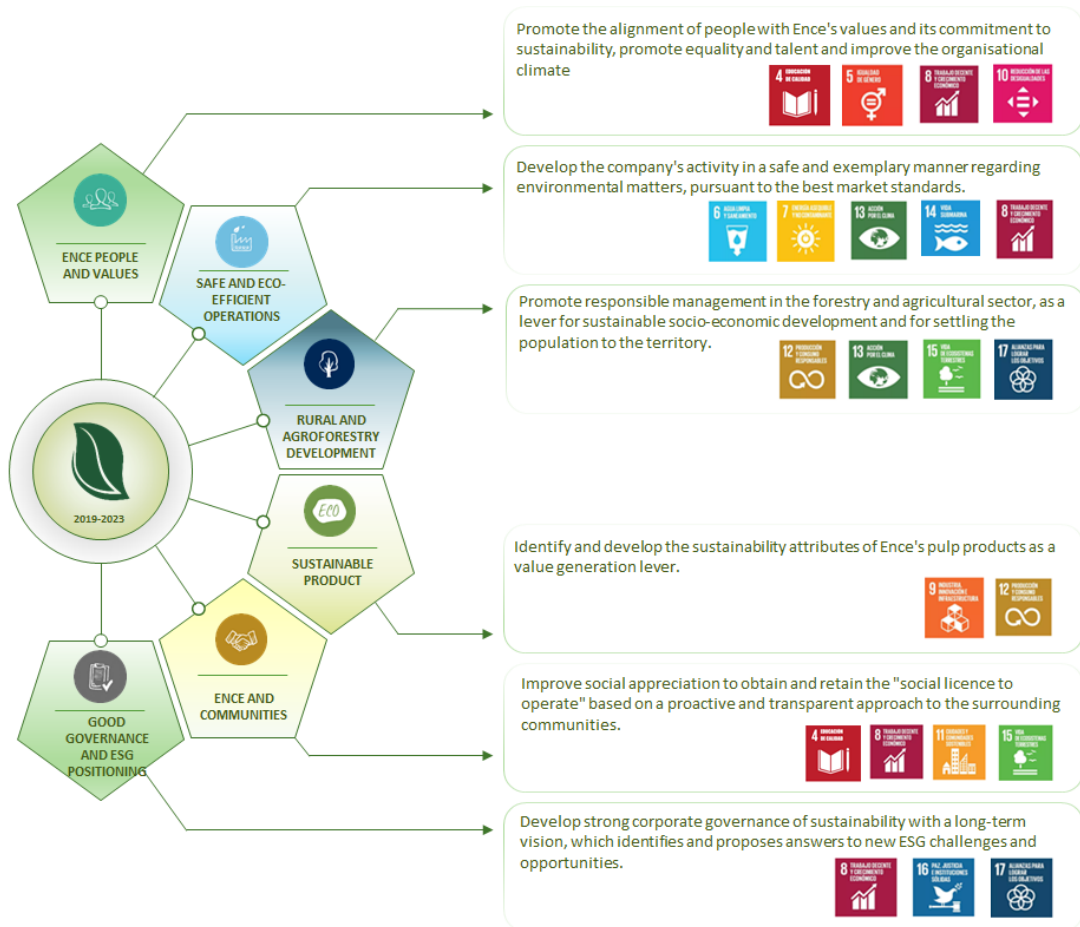
As shown in the matrix, the most relevant aspects for both Ence and its stakeholders are the **relationship with local communities and the social licence to operate, the reduction of noise, odour and other impacts, the protection of the environment and biodiversity, the sustainability of the forestry sector, occupational health and safety, water management and the responsible supply chain.**

With the definition of this plan, Ence is not only looking for an adaptation to a changing context in which global social or environmental challenges such as climate change mark the development of the business at the same level as economic variables. The definition of the sustainability strategy aims at transforming Ence's activity and corporate culture, ensuring its social licence to operate and that the company is recognised as an actor for positive change.

The Plan is structured around 6 strategic core concepts, which integrate the sustainability variables, taking into account Ence's business model and value chain structure:

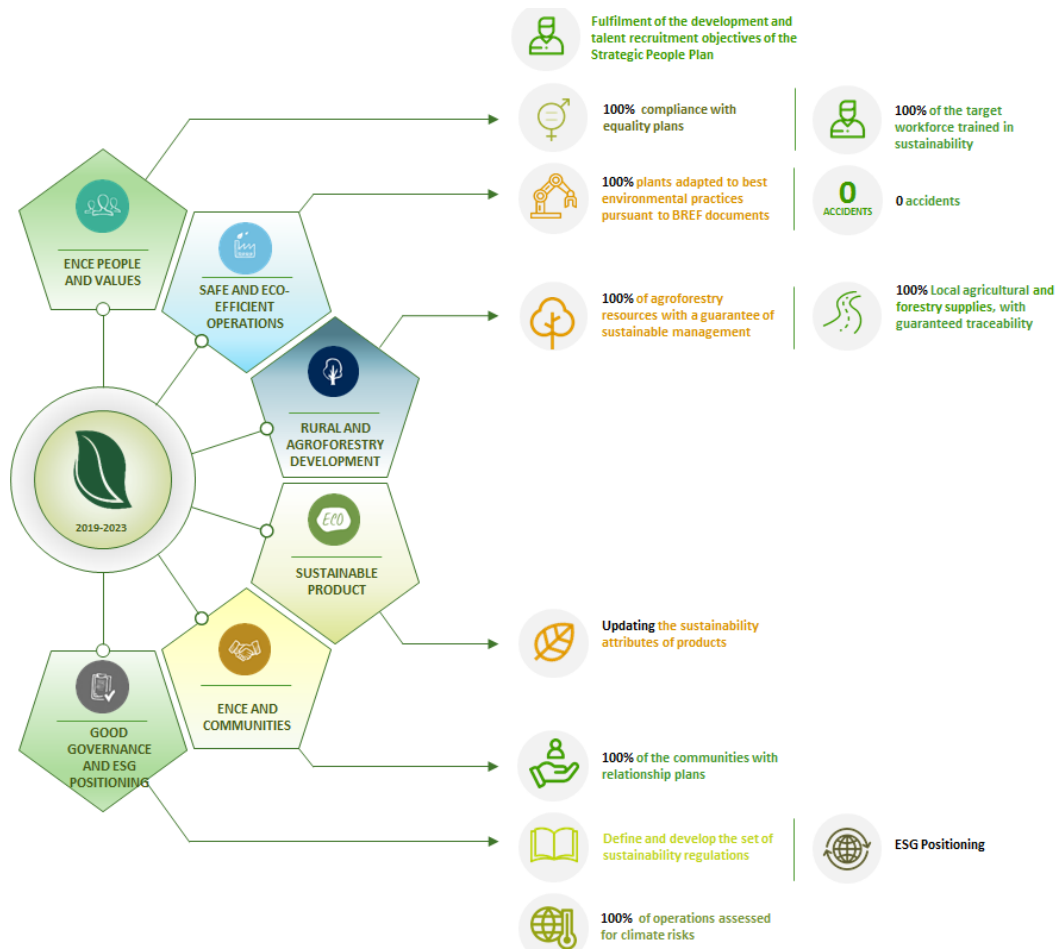
- 1) Ence people and values
- 2) Safe and eco-efficient operations
- 3) Rural and agroforestry development
- 4) Sustainable products
- 5) Ence and communities
- 6) Good governance and ESG positioning

By working on these core concepts, Ence is also contributing to progress in the fulfillment of the sustainable development objectives and goals established by the UN, as indicated in the following diagram:



Each core concept contains a series of courses of action totaling more than 70, which are in turn developed into specific measures and initiatives. For each initiative, the area or areas responsible for carrying them out has been defined. Both in the definition of the initiatives and in the assignment of responsibilities, the aim has been to contribute to mainstreaming and collaboration between areas, reinforcing the idea that sustainability is a common objective for all the people who are part of Ence.

The plan also establishes a series of high-level objectives for each of the core concepts, which the company aims to achieve within the plan's time horizon (2019–2023).



To advance towards these objectives, the Sustainability Committee makes propositions and the Board of Directors approves annual objectives that are reviewed on a monthly basis. The main targets set for 2020 are summarised below:

Core concept	Goal 2020
1 Safe and eco-efficient operations	✓ Adaptation of the plants' IEA to the Best Available Techniques
	✓ Reduction of particle emissions in biofactories and independent power plants (values depending on the installation).
	✓ Reduction of water consumption in biofactories (5% in Pontevedra and 10% in Navia) and independent energy plants.
	✓ 0 Waste certification
	✓ Reduce the odour impact of biofactories by 20%.
	✓ GHG emission reduction plan.
	✓ Reducing the accident rate (FI and IG) in all the lines of business both for own personnel and for subcontractors (objectives depending on the area).
2 Rural and agroforestry development	✓ 70% of the wood is double certified FSC® + PEFC.
	✓ 5% of the wood with appropriate sustainability certification.
	✓ Increase by 9% the surface area of FSC® certified property.
	✓ Achieve 65% compliance with the Decalogue indications.
	✓ 100% compliance (regulatory compliance) in wood terms.
	✓ 100% from approved wood and biomass suppliers.
3 Sustainable product	✓ Sales of products with sustainability attributes (product-related)

	sales volume)
4 Ence and the communities	✓ Biofactories and independent power plants visits (number of visits depending on the capacity of the installation).
	✓ Reduce the number of complaints by 10% by 2020.
5 Ence people and values	✓ Training in sustainability and equality.
	✓ Compliance with the equality objectives defined in the 2019–2020 plan.
	✓ Improvement of the organisational climate
6 Good Governance and ESG positioning	✓ Drafting and approval of new corporate policies (related-party transactions, responsible purchasing, etc.).

The Board of Directors monitors the annual objectives on a monthly basis and both the sustainability managers and the General Managers of each business unit have them incorporated into their personal objectives for the year. In the quarterly presentations of results, Ence also reports on the progress of these sustainability objectives to the entire staff, so that all employees can be aware of the company's performance in this regard.

In order to reinforce the commitment of the staff to Ence's vision of sustainability, a **specific training programme** has also been established in 2019 at all levels, defining specific training activities for the members of the Board of Directors, the Management Committee, those responsible for sustainability in the areas and the rest of the employees. For more details on training activities, see the Training and Development section in the chapter on Ence People (p.89-91).

Sustainability indicators

As part of its commitment to transparency towards investors and other stakeholders, Ence actively participates in performance evaluations in environmental, social and governance aspects carried out by recognised independent bodies.

Among the evaluations in which the company has participated in 2019, it is worth highlighting the Environmental Paper Company Index, an index prepared by WWF on the sustainability performance of companies in the pulp and paper sector. In its first evaluation, Ence obtained a total score of 74.3 points out of 100, with special emphasis on the subcategory of *responsible fibre sourcing*, where the company obtained a score of 88.7 points out of 100.

Ence's performance in non-financial aspects has also been evaluated by the Sustainalytics agency, one of the reference analysts in the ESG assessment. In 2019, Ence's evaluation reached 71 points out of 100, which represents a significant improvement over its previous assessment. Ence has obtained its best results in the social dimension, reaching 74 points out of 100.

Ence has also received the ESG Rating assessment from MSCI, another major international extra-financial rating agency. In fiscal year 2019, Ence received an "A" rating, with an industry adjusted score of 71 points. The factors in which Ence stands out most from the pulp and paper industry average are water stress management, corporate governance, emissions and waste management, raw material supply and carbon emissions.



2.e. Business lines

- I. Cellulose
- II. Energy
- III. Forest management

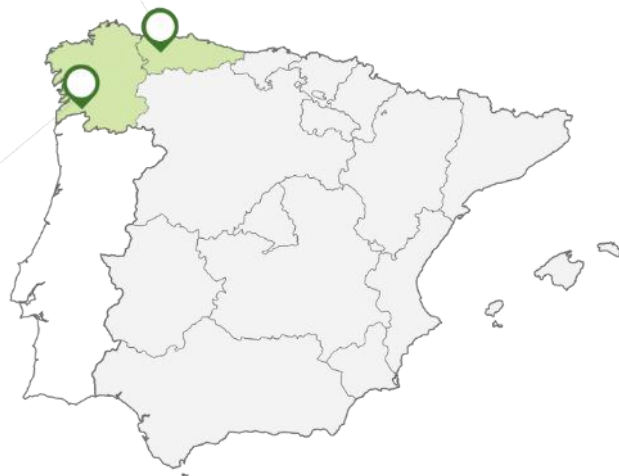
Cellulose production

Ence is the leading company in Europe in the production of eucalyptus cellulose pulp. The company develops its production activity in its biofactories in Navia (Asturias) and Pontevedra (Galicia) applying the best available techniques in environmental matters and contributing to the economic and social development of the regions in which they are integrated.

NAVIA



PONTEVEDRA



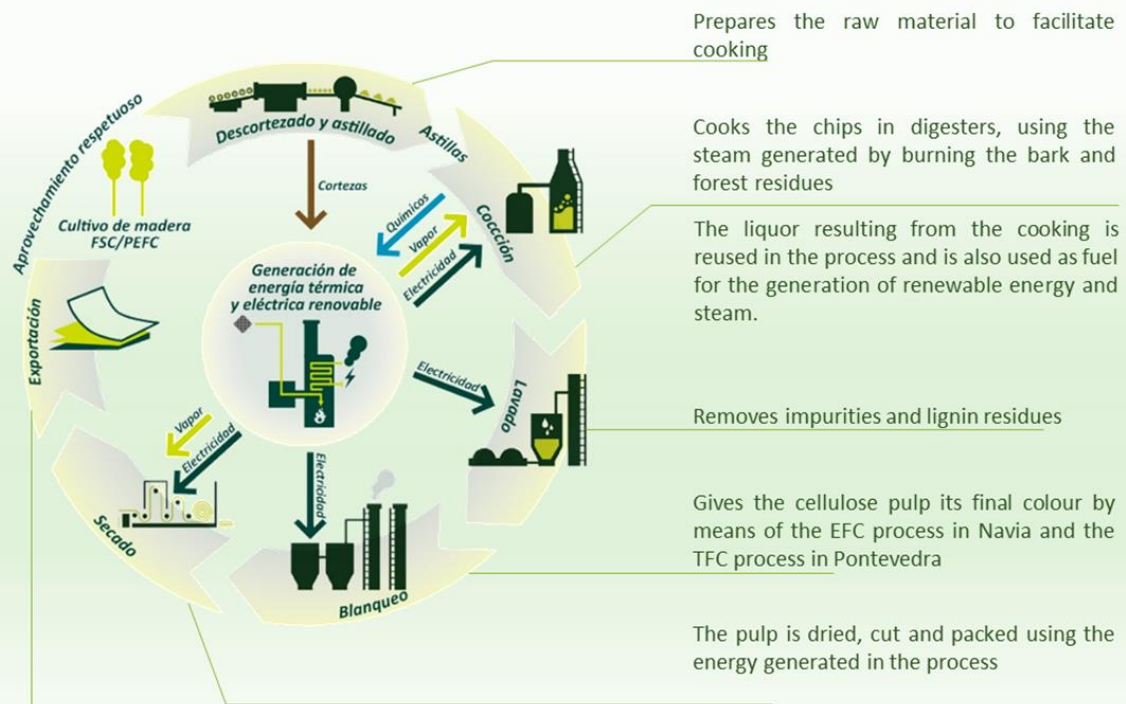
In 2019, in line with the guidelines set out in the Strategic Plan 2019–2023, Ence has carried out significant expansion projects at both biofactories, improving efficiency by 20,000 tonnes per year at the Pontevedra biofactory and increasing capacity by 80,000 tonnes per year at the Navia biofactory. After these expansions, Ence has a combined annual production capacity of 1.2 million tonnes of cellulose, 9% more than in 2018. The expansion projects have also been used to introduce important improvements in the environmental performance of the biofactories

For the production of cellulose, Ence uses local raw materials (wood from the northwest of the Iberian Peninsula), contributing to the development of the local forestry sector and reducing the carbon footprint of its products. The wood used in the process is also mostly double certified by the most demanding forest sustainability standards (FSC® and PEFC, see section on Sustainable Forest Management on p. 142-146).

The production process of biofactories is also an example of sustainability and circular economy. In terms of the products used, Ence uses the ECF (Elemental Chlorine Free) process in the Navia biofactory and the TCF (Total Chlorine Free) process in Pontevedra, significantly reducing in one case and eliminating in the other the use of chlorine in the bleaching phase of the paste.

In terms of energy efficiency, Ence uses the bark and lignin from the same wood as the cellulose to generate renewable energy in the process, so that the biofactories are practically self-sufficient in energy. In addition, most of the reagents used are recovered and reincorporated into the process, minimising the use of raw materials.

CELLULOSE PRODUCTION PROCESS

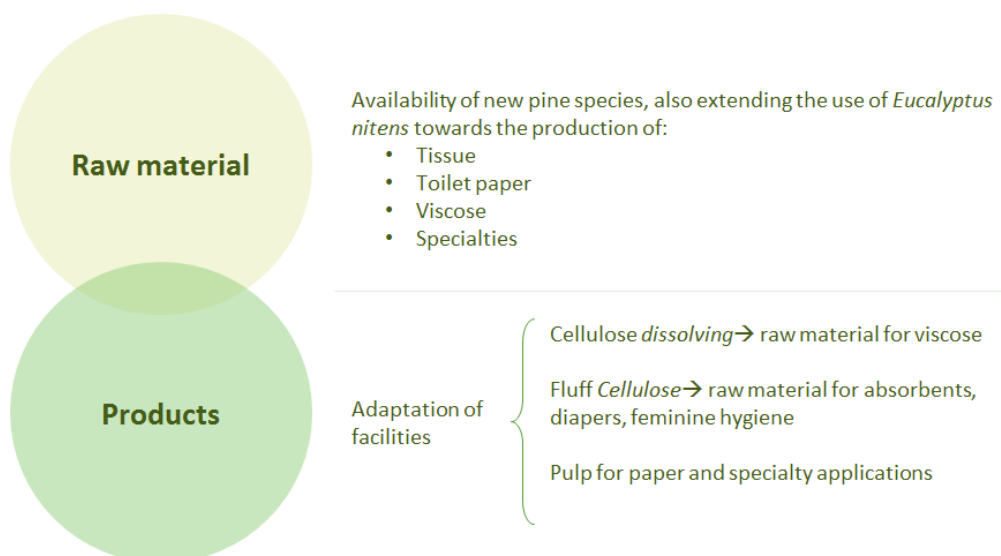


Export:

Ence sold 910.000 tAD of cellulose during 2019. Most of Ence's production is destined to export.

Strategy

The Strategic Plan 2019–2023 marks the growth, diversification towards new products and the use of new raw materials as the direction to follow in the cellulose production business.



This approach is Ence's response to current market trends, where cellulose for hygiene products and viscose for textile applications are in increasing demand and represent **more sustainable alternatives** to other products with deep environmental footprints, such as cotton or synthetic fibres derived from plastic. Thus, with important projects to expand and adapt its facilities, Ence will produce new types of cellulose pulp to meet these demands and will make progress in the use of other raw materials, such as new species of eucalyptus or pine.

The expansions and efficiency improvements in the Navia and Pontevedra biofactories, which are detailed in the following point and which Ence has successfully executed in 2019 by investing around 182 million euros, have been the first steps in the roadmap set out in the Strategic Plan.

In 2020, Ence's Board of Directors will decide on the execution schedule for the other two projects included in the Plan, the adaptation of the Navia biofactory to manufacture absorbent hygiene products and the construction of a new "swing" line at that plant, with a capacity to manufacture up to 340,000 tonnes of cellulose for paper or, alternatively, up to 200,000 tonnes of cellulose for viscose (for more details on the development of the Strategic Plan, see the Strategy chapter on p. 13-16).

To this end, in 2019, tests and pilot trials have been carried out for the manufacture of fluff and dissolving products with Ence's pulp, with very positive results; and progress has been made in basic engineering and Front End Engineering Design, using nearly 35,000 hours of engineering for both projects.

Expanding production capacity and improving efficiency in Navia and Pontevedra

Among the most noteworthy projects completed by Ence during 2019 are the capacity expansions and efficiency improvements at the company's two biofactories. With these projects, Ence has not only sought to increase its production capacity, but also to improve the environmental performance of the plants. Both projects, of great technical complexity, have been executed in an exemplary manner and with a special focus on the safety of people, both Ence employees and contractors. Thus, in the case of the shutdown to execute the Navia +80 extension, where more than 420,000 hours were worked and a daily average of 1,700 workers were involved, with a maximum workforce of more than 2,400 workers, very complex jobs from the safety point of view and no recorded accidents.

Navia 80 expansion project



The Navia biofactory is the centre with the largest production capacity in Ence. At its Asturian plant, the company produces ECF (*Elementary Chlorine Free*) eucalyptus cellulose pulp, which is particularly valued in the specialty market.

In the last quarter of 2019, Ence completed the Navia 80 project, designed to increase capacity and improve practically all of the plant's industrial processes. With this project, the facilities have seen a significant increase in efficiency, while at the same time taking a further step towards environmental excellence.

The project has enabled the production capacity of the biofactory to be increased by 80,000 tonnes, up to 685,000 tonnes of cellulose per year, which represents an increase of 13% in production capacity. This improvement is based on the direct technological optimisation of equipment and systems throughout the process.

To complete all the actions included in the Navia 80 project, up to 180 companies have participated. As on previous occasions, the company has given priority to local contractors, in addition to international companies specialising in the cellulose sector. All operations in the plant have been carried out prioritising the safety of the workers and the respect and care of the environment, strategic values of the company.

All together, it is an investment of about 163 million euro, of which a quarter, 39 million, is for environmental improvements. Thus, through the application of the best available technologies in the cellulose production sector in the plant, improvements have been achieved in the following areas:

- **Reduction of water consumption.** The new equipment has been designed to optimise the use of water in the biofactory process. These are more efficient technologies, which will make it possible, for example, to reduce the amount of water needed in the pulp washing process. This will, likewise, generate less effluent.
- **Improved effluent quality.** With Navia80, the industrial wastewater treatment plant of the biofactory is modernized. This improvement involves the implementation of a new primary treatment by means of a dissolved air flotation (DAF) system, specially designed for the treatment of water from the paper industry. In addition, the project provides for the expansion of biological treatment capacity.
- **Optimisation of the recovery boiler.** Its complete renovation implies an increase in its capacity and steam production, and an optimisation and extension of the particle filtering systems. This allows emissions to be reduced to levels associated with the use of best available techniques (BAT).
- **Energy efficiency and gas control.** In addition, the incorporation of equipment with the latest technologies available in the cellulose production sector makes it possible to achieve greater energy efficiency, which implies lower consumption of energy and chemical products in the process. Finally, this new equipment also makes it possible to improve control over diluted gases.

Efficiency improvement project Pontevedra 20



The Ence biofactory in Pontevedra produces chlorine-free pulp, being one of the only two factories in Europe that produces TCF pulp from eucalyptus wood.

In parallel with the actions to increase capacity and improve processes in Navia, the biofactory in Pontevedra has also undergone a process of renovation during 2019. This plan, called Pontevedra 20, has grouped together projects aimed at improving efficiency and improving the plant's environmental performance and energy efficiency. The investment in these projects has exceeded 18 million euros. Thanks to this project, the factory's production capacity has been increased by 20,000 tonnes per year, up to 515,000 tonnes per year and environmental parameters such as NOx emissions and effluent quality have been improved.

The projects included in Pontevedra 20 have been developed in parallel during 2019, being completed progressively from April to January 2020, when the equipment modified in the last of them will enter into service. The projects that have been part of the plan have been oriented to the following areas:

- Improved efficiency of the recovery boiler and improved energy efficiency of the evaporators, improving performance in the emission of NOx in the process.
- Installation of new vacuum filters in the washing stage, increasing process capacity at this point and thus reducing COD in the effluent, consumption of bleaching chemicals and soda.
- Installation of a new clean-flow filter in the causticising stage, which allows for an increase in capacity in this process and improves the quality of the green and white liquor, also reducing fuel consumption and waste production.
- It improves the efficiency of the pulp dryer, improving the availability in this stage of the process and reducing the specific steam consumption.
- Improvement of the energy efficiency of the evaporators and reduction of the steam consumption in them, and extension of the burning concentration in the recovery boiler, resulting in an increase of the energy efficiency of the Biofactory.

Biofactories integrated into their environment

Integration into the environments where its biofactories are located is one of the highest priorities for Ence, as it is part of its vision and one of the core concepts of its master plan for sustainability. Integration into the environment involves contributing to the economic and social development of the communities in which Ence operates through the generation of direct and indirect employment at local level and the implementation of social projects. In addition, integration into the environment would not be possible without excellent environmental performance, so the company takes maximum care of

environmental aspects and especially those that can be a nuisance to its neighbours, such as noise or odour.

Vertebral effect and contribution to the socioeconomic development in Asturias.

It is estimated that the activity of the Ence Navia biofactory generates more than 6,400 direct, indirect and induced jobs, more than 440 of which are workers in the biofactory. Out of these, more than half come from Navia and the surrounding municipalities. In addition, the number of residents of the Naviego municipality itself employed directly by Ence has increased by almost 50% in the last two years.

Ence's activity in Navia also generates important benefits for the local business fabric. Thus, during the annual technical stoppage, which took place between May and June 2019, up to 50 companies from Western Asturias provided services to Ence, with the participation of some 350 workers. Ence also undertakes to give priority to suppliers based in the region in its purchasing processes. In this sense, the biofactory makes annual purchases from suppliers in the West of Asturias that reach, on average, 3.5 million euros per year.

The positive impact of Ence's biofactory in Navia is also very important to the forestry sector, providing jobs to 2,600 people, and in industries related to Ence's activity, such as the use, transport and transformation of wood. Similarly, Ence's activity in Asturias represents an economic engine that generates wealth indirectly in other sectors such as hotels, the food sector and small and medium businesses.

The Ence biofactory in Navia is also an important centre for professional development for young people in the region. Every year, on average, twelve residents of Navia do internships in the company to complete their studies, whether they are related to Vocational Training, or to recent university graduates, through the Talent Programme.

In addition, since July 2017 Ence has had a collaboration agreement with Navia City Council, through which it promotes social, sports and cultural initiatives with an annual budget of 100,000 euros, while promoting training and employment in the city and nearby municipalities. In the last two years, fifty cultural and sporting entities have benefited from Ence's contribution, which has been used to support the holding of dozens of sporting events and competitions, as well as social and cultural events of all kinds.

Vertebral effect and contribution to the socioeconomic development in Galicia.

Ence's biofactory in Pontevedra is an important centre of employment and wealth generation in its environment. More than 5,100 families depend on it directly and indirectly, counting the 400 employees of its permanent staff, some 2,700 jobs as contractors in the industrial, logistics and transport areas and more than 2,100 jobs in the Galician forestry sector. The 300 trucks that enter the factory every day give an idea of the importance that the activity of the biofactory has for the local business network. As regards the generation of value for suppliers and contractors, it should be noted that purchases made from companies in the province of Pontevedra in 2019 total 65.4 million euros.

Ence's commitment to local talent and the generation of wealth in its surroundings is also demonstrated in specific projects, such as the integration of the Pontevedra biofactory into the landscape. In this project, 90% of the 4 million euros that Ence has invested has been undertaken by Galician companies, mostly from the region of Pontevedra itself.

In addition, Ence is one of Galicia's main exporters, exporting more than 200 million euros. The cellulose that the company exports accounts for half of the traffic in the Port of Marín.

As far as the forestry sector is concerned, Ence is a key player in Galicia, acting as the manager of more than 10,000 hectares in the community and also as a customer of the main local producers. Thus, Ence

buys wood worth about 94 million distributed among thousands of forest owners and forestry companies in Galicia.

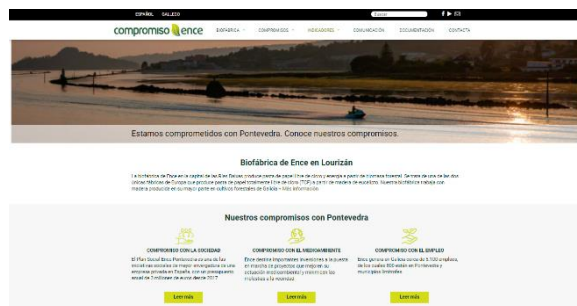
In the social sphere, it is worth noting the contribution that Ence makes to the community through the Pontevedra Social Plan, to which Ence allocates 3 million euros annually to finance initiatives of a social, environmental, cultural, sports or economic promotion and employment nature. Further information on the Pontevedra Social Plan can be found on the specific website (<http://plansocialence.es>) and in the Ence's Commitment to Society section of this report (p.168–183).

Excellence in sustainability

Ence understands integration into its environment not only as promoting the socio-economic development of the communities in which it operates, but also as the ultimate commitment to sustainability. In this way, both the Ence biofactory in Navia and the one in Pontevedra have the ISO 14001 environmental certification, the ISO 9001 quality certification and the OHSAS 18001 occupational risk prevention certification. Both biofactories are also voluntarily adhering to the European Eco-Management and Audit Scheme (EMAS) and have been recognised with the Nordic Swan eco-label, the official ecological seal of the Scandinavian governments. The Pontevedra biofactory has also been recognised for its environmental performance with the Gold Distinction from the European Commission and, in 2019, it received the "Zero Waste" environmental certificate from AENOR for its efficient management and recovery of waste.

Proof of the importance that the environmental performance of its plants has for Ence are the powerful environmental investments that the company makes each year, which in 2019 have reached 45.5 million euros. The main areas of environmental action are detailed in the Safe and Eco-efficient Operations section of this report (p. 102-136).

Transparency is another of the pillars on which Ence's relationship with its stakeholders in general and with its neighbouring communities in particular is based. Thus, Ence makes available to its stakeholders information regarding the environmental performance of its biofactories in the environmental statements it publishes annually and which are available on the company's [website](#). In addition, in the case of the Pontevedra biofactory, the information on its environmental parameters can be consulted in real time on the website that the company has developed expressly for this purpose: www.encepontevedra.com



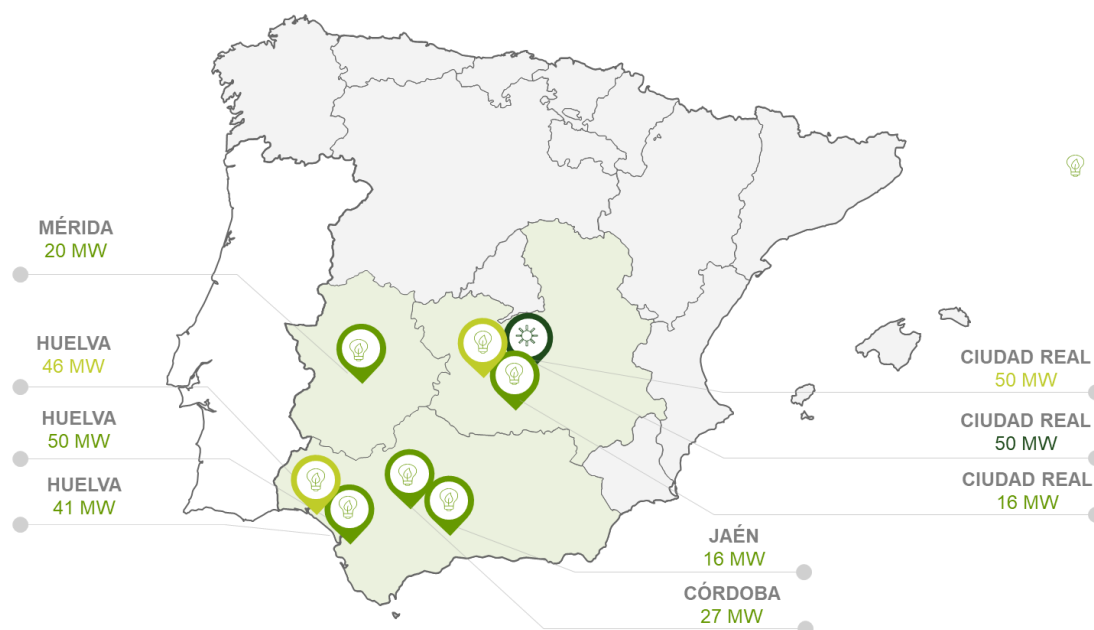
As a reflection of the importance that the company gives to respect and care for the environment, the environmental management results of the biofactories improve by more than 80% the BREF indicators, which define the best practices in the European Union for pulp production.

Power generation

The generation of renewable energy is, together with the production of cellulose, one of Ence's main business lines.

The company is the leader in the generation of renewable energy with biomass in Spain, with an installed capacity of 269 MW of this technology. But Ence's strategy in this line of business involves diversification, so in 2018 the company began to expand its business to other technologies, acquiring its first solar thermal plant. In 2019, Ence's installed capacity amounted to 332 MW in its biofactories and independent power plants, including biomass, solar thermal and natural gas cogeneration plants.

The map shows the independent biomass and solar thermal power plants in operation, as well as the plants under construction (Huelva 46 MW and Puertollano 50 MW) scheduled to enter operation in early 2020.



In addition to these installations, Ence produces renewable energy in the generator units of its biofactories in Navia and Pontevedra, thanks to the recovery of the components present in the wood that are not used for the production of cellulose (bark, lignin) and to contributions from external biomass, mostly from forests. The generation capacity of the two biofactories amounts to 112 MW.

Strategy

The strategy for growth in renewable energy is based on the global context, marked by the need to meet the challenge of climate change and accelerate the fair transition to a decarbonised energy model.

Specifically, in the Spanish context, Ence wants to contribute to meeting the renewable energy consumption target set by the EU at 32% by 2030, for which Spain must double its current power generation from renewable sources.

Ence's commitment to growth in the renewable energy sector involves, on the one hand, the development of new biomass plants and, on the other, diversification into other technologies such as solar thermal, photovoltaic and wind power, for which the company already has projects under development. Another line of work for which Ence is committed is the hybridisation of different sources such as solar thermal and biomass, to improve efficiency and manageability. To boost this growth, Ence will allocate at least 615 million euros towards investment during the period 2019-2023.

In addition, Ence's strategy also focuses on the use of new biomass sources that could not be exploited until now; this aspect is developed in the specific chapter on R&D (p. 43-51).

New growth and diversification projects in renewable energies

In 2019, Ence has continued to take important steps in the roadmap that marks the Strategic Plan for the energy segment. Thus, the company has worked on the construction and processing of new biomass plants but also other renewable generation technologies and already has a portfolio that totals 371 MW between PV, biomass and hybridisation and another 1,085 MW under development.

Thanks to the projects executed throughout 2019, Ence will begin to produce more than 96 additional MW from the beginning of 2020, distributed between the new plants in Puertollano and Huelva, and a self-consumption photovoltaic facility in the latter complex. Below are the main growth and diversification projects in the area of independent power plants:

50MW biomass plant in Puertollano

The new biomass plant that Ence is completing in the town of Puertollano is a perfect example of a contribution to the fair energy transition, as it takes advantage of the site and part of the existing facilities of the old coal plant in Elcogas. With Ence's commitment to this project, it is possible to maintain quality industrial employment and contribute to the revitalisation of the area's economy, while taking another step towards the decarbonisation of the energy system.



Installations of the former Elcogas coal plant (2015) and Ence Puertollano biomass plant on the same land (2019)

This plant is currently in operation and is scheduled to go into commercial operation in February 2020. The plant has an installed biomass capacity of 50 MW and its design has been planned to be able to use the infrastructures of effluent capture and discharge, as well as the existing electrical output line, thus achieving to reuse a site provided with the necessary characteristics for the development of this activity (already developed in the past) while it makes use of a **renewable resource** such as vegetable biomass. The impact on the region is environmentally, socially and economically positive:

- Biomass is one of the renewable sources with the greatest possibilities of development in Castilla-La Mancha and its energy use entails a significant reduction of pollutants in the atmosphere.
- Following the principles of the circular economy, the occupation of land and the implementation of new facilities has been minimised; making use of the synergies with the existing facilities of Elcogas that are not in use and were going to be dismantled.
- The construction of the plant has a very positive socio-economic impact. In the 18 months that the construction and start-up phases lasted, an average of 140 workers were involved and it is estimated that, once commissioned, the number of direct jobs generated will be around 25.
- Similarly, an increase in the supply of indirect, and induced, employment is expected, mainly in relation to the supply of biomass used as fuel to the plant for electricity production.

46MW biomass plant in Huelva

Ence is also completing the construction of a new 46 MW plant at the Huelva energy complex. The plant will be integrated into the complex itself, consuming a combination of fuel with greater flexibility than the other two plants already in operation. It is planned to go into commercial operation in January 2020.



Self-consumption photovoltaic plant without surplus for the Huelva energy complex

In 2019, Ence has also begun to implement a photovoltaic project for self-consumption at its energy complex in Huelva, which will cover the auxiliary consumption of the generation facilities on this site. It is also expected to come into operation at the beginning of 2020 and will make it possible to reduce the complex's electricity consumption, generating the energy at the very location where it will be used, as well as improving the company's carbon footprint, by using a renewable resource that does not involve direct emissions of greenhouse gases.

Plants in process

In addition to the projects developed in 2019 and which will come into operation at the beginning of 2020, Ence has a portfolio of projects in different phases of processing in its energy unit, focused on growing in generation capacity and diversifying technologies, following the roadmap set out in the Strategic Plan. Among the plants in the pipeline, it is worth mentioning:

- **40 MW plant in El Ejido, Almeria: an example of contribution to the circular economy**

In the more than 32,000 hectares of the Poniente de Almería area, which includes Campo de Dalías, Campo de Níjar and Bajo Andarax and Comarca de La Costa, 1,000,000 tonnes of biomass are generated annually in the form of greenwood or greenhouse by-products.

Although some of this waste is managed through composting, local managers barely have the necessary capacity to assess a small part of it and therefore a serious environmental problem is being generated with illegal and uncontrolled dumping into gullies or illegal dumps.

Ence has reached an agreement with one of these managers, who has a large plot of land in the centre of the greenhouses, to place a 40 MW biomass plant there and thus raise the value of this waste by following high environmental and safety standards for people and the environment. It should be noted that the plant has been designed as a cogeneration plant, since it will use steam extracted from the turbine to dry the bushes which, during winter, can reach the plant with if the humidity is 80%.





The plant is undergoing environmental and administrative procedures. The project also includes output to the substation and has the support of all the institutions and actors involved (town hall, local administrations, Andalusian Government, environmental associations, farmers, etc.).

In addition to helping solve a pressing environmental problem in the El Ejido area, the plant will have a significant socio-economic impact, creating more than 700 permanent jobs (at the plant itself), both indirect and induced, according to estimates of jobs generated by APPA's biomass plants.

It will also serve to provide traceability for the management of by-products from greenhouses, since a traceability management system will be implemented for each tonne of fruit and vegetable entering the plant, which is already essential when marketing fruit and vegetable products in Europe.

- 25MW biomass-solar thermal hybridisation plant in Puertollano:** one of the lines of growth in renewable energy that marks Ence's Strategic Plan consists of the hybridisation of thermosolar and biomass technologies. With this idea, Ence seeks to increase the hours of production of solar thermal plants, using a biomass boiler for the intervals in which solar radiation is not sufficient for the solar thermal installation to generate power. This would mean greater manageability, higher annual production and more stable use of the electricity grid.

As a first step in this direction, Ence initiated a study to analyse the hybridisation potential of the solar thermal power plant the company owns in Puertollano (Ciudad Real). This plant produces 50MWe for approximately 1,500 hours per year (about 71 GWh per year), far from the 8,760 hours that a whole year has. After studying numerous options, the configuration finally chosen involves the installation of 25 MW biomass boilers adjacent to the park to heat the HTF (Heat Transfer Fluid) of the solar field to generate more steam for the turbines. This system is non-invasive with the existing plant and is a highly efficient and simple system to convert existing solar thermal plants (without molten salt storage) into manageable generation facilities. The project, which has sufficient output through its Access and Connection of the solar thermal plant, is in the environmental and administrative processing phase.

- 50 MW biomass plant in Córdoba:** Ence has proposed the construction of a new biomass plant in the olive area of Cordoba, with a power of 50MW. The plant will be mainly fueled by the by-products of the olive grove, such as the pomace or the pruning, leaves and uprooting. If they are not recovered energetically, these materials generate an environmental problem since, in many

cases, they are eliminated by uncontrolled outdoor burning, causing contaminating emissions and increasing the risk of fire. The plant's entire power output is already set for use and is in the process of environmental processing.

- **50 MW biomass plant in Puertollano:** Ence has an additional 50Mw output on the site where the current biomass plant is located. At present, Ence is working on mobilising, through an ambitious R&D project (see p. 43-51), the biomass that comes from the pruning of the vineyards in the area, which are currently burned outdoors in an uncontrolled manner.
- **Self-consumption photovoltaic plant with surpluses in Merida:** with a similar approach to the self-consumption facility in Huelva, this would make it possible to cover the auxiliary consumption of the Ence plant in Merida by installing photovoltaic modules on land belonging to the plant.
- **Photovoltaic plants in Huelva, Seville and Jaen:** Ence has also started to process several plants in the Andalusian Autonomous Community, for a total of 240MWp. These plants, which will have a power of between 10MWp and 100MWp, are located in the provinces of Huelva, Seville and Jaén, and already have land and Access and Connection granted by the local distributor and confirmed by Red Eléctrica de España.

Improving efficiency and environmental excellence

Another focus area in the energy segment is improving the energy efficiency of facilities. Thus, in 2019 the steam turbines of both La Loma and Huelva41 were renewed, increasing the nominal power of both and therefore the efficiency of the facilities by 8% and 10%, respectively. Also, at Huelva41, the biomass boiler has undergone the same process to improve the availability of the boiler and increase the temperature of the steam, which again represents another increase in efficiency.

Another measure taken is the cleaning of boiler tubes, implementing solutions that have made it possible to reduce or eliminate steam consumption in this part of the process, thus contributing to greater efficiency in the process. Lucena has implemented the "Smart Sensor" for blowing, which allows this cleaning system to be used only when the system is dirty instead of continuously. This selective operation means less use of cleaning steam in the boiler burner, and also prevents the erosion problem that this blowing steam can cause in clean tubes. Likewise, a micro-explosion pipe cleaning system has been installed in Enemansa, La Loma and Huelva41, which uses compressed air to release possible obstructions only when they are detected. Thus, the use of steam in the boiler cleaning system is eliminated, increasing the performance of the cycle by 2%. Finally, a tube cleaning system using acoustic blowers has been included in Enemansa and La Loma, contributing 1% to cycle performance by reducing the use of steam in the process.

The commitment to environmental excellence has prompted several innovation projects to improve the performance in this area in Ence's independent power plants. In 2019, all the plants have been brought into line with the Best Available Techniques (BAT) in terms of air emissions. This has been achieved through the commissioning of the bag filter in Huelva41 and Lucena, a NOx emission reduction service in Mérida, and the desulphurisation unit in Mérida and Huelva41.



Innovation efforts have also been oriented towards the circular economy model, with a special focus on minimising the amount of waste sent to landfill. Thus, projects have been initiated such as the increase in the capacity of evaporation of water with pomace in La Loma and the fuel humidification system with pomace water in Enemansa; these processes will allow to make use out of all of its currents. Finally, also in Enemansa, it will be possible to carry out the conditioning of the effluent of the water treatment plant for its discharge to the municipal treatment plant.

Also noteworthy is the participation in events of interest in 2019 such as the European "Biomass to Power" in Helsinki, where Ence made a presentation on the risks and opportunities in operations using new forest biomasses; and "Caminos Circulares" in Huelva, a project developed in the province whose objective is to promote the aforementioned circular economy through sustainable entrepreneurship and business synergies.

Energy Management

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

- Purchase and sale of electricity (front-office, middle-office and back-office).
- Planning and control of the energy business.
- Plant operation and management.
- Monitoring of national and international energy regulations.
- Study and implementation of new projects.

Ence participates in the electricity market through its own energy control centre. The company does not pass on to third parties the performance of tasks related to the sector, but rather manages them through a multidisciplinary team within its staff. This team is responsible for the daily and intraday bids for the sale and purchase of electricity from the Operator of the Iberian Energy Market (OMIE), as well as helping the Electrical Network of Spain (REE) to effectively balance the System by operating in the different adjustment 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 in the sector.

Forest management



Forest management is, along with cellulose production and renewable energy generation, the company's third business line. Ence is the leading private forest manager in Spain and manages more than 66,000 hectares of gross forest area in the Iberian Peninsula.

Ence's forestry property is concentrated mostly in the provinces of Huelva and Seville and in the Northwest of the Peninsula, in Galicia, Asturias and Cantabria.

Ence devotes its forest properties mainly to the production of cellulose and biomass to supply its biofactories and independent energy plants, but it also reserves almost a quarter of its private areas for the protection and conservation of ecosystems.

In addition to the management of forest areas, this line of activity also includes the production and sale of improved plants in the nurseries that Ence has in Huelva, Navia and Figuerido. In these facilities, Ence produces plants of the highest quality and adapted to the conditions of the environment both for the owners for forestry and for the forests managed by the company. In this way, the company contributes to improving the productivity and adaptation to climate change not only of its own plantations, but also of those of third parties.



Ence's forestry management activity focuses on developing the productive capacity of wood and biomass, maintaining the ecosystem values of the forests and contributing to the development of the rural environment.

To optimise production capacity, the company has a forest management system and develops management projects for each forest management unit, as well as preventive fire plans. It also focuses on working together with other forest owners, to avoid abandonment and enhance the productivity of the plantations. Ence has also been committed to forestry R+D+i for over 35 years, focusing on genetic improvement of plants (to make them more resistant to the effects of climate change, for example), on forest improvement and on pest and disease control.

Ence also works very actively in promoting sustainable forest certification, promoting voluntary schemes such as the Forest Stewardship Council® (FSC®) or the Programme for the Endorsement of Forest Certification Schemes (PEFC) both in its private forests and promoting them among forest owners.

Another of Ence's key objectives in its forestry activity is to transmit its best management practices to its supply chain, which is why the company carries out various outreach, awareness and training activities for owners, in which it promotes the formation of associations, forestry certification, best forestry practices and the use of quality genetic material in plantations.

More detailed information on Ence's efforts to promote productive, sustainable and dynamic forestry management in rural environments can be found in the chapter on Rural and Agroforestry Development in this report (p. 137–162). More information on Ence's research programmes in the forestry field can also be found in the R&D&I chapter (p. 43–51).



A close-up photograph of several green leaves with water droplets on their surfaces. The leaves are vibrant green with some yellowing at the edges, and the water droplets are clear and glistening. The background is a soft, out-of-focus green. A white diagonal shape is overlaid on the bottom left of the image, containing the text.

2.f. Commitment to improvement

- I. Innovation and digitalisation
- II. Excellence in management (TQM)

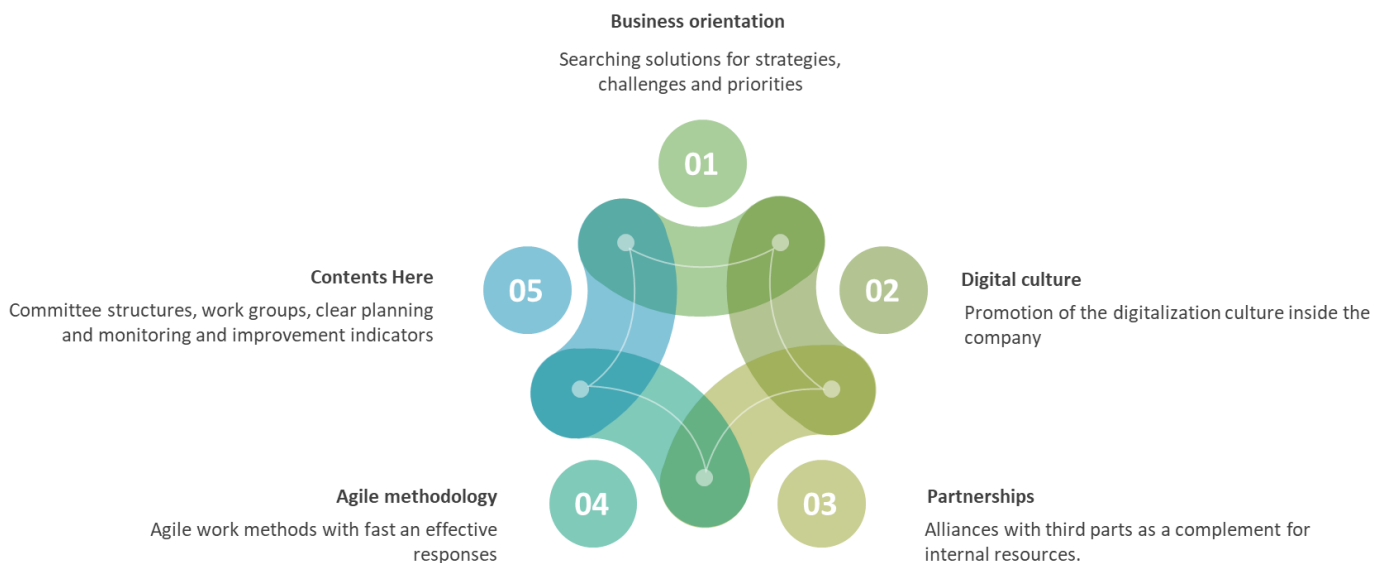
Innovation and Digitalisation



Innovation and digitalisation are fundamental pillars in the development of Ence's strategy, through the identification and implementation of solutions that respond to the challenges, values and commitments of the company (with people, customers, the environment, improvements and results).

Ence's digitalisation and innovation strategy therefore focuses on the **development of initiatives and projects that are a source of value creation, seeking security in operations, profitable growth, operational excellence and sustainable management and collaboration with the environment.**

The innovation and digitalisation activity is based on five fundamental pillars:



This management system and the definition and management of the innovation strategy through digitalisation is led by the **Transformation Committee**, composed by the CEO, the General Manager of Finance and Corporate Development, the General Managers of the business lines, the Director of Digital Technology and Innovation and the Director of Information Systems. This Committee sets the priorities, approves the action plans and monitors them.

In addition, there are **specific committees and working groups** with the participation of different experts, both internal and external, for each of the projects being carried out, seeking the best practices and solutions through diversity and shared expertise.

It is also important to highlight the importance of the various **collaborators and technological partners**, both companies, technology centres and universities, startups and entrepreneurs, who contribute and complement skills and knowledge.

The projects are articulated around the following areas: **Industrial Assets, Forestry Assets, Supply Chain, Employees, Customers and Business Support Processes**.

Furthermore, across all of them, cybersecurity, efficient technological infrastructures, the use of advanced technologies and data intelligence are fundamental elements of this strategy.

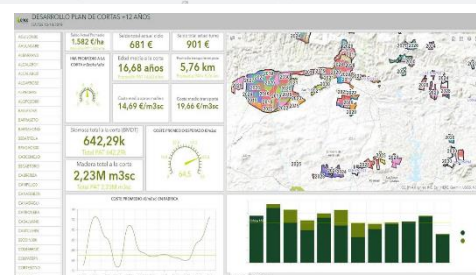
Specific sections are also included for R&D&I activities on Cellulose, Forestry and Biomass. The most significant projects are listed below:

Industrial Assets

During the year, a programme was launched within the scope of **Industry 4.0** for the digitalisation of industrial assets on two levels: Basic level by capturing digital information from the sensors and actuators of each asset and the Advanced level consisting of processing the information of the assets to perform advanced monitoring, seeking **greater efficiency and savings** in operations.

This programme includes not only technological solutions but also the revision and standardisation of processes, as well as the adaptation of skills and organisational changes necessary to support it. The first projects have focused on the optimisation of electricity consumption, vibration monitoring in rotating equipment and predictive monitoring of the most critical assets (turbines, boilers...).

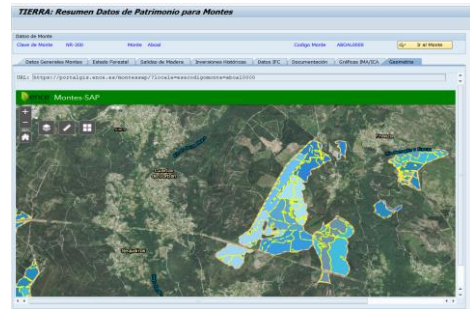
During 2019, 71 projects have been developed with an investment effort of nearly 7 million euros, which demonstrates Ence's commitment to improvement and excellence in its operations



Forest Assets

In 2019, Ence has focused its efforts on achieving greater control over its forest assets and over the operations carried out in the field, both in terms of property and tree purchases, by means of digital projects that use the latest technologies:

- ✓ Evaluation of the use of digital technologies to control inventory and volumes, the evolution of plantations, control and efficiency in operations, etc.
- ✓ The mobile technologies to capture all information generated on site directly in the field.
- ✓ Mass data processing systems to evaluate or propose future purchase situations, growth trends or the study of correlations of conditions that impact on the growth of forests.

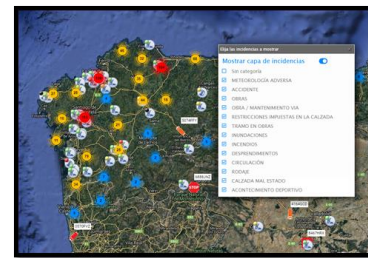


These experimental projects will continue throughout 2020, seeking the solutions best adapted to Ence's business.

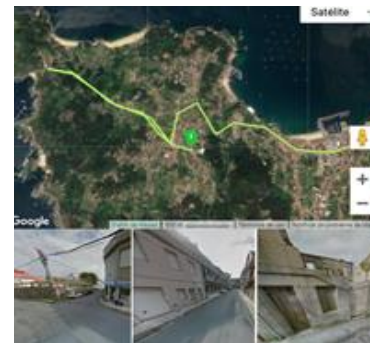
Supply chain

The projects developed by the General Management of the Supply Chain respond to the following courses of action within the strategy of digitalisation and innovation:

- ✓ Improving transparency and professionalising the sector
- ✓ Progress towards the goal of 0 Accidents
- ✓ Advancing sustainability through carbon footprint reduction
- ✓ Reduction of paper consumption
- ✓ Economic sustainability of the activity.



Along these lines, a **Supplier Website** has been developed (wood owners, owners' associations, harvesting contracts, transporters and wood suppliers) through which information related to their management is provided: signed digital contracts, information on their forests and the status of their permits, scale entries, invoices and delivery notes.



In addition, the certifying companies can see all the entries of wood associated to their certification code, and validate, within the website, the tonnes of certified wood associated to each forest.

The supply process has also been digitalised, from purchase to entry into the factory, which allows for associated data with clear traceability, and the trucks transporting wood and biomass have been equipped with **GPS** to know their origin. This also facilitates the calculation of Ence's Scope 3 GHG emissions derived from the transport of wood and biomass upstream of its operation centres.

On the other hand, within the framework of the health and safety policy and the objective of achieving Ence's goal of zero accidents, an artificial intelligence project has been carried out (**Data Mining and Machine Learning**) which, through the analysis of internal and external data, is capable of **predicting and preventing accidents** in the wood harvesting process. In addition, in 2020 a project will be carried out to prevent accidents due to the scope of manual felling work, this being the greatest risk identified to date in supply chain operations.

Employees

The **safety and health** of Ence's workers is a strategic priority for Ence. With this premise, the company is implementing a prototype of an **anti-crash system** in the biofactory in Huelva, through the use of digital technologies (devices for locating people and vehicles and bluetooth technologies for detection, positioning and warning). This system, integrated in the work processes, will also allow to increase the improvement of the operations such as managing accesses and permissions by zones, monitoring and recommending best practices. In addition, tests will begin on a location and warning system to try to reduce the number of accidents involving chainsaw operators in logging operations.

On the other hand, in 2019 a comprehensive talent development system has been implemented as a fundamental tool for optimising human capital management and **productivity and collaboration** among workers has been enhanced through the implementation and training of the most advanced Office365 tools, such as Teams, Ondrive or Sharepoint throughout the organisation.

In terms of **communication and active participation** of all employees, the implementation of the MiEnce App and **business social networking** tools such as BeeKeeper, oriented to the needs of those employees who do not work with computers, will allow them to be better informed of the company's strategies, its situation and evolution, achieving greater involvement and motivation for all of them.

Customers

Regarding Ence's customers, a digital platform that will allow the optimization of communications and **digital connections** with customers, as well as the logistical management of orders through traceability has been developed, in order to ensure compliance with deadlines and to increase **service** levels, transparency, and satisfaction in commercial activity.

Ence's Information Systems have also been adapted to the manufacturing special products strategy, oriented to the specific needs of our customers, marking the **differentiation and added value** of Ence's products with respect to the competition.

Support processes

The general objective is the search for efficiency in the processes by means of their **optimisation, simplification, automation and homogenisation** throughout the entire value chain of the Ence Group. Among the many projects developed in 2019 in this area, it's worth noting the document management projects, mobility systems to support field operations (inspections, control, approvals...), dashboards and decision support systems, quality control and laboratory systems, etc.

Cybersecurity and technological infrastructure

Cybersecurity is a priority for Ence, so the company invests in solutions that protect against cyberthreats and facilitate the secure management of information, through access controls and secure communications in the management systems as well as in biofactories and power plant production systems.

In addition, the **business continuity plan** is being updated to allow the recovery of operations in case of critical system failures. This plan is regularly updated and audited. In addition, Ence works as a priority line in training and awareness at all levels in the organization of the importance of secure information management.

Regarding the technological infrastructure that supports the information systems, Ence has designed a flexible and scalable architecture that is in line with the company's diversification strategy. In this sense, a large number of management applications are planned to be migrating to the cloud by 2020.

The main efforts made by the company in R&D&I, in each of its business lines, are mentioned below:

R+D+i in Cellulose

Ence's efforts in terms of innovation in the cellulose production business line are focused, among other areas, on improving process efficiency, diversifying the range of final products derived from cellulose and valorizing the by-products process, especially lignin.

For **products diversification**, the developing of new, special products has continued in order to have in mind the needs of each customer, where characteristics appropriate to the most important parameters depending on each type of paper are offered. In addition, R&D works on the development of textile and hygiene products have begun, from eucalyptus wood that is available in the northwest of the Iberian Peninsula. In particular, for dissolving paste development, we have been working in collaboration with the University of Aalto (Finland). Pulp aimed for both the production of hygiene products and the dissolving processes will contribute to improve the environmental impact in their respective markets. On the one hand, hygienic products produced from eucalyptus will have a **smaller carbon footprint** than those produced from slow-growing species coming from the South of the USA. On the other hand, textile fibres produced from cellulose pulp, and therefore from wood, have a smaller carbon footprint and a **smaller water footprint** than cotton, and unlike artificial fibres, they do not generate **microplastics**.

In 2019, **NOVACELL** project works continued, led by Ence for the development of **nanocellulose materials** from cellulose pulp and its suitability for interest assets in chemical sectors, the production of plastic-composites, paper, packaging, cosmetics and water treatment. This project is supported by the Spanish Centre for the Development of Industrial Technology (CDTI) through a CIEN grant. This year, the tasks have been oriented to obtain cellulose nanofibers, optimizing their characteristics by mechanical, chemical and enzymatic means and drying them by means of Spray-Dryer.



By-product valorization projects focused on **lignin** use are especially relevant, because they help providing options to **reduce dependence on non-renewable fossil raw materials**, such as plastics derived from petroleum. In this respect, lignin can play an important role given its abundance and versatility to be processed and used in various applications and transformed into high value-added products for various industries. Thus, some work has been made on the **LIGNO-PRICED** project, by which biorefining processes are intended to obtain high added value products from lignin. At the same time, work has been done to define a project to develop polyurethanes and carbon fibres from eucalyptus Kraft lignin, using oxypropylation techniques, chemical modification and processes to obtain NIPUs.



With these projects, Ence reinforces its commitment with the continuous improvement and the operational and environmental excellence, apart from showing its commitment to promote the **circular economy**.

In the **industrial area**, Ence continues working on projects aimed at improving the produced cellulose properties, such as dimensional stability, smoothness, opacity and whiteness stability, as well as on the development of new non-paper products. It is worth noting that a new one has been obtained, consisting of an ecological, unbleached, high quality paste for mainly packaging applications.

Focusing on **continuous process improvement**, the use of surfactants to improve wood performance has been tested, work on optimizing chip size has been made and in-process modifications have been defined and carried out to improve product quality. The use of felt cleaning additives and improved drainability to optimise the production of pulp drying lines has also been evaluated.

In **wood measuring**, a prototype for wood measurement using 3D laser cubing coupled to a microwave absorption arc has been evaluated. The results seem to be promising, and are awaiting final evaluation.

R&D+i Forestry

Ence's Forestry R&D activities are part of an **Improvement Plan** that has been implemented for more than 35 years and has been materialized through **three specific programmes**:

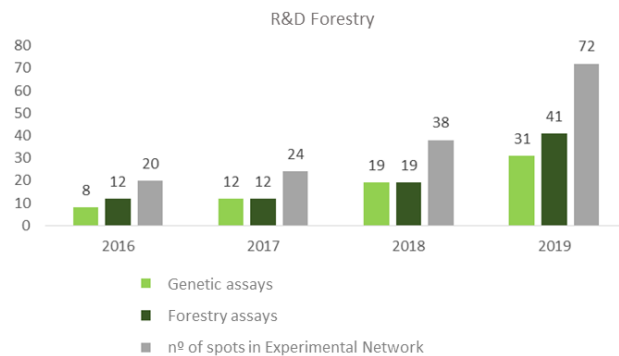


Breeding and forestry programmes

Among the projects that conform both programmes, it is worth noting the progress made in expanding the experimental network of tests, in the NW of the Iberian Peninsula, with the installation of 34 new experimental plots in 2019. This initiative has intensified the process of evaluation in clonal material field of *Eucalyptus globulus* and experimental developments in *E. nitens* has been reinforced. In

addition, tests with new species and hybrid materials have been included, which represents an important diversification of genetic materials in order to face the **risks derived from climate change** (*E. urograndis x globulus*, *E. saligna x E. maidenii*, *E. dunnii-grandis x globulus* and *E. nitens x globulus*, *E. urophylla x urophylla* and *E. benthamii*). the experimental study on new techniques for soil preparation and mass implantation, fertilization and forestry treatments, among others, has also been intensified.

The experimental network evaluation has focused on the identification and selection of material resistant to the disease caused by the *Teratosphaeria* fungus and tolerant to the pest *Gonipterus*, the improvement in plantations stability and the transfer of forestry procedures to the forestry sector through associations and owners' groups. Among the main achievements we can point out the followings:



- ✓ The selection and in-vitro mobilization of 4 new genotypes, due to their resistance to *Teratosphaeria*.
- ✓ The implementation, with the participation of the University of Huelva, of a technique for morphological traits identification in the eucalyptus leaf, related to plants resistance to the disease caused by the same fungus.
- ✓ Pilot-scale reproduction initiation and pre-selection of a new clone of *Eucalyptus globulus* identified as a candidate for commercial cloning.
- ✓ the successful implementation of mechanized planting and the use of hydro-gel in SO plantations, allowing a significant improvement in the efficiency of planting work as well as an additional guarantee for the survival of plantations under drought situations



Growth of the F1-Chanza Clone. Left. Clonal trial in Fonteboa (A Coruña) at 6 months. Right. Clonal trial in Coristante (A Coruña) at 7 months of age.

In addition, Ence has had a collaboration agreement with the University of Huelva for the study of the nutrient cycle in *Eucalyptus globulus* plantations since 2018.

Pest and disease control programme.

Since 2016, Ence has been developing the **GONIPTERO project**, which encompasses the company's biological control initiatives against the main eucalyptus pest in the NW of the Iberian Peninsula. Thanks to this, Ence has become the leading private entity in biological control, multiplying the availability of treatment in Spain and reducing the treatment cost per hectare by 80%.

The milestones of the GONIPTERO project achieved in 2019 were:

- ✓ More than 28,000 ha of biological treatment in areas affected by the pest
- ✓ The pilot scale implementation of an innovative biodegradable device for the release of parasites in the field, which has been developed in collaboration with a specialized company and produced by means of **3D printing**. With this improvement, the survival of parasites has been increased by 20% and the damage caused by meteorological agents (mainly rain and wind) has been reduced by 50%
- ✓ Defoliation rate reduction by 6% in the treated area during spring 2019.



Biodegradable device for the release of parasites in the field

These results are added to those obtained in previous years with a total of more than 153,000 ha treated since 2016, among own forests, individuals and associations in Galicia and Asturias.

The results of this project are being enhanced through Ence's participation in the Supra-Autonomous Healthcare Task Force on Gonipterus in Eucalyptus (GOSSGE). This project, which is led by ASPAPEL (Spanish Association of Pulp, Paper and Cardboard Manufacturers) and in which Ence participates as a beneficiary partner, aims to ensure the sustainability of eucalyptus plantations in northern Spain against the risk of the pest *Gonipterus platensis*. During 2019, Ence's participation has materialized in:



- ✓ Advances dissemination in biological control of *Gonipterus platensis* by holding the 4th Ence-Goniptero workshop and 1st GOSSGE workshop.
- ✓ Parasitized oothecae supply
- ✓ Improvement of oothecae production, parasitization and quality control processes.
- ✓ Design and execution of trials of different treatment doses.
- ✓ Standardization of survey and damage monitoring methodology and preparation of a parasite release manual (*Anaphes nitens*) for *Gonipterus platensis* control.
- ✓ Development of a joint production technique for *Anaphes nitens* and *A. inexpectatus* with a significant increase in the total parasitism rate of the *Gonipterus platensis* oothecae.

In 2019, Ence signed an agreement with the Centre for Agricultural Chemical Ecology of the Mediterranean Agroforestry Institute, dependent on the Polytechnic University of Valencia, for the isolation and structural elucidation of the aggregation pheromone of *Gonipterus platensis*. In this sense,

3 compounds with activity in electroantennography (EAG) have been identified as pheromone candidates that are being evaluated for their biological activity. The study of pest control possibilities has been extended to the field of entomopathogenic fungi. In particular, during 2019 the *Buevera bassiana* fungus has been successfully tested in the laboratory.

It should also be noted that during 2019, Ence has continued the collaboration with ASFONOR (Northern Forestry Association) initiated in 2018 for the start-up of a biofactory.

Other actions

In addition to the actions framed in the three programmes mentioned above, Ence has collaborated and participated as a speaker in the IV Scientific Meeting of Forest Health of the Spanish Society of Forest Sciences with the paper "*Integrated Control of Eucalyptus Pests*".

In 2019, Ence's forestry R+D+i department also participated in the 1st Environmental Conference of the AESAH (Association of Environmental Services Companies of Huelva) with the paper "*Biomass as an element of development in the Rural Environment*". HUELVA 15/05/2019

In addition, since 2013, Ence has been collaborating with the Huelva Provincial Council's Mosquito Control Service in the annual campaigns to monitor the mosquito population, as well as with the Madrid Zoo Aquarium (Parques Reunidos SA) to ensure the feeding of koala specimens with more than 40 species of eucalyptus that are cultivated and identified by our technical staff in the company's nurseries and arboretums.

R+D+i Biomass

With a total budget of 120,000 euros, from the area of R&D focused on biomass, Ence has continued to **develop value chains** for 100% Spanish and local biomass. This year, efforts have been focused on the following projects:

- ✓ *Sarmiento Project*, for the valorization of vineyard pruning, creating a supply chain from the vineyard to the boiler house for the new 50 MW plant in Puertollano. With this project, Ence not only contributes to the generation of renewable energy, but also avoids the uncontrolled burning of agricultural waste, with the consequent emission of particles and other pollutants.

As part of this project, a first prototype for the direct collection of this by-product has also been commissioned, and a second prototype design suitable for the collection of vine cuttings and other agricultural crops has begun.

- ✓ *Criba Project*, for cleaning and improving the energy yield of agricultural biomass and forest stumps, by testing technology in the different biomass plants of the Ence Group.
- ✓ *Scrubland Project* launch, for the recovery of heliofilous scrubland continuous masses as biomass. This project responds to the need to



support the administrations in the prevention of forest fires in the southern half of the peninsula.

- ✓ *Rice Paddy Project* Plan, which will provide a solution to the uncontrolled burning of crop residues in the Seville marshes, by means of the collection and recovery of rice straw in the Ence energy complex in Huelva.

Excellence in management

Ence's management model is based on quality, efficiency and continuous improvement aimed at achieving excellence. In order to make this commitment a reality, Ence has implemented the TQM Model (Total Quality Management) since 2011 as a model for cultural transformation and management practices.

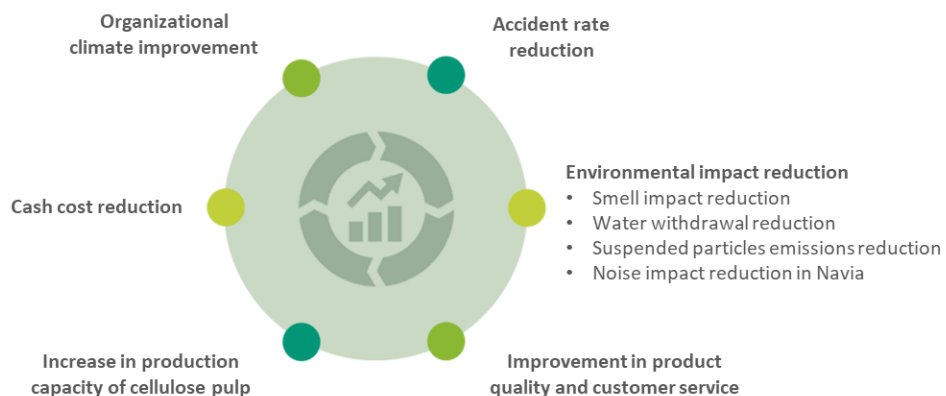
With this approach and with the encouragement of senior management, the company has developed its own model of management excellence focused on efficiency and competitiveness and designed with the perspective of continuous improvement.

This model addresses aspects of **quality**, people's health and **safety, environmental protection**, and pollution prevention in an integrated manner. The TQM management model is structured around three axes: Directing the improvement, process management and management of the daily activity, to ensure its implementation and the alignment of the whole organization.

The model also establishes a series of **Fundamental Improvement Objectives (FIOs)**, which set the improvement priorities in each case. These include those focused on improving safety, environmental performance, product quality or efficiency.



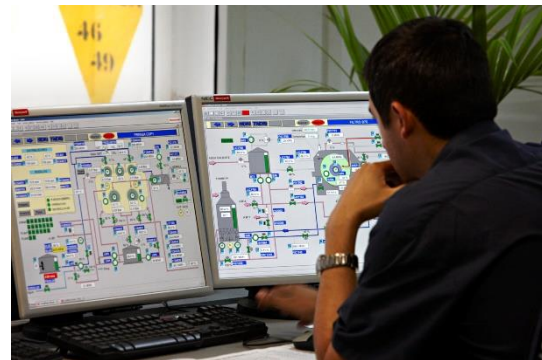
In these areas, FIOs are defined as:



In line with the goals set by these FIOs and within the framework of the TQM management model, **improvement actions** are developed according to the PDCA cycle (*Plan, Do, Check, Act*). Among the main improvement actions developed in 2019, there's the reinforcement of the involvement of the line of command in the correction of unsafe acts, the implementation of procedures and coordination measures in engineering works, the reinforcement of personnel training, or the improvement of the follow-up with contractors, among others. In the case of the actions implemented to improve environmental performance, they focused on operational, process control and maintenance improvements. Actions were also designed within the PDCA cycle, focused on improving quality, production, cost and organizational climate results through improvement teams (MS), priority teams (PE) or Six Sigma initiatives (*black belt* or *green belt*).

As part of the drive for continuous improvement, actions have also been developed for the management of daily activity and process controls within the **SDCA** cycle (*Standardize, Do, Check, Act*), with the aim of maintaining the stability of the results by reducing variability in the processes. At the operational level, in 2019 the consolidation of tools used in the SDCA has begun to improve the systemic vision, for example, by connecting variables and operational standards to their corresponding processes. The anomalies treatment has also been reinforced and the OOL programme of organization, order and cleanliness in the Pontevedra biofactory has been executed.

Following the improve of standardization, in 2019 a new documental system has also been developed to unify the regulatory bodies in the areas of cellulose, energy, and forestry to facilitate working documents access for all employees and to speed up and modernize the entire process.




In addition to actions at the operational level, the continuous improvement model is also applied to maintenance activities, with a special focus on improving and standardizing specific routines and processes in the area. In this sense, in 2018, the EVE programme (Ence Maintenance Excellence) was launched in the cellulose biofactories, with the aim of reducing the impact of possible production failures. This programme success has been demonstrated in 2019, with a very positive results evolution of this type of loss

Integrated Management System

Ence has implemented an IMS (Integrated Management System) making sure that all company's activities are carried out in accordance with the Management Policy. This IMS is certified by an accredited body and is subject to annual audits. The IMS is in place at the Huelva, Navia, and Pontevedra operations sites, in accordance with the following international standards:

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

These three operational centers are also adhered to the European Union Eco-Management and Audit Scheme (EMAS) Regulation 1221/2009 and the two bio-factories were in fact the first facilities in their respective Autonomous Regions to enter this demanding voluntary register.



3. Responsible governance

- a. Corporate Governance
- b. Risk management
- c. Ethics and compliance

Corporate Governance



Ence's corporate governance is based on a complete and effective internal system that includes and applies both the regulatory requirements in force in this area and the principles and recommendations most widely accepted as best practices for good governance, which the company incorporates voluntarily. This system is communicated by Ence to the market and stakeholders through the necessary mechanisms that guarantee maximum transparency.

In this way, the company not only strictly complies with current legislation on corporate governance, but it also regularly reviews its compliance with the recommendations of the Good Governance Code of the National Securities Market Commission ("CNMV") and international good governance practices. To this end, it makes an ongoing assessment of the Company's stakeholders expectations, including shareholders, investors and voting advisors or "*proxy advisors*", and responds transparently to information requests from financial analysts, rating companies and analysts of the Company's ESG (environmental, social and corporate governance) issues.

The foregoing responds to Ence's governing bodies' aim to protect the interests of shareholders and other stakeholders through the progressive consolidation of good corporate governance measures in order to maximise the generation of value in the long term.

Without prejudice to the detail provided below, the following characteristics can be highlighted regarding the structure, composition and operation of Ence's governing bodies:

- The size of Ence's Board of Directors is adequate to achieve an efficient and participative operation, being less than 15 members.
- The percentage of external (non-executive) directors is 93%.
- The presence of women on Board is 29% (it has quadrupled in the last 2 years), with 60% on the Audit Committee.
- External directors participate in all the committees.
- The mandatory Committees have a majority of independent Directors and their Chairmen are also independent.
- Board members have a wide range of skills, knowledge and experience, including valuable management and business skills, as well as knowledge in sectors of great relevance for decision making at Ence (industrial, energy, financial, accounting, auditing, risk management, sustainability, corporate governance, etc.)

- The directors' knowledge update is actively encouraged through the implementation of an internal training programme.
- Corporate Policies are periodically reviewed and new ones get approved that contribute to the good corporate governance progress. Recently, the Diversity and Equal Opportunities Policy has been approved and the Board Member Selection Policy was revised to incorporate the commitment to diversity in its composition.
- Since 2018, a Sustainability Committee has been set up, which is mainly responsible for supervising Ence's sustainability strategy and the relationship with its stakeholders in the long term.
- In April 2019, the appointment of a *Lead Independent Director* was approved as a further step for the Chairman's succession. In accordance with Recommendation 34 of the Unified Code of Good Governance, the functions attributed to the Coordinating Director extend to aspects additional to those that legally correspond to him. In particular, it is the Lead Independent director responsibility: a) to chair the Board of Directors in case of Chairman and Vice-Chairman absence; b) to request the Chairman to convene the Board of Directors and to participate, together with him, in the planning of the annual meeting schedule; c) to voice the concerns of the non-executive directors; d) to maintain contact with investors and shareholders in order to ascertain their views for the purpose of forming an opinion on their concerns, in particular, in relation to the corporate governance of the Company; and e) to direct the periodic evaluation of the Chairman and to lead and organize, where appropriate, the Chairman's succession plan."

Below, a detailed description of Ence's corporate governance system is shown, and in particular, the most relevant information on the Company's ownership structure and governing bodies, including their composition, functions, operating dynamics and measures approved in relation to Sustainability.

Ownership structure

Ence Energía y Celulosa, S.A., with Tax Identification Number (NIF) A-28212264, is incorporated as a public limited company, with registered offices at calle Beatriz de Bobadilla 14, 4^a, 28040, Madrid. Ence's share capital and number of shares are:

Share capital (€)	Nº of shares	Nº of voting rights
221,645,250.00	246,272,500	246,272,500

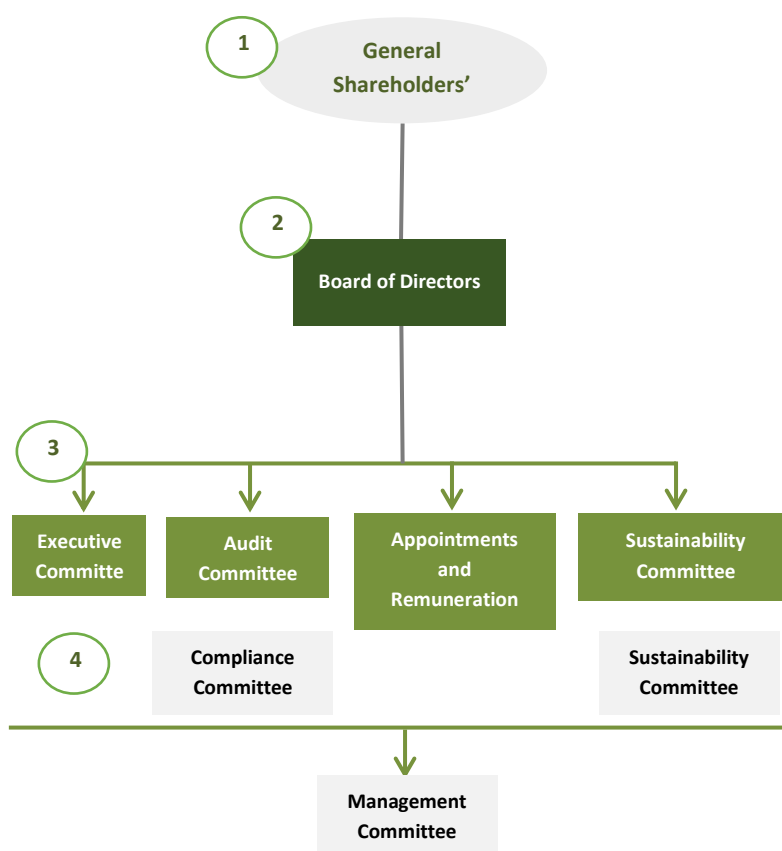
At 31 December 2019, Ence's shareholder structure was as follows:

Shareholder	31/12/2019
Mr. Juan Luis Arregui / XXI operational challenges, S.L.	29.44%
Mr. José Ignacio Comenge / La Fuente Salada S.L.	6.38%
Mr. Víctor Urrutia / Asúa Inversiones, S.L.	6.34%
BESTINVER GESTION, S.A., S.G.I.I.C.	3.12%
INVESCO LIMITED	1.10%
Treasury stock	1.34%
Board members with participation < 3%	0.54%
Floating capital	51.74%
TOTAL	100%

Ence is part of the IBEX 35 selective stock market since December 24, 2018.

Governing Bodies

The structure of Ence's governing bodies is as follows:



Process for delegating authority

The Board of Directors has delegated the powers that are not legally or statutorily non-delegable to the Chief Executive Officer and the Executive Committee. The Company also has a structure of managers and employees empowered to implement its strategy and basic management guidelines, whose powers are granted under two operating principles: (i) the principle of association, which governs the exercise of dispositive or organizational nature faculties; and (ii) the principle of solidarity, which governs the exercise of faculties of mere representation before Public Administrations.

The Board of Directors or the Chief Executive Officer grants the general and special powers of attorney that may be required, in accordance with the Company's Internal Powers of Attorney Regulations, to carry out certain economic or management actions, subject to the limits and conditions established in said powers of attorney.

1. Shareholders' General Meeting

Regulation: Capital Companies Act, Articles of Association and Regulations of the General Meeting of Ence.

Composition: All Ence shareholders.

Competencies: The matters reserved to its decision by the Law and the Articles of Association. Among others:

- Approve the annual accounts and decide how to apply earnings

- Appoint and dismiss Board Members and review and approve their management
- Approve the policy on the remuneration of directors under the terms established in the Law on Corporations
- Appoint and dismiss Auditors
- Approve any amendment to the Articles of Association
- Approve and modify the Regulations of the General Shareholders' Meeting
- Decide on matters submitted for consideration by the Board of Directors

Right to attend the Board: All Ence shareholders whose shares are registered under their names, in the corresponding accounting records, five days before the date of the General Shareholders' Meeting have the right to attend and vote at meetings. To exercise the right for attendance, shareholders must obtain the corresponding attendance card up to two days before the date of the meeting, in the form indicated by the notice of call.

Representation right at the Meeting: Any shareholder entitled to attend may be represented at the General Meeting by another person. Proxies must be granted in writing and specifically for each Meeting.

Right to information: Shareholders shall have the right to information under the terms provided for by law.

Absentee ballot: Shareholders, with the right to attend, may vote on the proposals related to items on the Agenda by postal correspondence, sending the attendance and voting card duly signed and completed to the Company's registered office. An absentee vote sent by post should be received by the Company at least twenty-four hours before the day, immediately preceding the scheduled first call to meeting. The Board of Directors may establish a shorter notice, announcing it on the website.



The 2019 Board: On 28 March 2019, Ence's Ordinary General Meeting was held and the main topics discussed were as follows:

- The annual accounts and annual reports review and approval
- The approval of the statement of non-financial information (Sustainability Report 2018)
- The proposed distribution of the dividend
- The Board of Directors review and discharge
- The re-election of three of its members and the appointment of two new independent directors.
- Re-elect the audit firm.
- The approval of a new long-term incentive plan 2019-2023
- Advisory vote on the annual report about the Board Members' remuneration.

Extraordinary meetings: The Board may call an Extraordinary General Meeting of Shareholders whenever it deems convenient to the best interests of the company, and should do so when at least 3% of the share capital so requests. During 2019, no Extraordinary General Meeting was held.

Shareholders' online forum: In addition, to improve the information made available to shareholders, Ence has the **Electronic Shareholders' Forum** (<https://www.ence.es/es/foro-electronico-de-accionistas.html>), an online initiative available on the company's website, which can be accessed by both shareholders and voluntary associations set up and registered in the special register that is enabled for this purpose, at the National Securities Market Commission. The Forum allows the publication of

possible proposals to be added to the announced agenda for the General Meeting, petitions in support of such proposals, initiatives to gain the percentage of shareholding required to exercise minority rights as stated in law, and offers or requests to act as a voluntary proxy.

More information: <https://ence.es/inversores/gobierno-corporativo/juntas-de-accionistas/>

Relationship channels with shareholders and investors

Ence is committed to value creation for shareholders and investors and provides them with the resources and procedures needed to guarantee maximum transparency of and accessibility to company information.

The Investor Relations Department is in charge of Ence's regular and permanent communication with the different capital market agents: shareholders and equity investors, bond holders and fixed income investors, brokers and financial analysts, credit rating agencies, etc. Its main objective is to keep the different market agents appropriately informed about the financial situation, management development, business strategy and any other relevant Company fact, ensuring the integrity, veracity, immediacy, equality and symmetry of the information.

Ence's main communication channel with shareholders, investors and other capital market agents consists of the investors section of the **corporate website** (www.ence.es), where the Investor Relations department maintains all the information that could be of interest to them, such as the share price, dividends, relevant facts, financial information, information on corporate governance and sustainability, debt issues and ratings, corporate presentations and results, etc. continuously updated and easily and immediately accessible. During 2019, the investors section of Ence's website received 12,249 visits.

Another communication channel is for the **presentation of results**. They are broadcast live and interested parties are given the opportunity to ask questions of the management team about them. Access to the recordings of each results presentation is also permanently available through Ence's corporate 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 2019, Ence communicated 39 relevant facts.

Ence is also present on **social networks** (LinkedIn, Twitter, Facebook, YouTube), aware of the repercussions that these platforms have today. Through them, Ence seeks information on the company's activities and establishes fluid and transparent dialogue with its stakeholders.

The Investor Relations Department also deals with queries from shareholders, bondholders, institutional and private investors, financial analysts and other market agents on a permanent and individual basis by **e-mail**, ir@ence.es, and on the **shareholder's telephone line** (+34 91 337 8553). In 2019, the Investor Relations department handled 294 queries through these channels.

Ence also participates in **conferences** and regularly organises **informative meetings** with these interest groups in order to provide them with the most adequate and updated public information about the company for the exercise of their rights and interests.

During 2019, the Investor Relations department maintained 579 direct contacts with investors through its participation in:

- ✓ 11 Roadshows with equity investors (3 in Barcelona, 2 in Madrid, Toronto, Chicago, Boston, Paris, Brussels and Frankfurt)
- ✓ 13 equity seminars (4 in London, 4 in Madrid, 3 in Paris, Porto and Bilbao)
- ✓ Four results publication conferences.

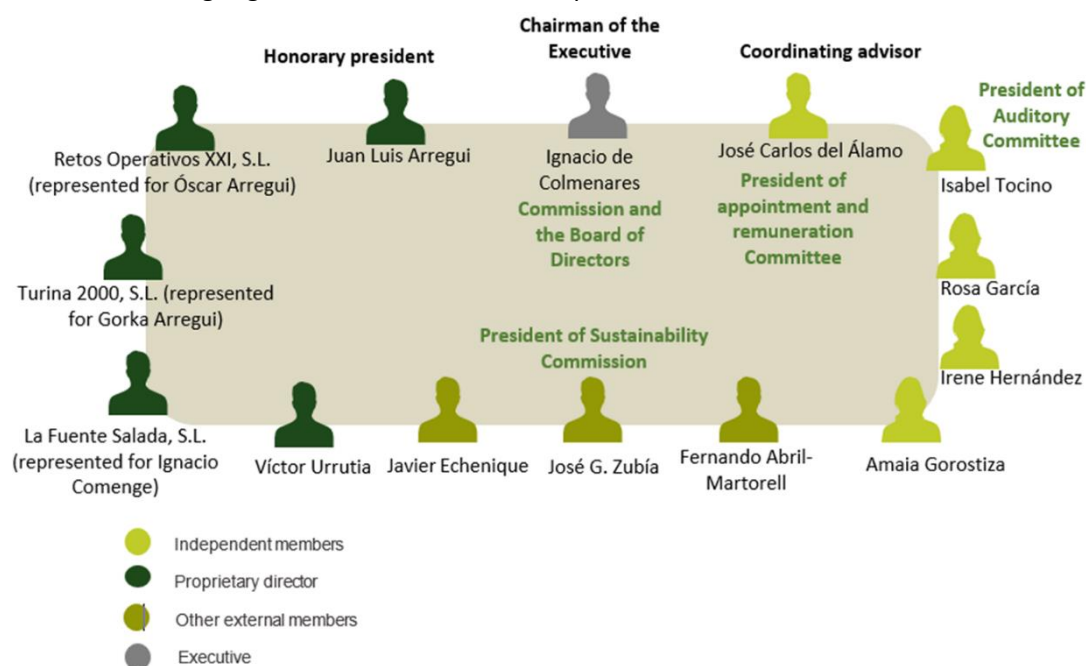
- ✓ Three post-results breakfasts with investors in Madrid.
- ✓ Meetings and conference calls in Ence offices.

2. BOARD OF DIRECTORS

Regulation: Capital Companies Act, Articles of Association and Regulations of the Board of Directors of Ence.

Composition: Ence's Board of Directors is characterized by an efficient and diverse composition, in terms of size, gender, legal category, professional profiles, knowledge and experience. As of 31 December 2019:

- ✓ The Board of Directors of Ence is made up of **14 members**, a non-board member secretary and a non-board member deputy secretary.
- ✓ **36% of the Board Members are independent**, 36% proprietary, 21% external others, and 7% executive.
- ✓ **29% of Board members are women.**
- ✓ Board Members as a whole have a **variety of financial, strategic, business and specialist skills.**
- ✓ The **average length of service** on the Board is 6.8 years.
- ✓ The **average age** for Board members is 61.5 years-old.



On 30 April 2019, the Board of Directors, following a favourable report from the Appointments and Remuneration Committee, agreed to appoint Mr Ignacio de Colmenares Brunet as **Chairman of the Board of Directors** and Mr José Carlos del Álamo Jiménez as **Lead Independent Director**.

BOARD OF DIRECTORS					
Name	Position	Legal category	Proposed by	Date of first appointment	Date of last appointment
Mr. Ignacio de Colmenares Brunet	Chairman and Chief Executive Officer	Executive		22/12/2010	30/03/2017
Mr. Juan Luis Arregui Ciarsolo	Honorary Chairman and	Proprietary Director	Retos Operativos	07/02/2006	22/03/2018

	Director		XXI, S.L.		
Mr. José Carlos del Álamo Jiménez	Lead Independent Director	Independent		29/06/2009	22/03/2018
Retos Operativos XXI, S.L. (represented by Mr. Óscar Arregui Abendivar)	Board Member	Proprietary Director	Retos Operativos XXI, S.L.	07/02/2006	22/03/2018
La Fuente Salada, S.L. (represented by Mr. José Ignacio Comenge Sánchez-Real)	Board Member	Proprietary Director	La Fuente Salada, S.L.	22/03/2018	22/03/2018
Turina 2000, S.L. (represented by Mr. Gorka Arregui Abendivar)	Board Member	Proprietary Director	Retos Operativos XXI, S.L.	20/12/2017	22/03/2018
Mr. Víctor Urrutia Vallejo	Board Member	Proprietary Director	Asúa Inversiones, S.L.	30/06/2014	30/03/2017
Mr. Javier Echenique Landiribar	Board Member	Other external members		29/12/2005	22/03/2018
Mr. Fernando Abril-Martorell Hernández	Board Member	Other external members		30/03/2007	28/03/2019
Mr. José Guillermo Zubía Guinea	Board Member	Other external members		30/03/2007	28/03/2019
Ms. Isabel Tocino Biscarolasaga	Board Member	Independent		21/03/2013	28/03/2019
Ms. Rosa María García Piñeiro	Board Member	Independent		22/03/2018	22/03/2018
Ms. Irene Hernandez Alvarez	Board Member	Independent		28/03/2019	28/03/2019
Ms. Amaya Gorostiza Tellería	Board Member	Independent		28/03/2019	28/03/2019
Mr. José Antonio Escalona de Molina	Secretary	Non-member			
Ms. Reyes Cerezo Rodríguez-Sedano	Vice - Secretary	Non-member			

Competencies: The Board of Directors is the supervisory, management and control body of the Company, with the functions attributed to it by the Law and the Articles of Association. Among its **main competences**, it's worth noticing the followings:

- Convening **General Shareholders' Meetings**, setting their agenda, and drafting proposed resolutions.
- Drawing up **annual accounts** and reports to be submitted to the General Shareholders' Meeting, and presenting and proposing them to the General Shareholders' Meeting.

- The approval of **financial and non-financial information** and its publication.
- The approval of remuneration **system for Board Members** within the limits established by the General Shareholders' Meeting.
- **Reviewing** the operation of Delegated and Advisory Committees, the management of the Chairman and Board Member, the Chief Executive Officer, and the Board itself.
- Deliberating and approving the **Company and Group strategic plan**, including the definition and, in that case, the review of its mission and values, as well as the economic, social, and environmental objectives for the next five years. The strategic plan, once approved by the Board, is communicated to the organization and investors.
- The approval of **sustainability** policy, the **risk control and management** policy and the **dividend** policy.
- Establishing the **corporate governance** policy of the Company and the Group.
- The approval of the Crime Prevention and Detection Model.

Dedication and assistance: In accordance with the Regulations of the Board, none of the Directors sits on more than five boards of other companies. The Executive Director is not a member of any other company's Board.

Individualized data on personal attendance at the Council, at the **12 meetings held** in 2019, are as follows:

	Number of meetings	Attendance rate
Ignacio de Colmenares	12	100%
Juan Luis Arregui	12	100%
José Carlos del Álamo	12	100%
Óscar Arregui	12	100%
Victor Urrutia	9	75%
José Ignacio Comenge	12	100%
Gorka Arregui	12	100%
Isabel Tocino	12	100%
Rosa Maria Garcia	12	100%
Irene Hernández (member since 28/03/2019)	8	100%
Amaia Gorostiza (member since 28/03/2019)	8	100%
José Guillermo Zubía Guinea	12	100%
Fernando Abril-Martorell	11	92%
Javier Echenique	11	92%

Remuneration: The Board of Directors is responsible for determining each director's remuneration, with previous report from the Appointments and Remuneration Committee, within the framework of the **Directors' Remuneration Policy approved by the General Meeting**.

The current Remuneration Policy was approved at the General Meeting held on March 22, 2018; with 99.51% of the valid votes cast, and it is available for consultation on the Ence website (<https://ence.es/inversores/gobierno-corporativo/codigo-de-conducta-y-politicas-corporativas/>). KPMG, an independent international consulting firm specializing in this field, advised on the preparation of the Remuneration Policy.

The remuneration system provided for in this Policy for **Board Members in their capacity as such** is as follows:

- Fixed Remuneration, consisting of both a periodic allocation (fees) and allowances for attending the Board of Directors and its Committees meetings. (Except for the Board Chairman, who doesn't receive attendance).
- Other possible remuneration consisting of the insurance and social security systems indicated in the Remuneration Policy, with the premiums paid being calculated for the purposes of the maximum limit set by the General Meeting.
- Whenever the General Shareholders' Meeting so decides, the Articles of Association provide for the possibility of delivering shares or stock options.

The remuneration system provided for in the Policy for **board members** is as follows:

- Fixed Remuneration: The Managing Director, for performing the assigned functions and being the Company's Chief Executive, receives the fixed salary indicated in the service provision contract which, as legally required, has been approved by the Board of Directors, subject to a favorable report from the Appointments and Remuneration Committee.
- Short-term variable remuneration is determined by the Board of Directors, at the proposal of the Appointments and Remuneration Committee, based on the degree of achievement of the Company's annual objectives and/or level of personal performance.
- Long-term Variable Remuneration Plans linked to achieving the Company's financial and non-financial objectives at 5 years. The General Meeting of Shareholders of 28 March 2019 approved the Long Term Incentive Plan for the years 2019 to 2023, with 96.60% of the votes.
- Possible savings and social welfare plans, in the form determined by the Board of Directors, provided for in the service provision contract.
- Inclusion of severance pay clauses that are limited to one year's Fixed Remuneration plus the Variable Remuneration received in the previous year, in the event of revocation of the powers delegated by the Board, and two years' Fixed Remuneration plus the Variable Remuneration received in the two previous years in the event of a significant change in control of the Company.
- Inclusion of clauses that allow reduction, cancellation or refund claim of up to 100% of the variable remuneration (malus and clawback).

The **maximum annual amount** of the Remuneration for all the Board Members in their capacity as such, approved by the General Shareholders' Meeting, is 1,900,000 euros.

A detailed breakdown of all the remuneration items received by the Directors during the year is included in the **Annual Report on Directors' Remuneration**. The annual remuneration reports are available on Ence's website (<https://www.ence.es/es/gobierno-corporativo-ence/informes-de-gobierno-corporativo-y-remuneraciones.html>). At the last General Shareholders' Meeting held on 28 March 2019, the item on the agenda corresponding to the consultative vote on the Annual Remuneration Report for 2018 was approved with 73.60% of the votes validly cast.

Selection: The guidelines for the selection of Directors are set out in the **Policy for the Selection of Directors**. This Policy is available on the Ence [website](#).

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 Board Members**, so that, once the proposal has been approved by the Board, it is submitted to the decision of the General Shareholders' Meeting. In order to carry out the appointment proposal, the Appointments and Remuneration Committee assesses the profile of the most suitable persons to form part of the Board, submits the corresponding proposals to the Board and transfers the proposals of independent Board Members to the General Shareholders' Meeting.

This Commission **promotes diversity** and ensures that both men and women have **equal opportunities** by setting a representation target for the under-represented gender, developing guidance on how to achieve it and ensuring that selection procedures are free from implicit biases that may lead to gender discrimination. In this regard, the measures adopted by the Appointments and Remuneration Committee have enabled 29% of Ence's Board members to be women in 2019, in the direction set by the Board of Directors in its Selection Policy, which establishes the desire that, by 2020, the number of female directors should represent at least 30% of the total number of board members.

In addition, the Selection Policy states that selection processes shall ensure **diversity also with regard to issues such as age, disability or professional training** and experience and ensure that selection processes are not implicitly biased in a way that may imply discrimination.

Board Members shall hold office for a **maximum period of three years** and may be re-elected once or several times for periods of the same duration.

Evaluation: The mechanisms for **evaluating the performance of the Board** are regulated in Article 19a of the Board of Directors' Regulations, which establishes that the Board of Directors as a whole shall evaluate once a year and adopt, if necessary, an action plan to correct the deficiencies detected with respect to the following:

- The quality and efficiency of the Board of Directors operation.
- The performance and membership of its committees.
- The diversity of Board of Directors membership and competences.
- The performance of the Chairman of the Board of Directors and of the Managing Director taking into account, as the case may be, the evaluation made by the Coordinating Board Member or by the Appointments and Remuneration Committee;
- The performance and contribution of individual Board Members, with particular attention to the Chairmen of the Board of Directors committees.

The evaluation of board committees should start from the reports they send to the Board of Directors, while that of the Board itself should start from the report of the Appointments and Remuneration Committee. Every three years, the Board of Directors should engage an external facilitator to assist the evaluation process. This facilitator's independence should be verified by the appointments committee.

Procedures to avoid and manage conflicts of interest: Ence's internal regulations, and in particular its **Board of Directors Regulations**, establish the regulations applicable to possible conflict of interest situations of the Board Members, specifying the actions to be carried out and the mechanisms to be applied to avoid and, where appropriate, manage such situations. The full Regulations of the Board of Directors are available to all Ence's stakeholders on the company's [website](#).

Specifically:

- In any case, Directors must **inform** the Board of Directors of any direct or indirect conflict of interest which they or persons related to them may have with the Company.
- Board Members may not directly or indirectly make **professional or commercial transactions with the company**, unless they are ordinary transactions made under standard conditions for customers and of little relevance, or if the company has authorized them. This authorization must be approved by the General Shareholders' Meeting when it affects a transaction whose value exceeds ten per cent of the Company's assets.
- The Board of Directors must directly approve the **transactions that the Company or its group companies carry out with Board Members**, or with shareholders, individually or in concert with others, of a significant shareholding. Board Members affected by or representing or related to the affected shareholders must abstain from participating in the deliberation and voting on the resolution in question.

- The approval by the Board of Directors of the transactions described in the previous paragraph is subject to a **previously issued report by the Audit Committee**, in which the transaction shall be assessed, especially from the market conditions point of view and, when applicable, from that of equal treatment of shareholders.

3. The Committees

Ence's Board of Directors has set up four committees (one delegated and three consultative) with powers to inform, advise and propose on matters of special relevance.

Ence's commitment to sustainability and the creation of long-term value resulted in the creation in 2018 of a specific Sustainability Committee, which in addition to setting and monitoring the sustainability policy and strategy, is responsible for overseeing the reporting of Ence's non-financial information to its stakeholders through different channels.

The duties, composition, and activities of the four committees of the Ence Board in 2019 are detailed below:

Executive Committee

It is the delegated body of the Board, which deliberates and reports on certain matters and operations of special importance, which the Board itself submits to it.

The Executive Committee is composed of the following members:

Name	Position	Type of Director
Mr. Ignacio de Colmenares Brunet	Chairman	Executive
Mr. Juan Luis Arregui Ciarsolo	Member	Proprietary Director
Mr. Javier Echenique Landiribar	Member	Other external members
Mr. Jose Guillermo Zubía Guinea	Member	Other external members
Mr. Fernando Abril-Martorell Hernández	Member	Other external members
La Fuente Salada, S.L. (represented by Mr. José Ignacio Comenge Sánchez-Real)	Member	Proprietary Director
Retos Operativos XXI, S.L. (represented by Mr. Óscar Arregui Abendivar)	Member	Proprietary Director
Ms. Irene Hernandez Alvarez	Member	Independent
Mr. José Antonio Escalona de Molina	Secretary	Non-member

In 2019, the Executive Committee held a total of **5 meetings**.

Audit Committee

This is the body responsible for ensuring regulatory compliance, financial transparency, and assessing risks that may affect the company. The following duties, among others, are assigned to it:

- To propose to the Board of Directors the appointment or re-election of the auditors, their hiring conditions, and, where appropriate, their dismissal or non-renewal.
- Regularly gather information from the Board on the audit plan, oversee the company's internal audit services, and ensure the independence and effectiveness of its duties.
- To establish the appropriate relations with the accounts auditors to receive information on those matters that could place their independence at risk.

- To review the company's accounts and monitor compliance with legal requirements and the correct application of accounting principles and to discuss the significant weaknesses detected in the internal control system with the auditors.
- Annually issue, prior to the issuance of the accounts audit report, a report expressing an opinion on the independence of the accounts auditors.
- Supervise the development and preparation process of regulated financial information.
- Supervise the effectiveness of the company's internal control and internal control systems and financial and non-financial risk management systems, including internal control systems for financial information, environmental aspects, safety, and occupational hazard prevention auditing.
- Establish and supervise a mechanism that enables employees to report financial and accounting irregularities confidentially.
- Report transactions with significant shareholders and those that may involve a conflict of interest.
- Evaluate their performance and the quality of their work.

The Audit Committee is composed of the following members:

Name	Position	Type of Director
Ms. Isabel Tocino Biscarolasaga	Chairwoman	Independent
Ms. Rosa María García Piñeiro	Member	Independent
Ms. Irene Hernandez Alvarez	Member	Independent
Turina 2000, S.L. (represented by Mr. Gorka Arregui Abendivar)	Member	Proprietary Director
Mr. José Guillermo Zubía Guinea	Secretary	Other external members

In 2019, the Audit Committee has held **7 meetings**.

Appointments and Remuneration Committee

This is the Board's advisory committee responsible for appointing, evaluating and remunerating directors. The following duties, among others, are assigned to it:

- Assess the skills, knowledge and experience needed in the Board of Directors.
- Examine the Company's compliance with corporate governance rules and its code of conduct and make the necessary proposals for improvement.
- Submit proposals to the Board for the re-election, removal or appointment of independent board members, and report on proposals for the re-election, removal or appointment of the remaining board members.
- Establish a representation objective for the under-represented gender on the Board, prepare guidelines on how to achieve it and ensure that, when new vacancies are filled or new Board Members are appointed, the selection procedures do not suffer from implicit biases that may imply discrimination on the grounds of gender.
- Propose the members who should be part of each of the Committees to the Board.
- Propose to the Board of Directors a system for determining the amount of the annual remuneration received by board members and general managers, as well as the other basic conditions of the contracts of the board members and their individual remuneration, ensuring compliance with the remuneration policy established by the company.
- Report the evaluation process of the company's Board Chairman and Chief Executive Officer.
- Evaluate, at least once a year, their performance and the quality of their work.

The Appointments and Remuneration Committee will include the following members:

Name	Position	Type of Director
Mr. José Carlos del Álamo Jiménez	Chairman	Independent
Ms. Isabel Tocino Biscarolasaga	Member	Independent
Mr. Fernando Abril-Martorell Hernández	Member	Other external members
Turina 2000, S.L. (represented by Mr. Gorka Arregui Abendivar)	Member	Proprietary Director
Ms. Amaya Gorostiza Tellería	Secretary	Independent

In **2019**, the Appointments and Remuneration Committee held a total of **7 meetings**.

Sustainability Committee

The Board's advisory committee shall be responsible for matters relating to the Company's non-financial information, as well as communication and relations with stakeholders. Its competences include:

- Periodically reviewing the corporate social responsibility policy and proposing its updating to the Board of Directors.
- Report, prior to approval by the Board of Directors, on the company's non-financial information status.
- Coordinating non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.
- Being aware of significant legal changes in the area of social responsibility and responsible innovation, as well as trends in this area, such as those related to the circular economy, in order to analyse them and, where appropriate, promote action plans.
- To supervise and evaluate the communication strategy and relationship with the different stakeholders.
- To be familiar with and guide the company's environmental and safety policies, checking that they are effective and that they are managed to promote and ensure compliance.
- To be familiar with and promote company's social action strategy and its sponsorship and patronage plans.
- Knowing, reviewing and monitoring the company's initiatives and actions directly related to sustainability of the cellulose market and the production of renewable energy with biomass and, especially, with the availability of forestry and agricultural wood and fuel.
- To be aware of, review and monitor the company's actions in relation to its forest assets and, in particular, to promote sustainable management of forest areas, their cultivation, care, and maintenance for the extraction of wood and biomass, integrating the rational use of all assets.

The Sustainability Committee includes the following members:

Name	Position	Type of Director
Mr. José Guillermo Zubía Guinea	Chairman	Other external members
Mr. Juan Luis Arregui Ciarsolo	Member	Proprietary Director
Retos Operativos XXI, S.L. (represented by Mr. Óscar Arregui Abendivar)	Member	Proprietary Director
Mr. Víctor Urrutia Vallejo	Member	Proprietary Director
Mr. José Carlos del Álamo Jiménez	Member	Independent
Ms. Rosa María García Piñeiro	Member	Independent

In **2019** the Sustainability Committee held a total of **6 meetings**.

It is particularly relevant to highlight the work of the Sustainability Committee in its first year of operation, which has reported and proposed the approval by the Council of relevant issues, among which the following can be highlighted:

- The status of non-financial information (Sustainability Report),
- the Project for the implementation of an internal control system for non-financial information (SCIINF),
- the revision of the information on Sustainability provided periodically in the quarterly financial information,
- monitoring compliance with the Sustainability objectives set for 2019,
- Diversity and equality of opportunities
- the Sustainability Master Plan for the next 5 years,
- the definition of Sustainability objectives for 2020,
- the determination of the objectives included in the ILP 2019-2023 Sustainability Basket.

4. Executive-level bodies

Management Committee

As the main executive body, Ence has a Management Committee formed by the Chief Executive Officer, the General Managers of the business areas, and the General Managers of the related corporate areas. This committee is responsible for the day-to-day management of the company and collectively adopts the main economic, social and environmental decisions which, where appropriate, may be submitted to the Board of Directors within its sphere of competence.

The members of the Management Committee report directly to the Committees and to the Board of Directors on the relevant matters that these governing bodies debate and, where appropriate, deliberate on. The Management Committee, following the creation of the Directorate General for Safety, Health and the Environment and the incorporation as a permanent member of the Director of Planning and Management Control, was composed in 2019 of the following members

Name	Position
Ignacio de Colmenares Brunet	Managing Director
Jordi Aguiló Jubierre	General Manager of Celulosa
Felipe Torroba Maestroni	General Operations Manager of Independent Power Plants

Alvaro Eza Bernaola	Supply Chain General Manager
María José Zuera Saludas	General Human Resources Manager
Alfredo Avello de la Peña	General Manager of Finance and Corporate Development
Reyes Cerezo Rodríguez-Sedano	General Secretary and General Director of Sustainability
Luis Carlos Martínez Martín	General Manager of Communication and Institutional Relations
Modesto Saiz Suarez	Sales, Marketing and Logistics Director of Celulosa
Faustino Martínez Rodríguez	Director General for Safety, Health, and Environment
Fernando González-Palacios Carbajo	Director of Planning and Management Control

In addition to the permanent members, there are members invited to the Management Committee who report on their respective management areas.

Compliance Committee

The competencies of the Compliance Committee encompass three large areas: (i) Code of Conduct, (ii) Crime Prevention and Detection Model, and (iii) Personal Data protection.

The functions of the Compliance Committee related to the Code of Conduct include promoting its knowledge, application, dissemination and compliance in Ence, ensuring its application in all Group companies, interpreting the Ence Code of Conduct in a binding manner, approving and implementing standards and procedures for their development and compliance, and receiving information from the communications sent through the Ence complaints channel, also issuing the conclusions and actions to be carried out in each case.

In the matter of the Crime Prevention and Detection Model, the Committee controls, supervises, evaluates and permanently updates compliance with the rules and procedures described in the Crime Prevention Protocol to ensure that all the controls and surveillance measures established by the Company are identified and described in order to avoid or mitigate the risk of criminal acts occurring in the organisation. This Committee also promotes the development of action plans to correct, update, generate, or modify the measures and controls that form part of the Ence Crime Prevention and Detection Model.

The Committee also supervises compliance with all regulations related to the General Data Protection Regulation.

The Compliance Committee reports on a timely basis to the Audit Committee, the body to which it reports, and is made up of the heads of the Internal Audit Department, the Human Capital Department, the General Secretariat and the Safety, Health and Environment Department.

Sustainability Committee

Following the creation of the Board of Directors' Sustainability Committee, Ence has also set up a Sustainability Committee as the executive body responsible for facilitating planning, prioritisation of tasks, and consensual decision-making on sustainability issues.

The main functions of the new Committee include implementing the corporate sustainability strategy in accordance with the policy and guidelines approved by the Committee, including setting objectives and monitoring their compliance. The Committee also approves Ence's adherence to sectorial or intersectorial initiatives promoting sustainability, establishes the relationship channels with stakeholders, and coordinates the preparation of non-financial information reports for presentation to the Sustainability Commission.

Therefore, while the Commission is responsible for setting the guidelines and approving the Group's sustainability strategy, the Committee acts by promoting and implementing these guidelines at the operational level while coordinating interaction between the areas on sustainability issues and also submitting proposals to the Commission for assessment.

The Sustainability Committee is formed of the Chief Executive Officer, who acts as Chairman, the General Secretary and the heads of the General Directorate of Human Capital, the General Directorate of Cellulose, the General Directorate of Operations of Independent Energy Plants, the General Directorate of Finance and Corporate Development, the General Directorate of the Supply Chain and the General Directorate of Communication and Institutional Relations. The Corporate Sustainability Officer and the designated Sustainability Officers in each business area also participate as permanent members of the Committee.

Risk management

Ence's **Risk Management System** ("RMS") is a process that is integrated into the organisation and focused on identifying, assessing, prioritising, responding to and following up on situations that pose a threat to the company's activities and objectives. This process involves the participation of different areas of the company with specific responsibilities that cover all of its phases.

Ence's Board of Directors, with the help of Senior Management, defines the principles of risk management to which the company is exposed and establishes the internal control systems that enable the impact and probability of occurrence of such events to be maintained within the accepted levels of risk appetite. The Internal Audit Department also verifies adequate implementation of the risk control and management principles and policies defined by the Board of Directors and monitors compliance with the internal control systems implemented in the organisation.

The specific roles and responsibilities of the different stakeholders involved in the risk management process are detailed below:

- The **Board of Directors** is ultimately responsible for identifying risks and implementing the appropriate internal control systems that enable the achievement of the established objectives
- The **Audit Committee** assists the Board of Directors in supervising the effectiveness of the company's internal control and internal control and risk management systems, including the internal control systems for financial reporting (ICFR), environmental, safety and occupational hazard prevention aspects.
- The **Compliance Committee**, which reports to the Board of Directors Audit Committee, is responsible for defining and updating Ence's criminal risk map, which identifies the company's activities within the scope of which the criminal offences that must be prevented may be committed.
- Ence's **Internal Audit Department** is responsible for the company's day-to-day risk management, drawing up the Group's procedures and criteria for risk management, and its periodic presentation to the Board of Directors through the Audit Committee.
- The general managers, **directors and managers of the different departments** of Ence are responsible for risks and continuously manage the different risks at their most operational level, within their respective areas.

Ence's Risk Management System covers Ence and all of the Group's companies, all of its businesses - cellulose, energy and forest- and the activities of its corporate areas and is defined and regulated in the **Risk Management and Control Policy** and Risk Management Procedure approved by the Board of Directors.

Ence's RMS has been defined following the guidelines of international reference frameworks, in particular the Enterprise Risk Management Integrated Framework of COSO (the Treadway Commission's Committee of Sponsoring Organisations) and is periodically reviewed to incorporate the best practices in this area.

The RMS contemplates risks for the different objectives established by Ence, distinguishing between strategic, operational, financial reporting, and regulatory compliance objectives. In addition, the RMS establishes 8 **risk categories** to be analysed according to their nature:



Risk identification and analysis process

Every year, Ence evaluates and identifies new risks and monitors the evolution of risks that have been identified in previous periods and the risks that are no longer applicable in that year. It also updates the information relating to the controls and action plans associated with identified risks.

The **Risk Record** and the **Risk Map** are the formats used for the periodic report on the main risks identified and assessed in the different business, corporate and ancillary units, in accordance with the requirements established in the Risk Management and Control Policy and Procedure. The risk register contains the list of risks identified for the period, while the risk map is the result of the weighting of risks according to two variables: impact and probability of occurrence.

When assessing the impact, those responsible assess the potential seriousness of the risk in terms of health and safety, legal consequences, impact on the environment, economic impact and impact on the organisation's objectives. The impact on each of these stakeholders is assessed on a five-level scale from 'insignificant' to 'very significant'. In the case of the probability of occurrence, the risks are evaluated on a percentage scale of probability also of five levels from the "rare" to the "almost certain"

In addition to assessing the impact and likelihood of occurrence of each assigned risk, those responsible in the different business areas or "risk owners" establish the appropriate actions to mitigate, reduce or transfer the risk in question. Once evaluated by the heads of the different business units, the Risk Map is reviewed by the Chief Executive Officer and the Management Committee, where the final prioritisation of critical risks is carried out and presented to the Audit Committee. After this prioritisation, it is presented to the Audit Committee and then to the Board of Directors.

With this information, the Internal Audit Department prepares the **Internal Audit Plan** for the following year, which establishes the measures to check that the risks are well dimensioned and that the actions envisaged in the mitigation strategy are being carried out.

In the risk identification exercise carried out in 2019, which will serve as the basis for management in 2020, a total of 120 risks were identified. The following are the main risks that may have an impact on Ence's activity, together with the corresponding strategies and actions adopted by the company to mitigate these risks:

Risks associated with decision making	
Main risks	Risk mitigation strategies:
<p>Business continuity in relation to natural disasters and catastrophes, unexpected meteorological and geological conditions and other physical factors, fires, floods or other catastrophes that may affect production and storage facilities.</p>	<p>The prevention and minimisation of potential impacts consists of different management measures, for example:</p> <ul style="list-style-type: none"> - the fight against pests that threaten biological assets. - training on fire prevention, insurance policy contracts, periodic audits and preventive measures for inspection, surveillance and control of activities.
<p>Regulatory compliance, especially in relation to the BREF regulation.</p>	<p>Response to this risk is channelled by actively participating in decision-making forums about regulations relating to the new application (BREF) and in defining the investments that are the most important, in order to adapt to new future regulations.</p> <p>On the other hand, Ence has implemented a Risk Management System for the Offence Prevention and Detection, certified by AENOR pursuant to UNE 19601:2017. This includes numerous measures and controls that are designed to prevent or mitigate, as much as possible, any criminal act committed within our organisation, and guarantee the legality of actions carried out by Company employees or Directors in the course of their professional activities, at all times.</p>
<p>Market share, with respect to contracting demand for products and possible changes in market preferences.</p>	<p>Ence has strengthened its presence and positioning in the European market and continuously monitors trends in the paste market.</p>
Financial risks	
Main risks	Risk mitigation strategies:
<p>Financial discipline, in relation to the volatility of the price of paste, the exchange rate and the interest rate.</p>	<p>The price of paste is set in dollars (USD) and Ence's costs in euros (€), meaning that business revenue on paste sales are influenced by the euro/dollar exchange rate. Possible variations in the said exchange rate can have negative effects on company profits. Ence maintains permanent contact with financial institutions in order to contract, if necessary, the pertinent financial and/or future hedges to mitigate the impacts derived from the volatility of the price of paste. Ence also monitors the foreign exchange market and the evolution of the dollar and euro and links the most important financing transactions to fixed interest rates, with respect to exchange rate and interest rate volatilities, respectively.</p>
<p>Fiscal risk, derived from the Public Administrations' fiscal policy.</p>	<p>It is a high priority for Ence to ensure that all activities and operations are developed in compliance with the applicable tax legislation.</p>

	<p>The Audit Committee periodically monitors the fiscal risks that the company faces in order to help the Board establish a fiscal risk management and control policy.</p> <p>Ence also has a team of advisors and experts, combined with the availability of the company's dedicated resources, that have established internal fiscal compliance guidelines and lowered the risk assumed in this area.</p>
<p>The commercial credit risk of customers in the cellulose business as a result of the unfavourable evolution of their business.</p>	<p>Ence has contracted an insurance programme that assigns credit limits based on the customer's credit quality and provides coverage for almost all of the Group's cellulose sales. There is also an internal Commercial Credit Risk Committee in which the evolution of customers is analysed in detail on a weekly basis.</p>
Operational risks	
Main risks	Risk mitigation strategies:
<p>Improved production capacity, in relation to obsolete facilities and equipment</p>	<p>Ence produces eucalyptus cellulose pulp in its factories in Navia (Asturias) and Pontevedra, using the most environmentally-friendly technology and adopting continuous improvement processes to strengthen competitiveness and the quality of their products. Nevertheless, the age of some of the equipment could affect their correct operation, their efficiency, and their lifespan.</p> <p>Ence works on civil works reviews, investments, and maintenance programmes to avoid obsolescence of facilities and equipment and to guarantee efficient productivity.</p>
<p>New product development, in relation to customers' needs</p>	<p>ENCE is creating its own brand on an international scale with the aim of differentiating its production from that of its competitors. This objective could come under threat if Ence were unable to produce the products that its clients demand, or were not able to obtain a sufficient amount of certified wood that meets the standards generally accepted in the global paste market, primarily those set by the <i>Forest Stewardship Council</i>[®] (FSC[®]).</p>
<p>Optimisation of operating costs in relation to the most competitive goods and services</p>	<p>Ence has established operational efficiency as a priority, by optimising production throughout the entire value chain. This goal could become threatened due to the rising costs of raw materials, consumables (chemicals, fuel, gas) other industrial supplies and parts, logistics and transport, salary costs, strikes, or a drop in productivity.</p> <p>The risk arising from an insufficient timber supply is managed mainly through increased market presence through standing purchase, small suppliers, contingency plans and minimum stocks to guarantee operations.</p>
<p>Post-production logistics, with respect to end-product stock ruptures and shipping costs</p>	<p>Ence continuously reviews the stock plans to identify deviations and correct them. It has also adopted a management strategy of internally assuming the possible variation in the supply and price of maritime transport in order to minimise costs.</p>

Organisational risks	
Main risks	Risk mitigation strategies:
Changes in energy market regulation	Ence maintains production levels in order to achieve the initially estimated profitability levels despite the change in energy market regulation.
Quality Assurance and Occupational Health and Safety	Plans for occupational hazard prevention are in place, based on training and maintaining integrated management systems and obtaining ISO, OSHAS and FSC certificates. External audits are also carried out to verify compliance with the applicable occupational health and safety legislation.
Environmental risks	
Main risks	Risk mitigation strategies:
Environmental risks refer to the main risks associated with the impact of operating activities on the environment	Ence performs its cellulose and energy production activities in industrial facilities where a continuous process that generates a risk inherent to all industrial activity is carried out. Complying with current legislation is a priority for Ence, as well as reducing to any risks that could potentially harm the company's natural, environmental, or social context to a minimum. Ence's mitigation strategies refer to continuous improvement actions and investments in facilities to reduce the risk of impact on the environment. Specifically, the continuous improvement actions focus on the vectors considered to be priorities in Ence's environmental sustainability strategy: reducing odorous impact, reducing noise, improving air quality, improving effluent quality and reducing the carbon footprint and water footprint. Ence actively participates in decision-making forums on the new BREF regulations.

Further information on the main risks identified during the respective financial years can be found in the [corporate governance reports](#) published annually by Ence.

Risks arising from climate change

Ence, both in its role as a forest manager and through its renewable energy generation activity contributes to mitigating climate change and decarbonising the Spanish energy mix. However, due to its business model, which is dependent on natural resources such as wood and biomass, and its location in a region such as the Iberian Peninsula, one of the most vulnerable to climate change, Ence is also aware of the importance that climate risks can have for the company.

For this reason, Ence identifies the climate risks that can affect both the company itself and its value chain and designs mitigation and adaptation strategies to respond to them. Following FSB Task Force recommendations on Climate-related Financial Disclosures (TCFD), the climate risks faced by Ence can be classified into:

Risks related to the physical impacts of climate change

In addition to acute physical risks arising from extreme weather events that are difficult to predict, Ence can be affected by chronic physical risks arising from changes in precipitation and temperature patterns at its facility sites and especially in wood and biomass supply areas.

The vast majority of climate models predict an increase in temperatures and a decrease in precipitation in most of the regions where Ence operates, especially in the central and southern areas of the peninsula where its independent power plants are located. This can lead to a reduction in the availability of water resources for industry and water is a necessary input for cellulose production and for energy production from biomass and solar thermal energy. Changes in ambient temperature may also give rise to the need to adapt some of the critical processes from an environmental point of view, such as those related to the treatment of effluents in sewage treatment plants, which are also closely associated with the generation of odorous impacts.



In addition, changes in weather patterns may also affect the development of eucalyptus plantations, one of the main sources of wood for Ence's cellulose production, as well as the rest of the agroforestry crops, which are necessary for the production of electricity from biomass.

Although Ence does not recognise any of these risks as critical in the short term, the company has already implemented measures to analyse their impacts in greater depth and reduce its vulnerability to them: in terms of the potential reduction in available water resources, Ence has already designed water consumption minimisation plans for its biofactories in Pontevedra (where it has already managed to reduce water consumption per tonne of pulp produced by 20% in the last four years) and Navia. In addition, the company has set itself the goal of having similar plans for its independent power plants throughout 2020.

At the forest management level, to adapt and support forest owners in their adaptation, Ence is developing improved eucalyptus plants to better resist to the specific drought conditions that climate models predict for the northwest of the peninsula. The company also works actively to diversify the sources of wood for cellulose production.

Risks arising from the transition to a low-carbon economy

The main transition risks to which Ence is exposed are the regulatory risks derived from potential hardening of the regulation on GHG emissions and the technological risks derived from having to adapt its production processes and implement lower emission technologies.

In this regard, although Ence does not recognise these risks as critical, measures are already being defined to mitigate the possible impacts they could have on the company with a special focus on

reducing the carbon footprint of the organization and its products. Firstly, at a strategic level Ence is committed to the production of cellulose with wood from the local area and in the field of energy generation, its ten-year sustainability plan for biomass includes among its principles the reduction of GHG emissions throughout its life cycle, minimizing the distance from the supply of agricultural and forestry material.

At an operational level, during 2019 Ence has defined a protocol for calculating the organization's carbon footprint, so as to better direct actions in these areas and has set itself the goal of having an emissions reduction plan in the short and medium term by 2020. In parallel, measures to reduce carbon footprint, improve energy efficiency and promote self-consumption of renewable energy are already underway in both biofactories and independent power plants, as detailed in the sections on Energy (p. 34-39) and Safe and Eco-efficient Operations (p. 102-135).

Ethics and compliance

Ence is a socially responsible company committed to a corporate culture based on the ethical behaviour of its employees, managers, and board members and upholds transparency as one of its main lines of action, both internally and in its relationships with all its stakeholders.

Code of Conduct

Ence's commitment to ethical behaviour, transparency, and the generation of trusting relationships with its stakeholders revolves around the Code of Conduct, which is binding on all employees, managers, board members, and third parties acting on behalf of the company or falling under its scope of application.

With the formulation of this Code of Conduct, Ence aims for the definition of the ethical bases of trust in line with Ence's vision, the creation of a solid corporate culture, and a stronger corporate reputation. Ence's Code of Conduct is available to all the company's stakeholders and can be found on the company's [website](#):

This Code establishes the ethical pillars of Ence's culture and sets out the principles that the company voluntarily undertakes to follow, establishing a commitment to ethical behaviour both within the company and beyond it with other stakeholders. The ethical pillars established in the Code are:

- | | |
|----------------------------------|---------------------------|
| 1) Sustainability | 6) Professionalism |
| 2) Continuous improvement | 7) Care |
| 3) Commitment | 8) Respect |
| 4) Accountability | 9) Dialogue |
| 5) Transparency | |

In addition to the general ethical pillars of Ence's culture, the Code of Conduct sets out the guidelines for action in different areas, specifying the objectives, commitments and obligations for the company's personnel in terms of:

- Legal regulations for employees.
- Conduct towards employees, including guidelines for safe working conditions, the fight against discrimination and harassment, and contributions to political and religious behaviour.
- Proper use of corporate resources.
- Conflicts of interest, including guidelines on conflicts of interest in the purchasing area and the principles of action in purchasing. Derived from these principles and from the IFPSM (International Federation of Purchasing and Supply Management) Standards of Best Practices for the Purchasing Profession, the Code contains a Buyer's Guide that regulates the behaviour of Ence's purchasing managers.
- Fight against corruption and improper payments.
- Payments to facilitate procedures.

- Gift Policy.
- Transparency and integrity in financial information, including requirements for transparency and integrity in the recording of transactions, guidelines for financial and accounting reporting, for reporting information to the market, and to prevent insider trading.
- Fraud prevention.
- Confidentiality.
- Handling confidential documents
- Competition.
- Requests for information from the Government and the media
- Application of the Code of Ethics to personnel acting on behalf of Ence.
- Responsibility for implementing the Code and complying with the law.
- Obligation to declare compliance with the Code of Ethics.

The monitoring and control of the application of the Code of Conduct is the responsibility of the Audit Committee, which is the body that ensures its proper dissemination and strict compliance at the corporate level.

In addition, Ence has a **Complaints Channel**, through which all persons subject to the Code of Conduct can report possible breaches, issues, or conduct contrary to the Law and Ence's internal regulations. This channel can be accessed through the company's intranet, by email (canaldenuncias@ence.es), and post (Ence Energía y Celulosa to: Chairman of the Audit Committee Calle Beatriz de Bobadilla, 14 28040 Madrid).

In 2019, a total of 4 complaints were received through the aforementioned complaint channel, and the appropriate investigations were carried out for each of them.

Fighting against corruption and bribery.

The Code of Conduct establishes the policy of zero tolerance for corruption and sets the guidelines for action regarding improper payments which must be followed by all Ence employees.

To monitor compliance, the Annual Internal Audit Plan includes the renewal of acceptance of the Code by all employees. In addition, each year a series of activities are planned based on a risk analysis that is updated annually. Thus, in 2016 the money laundering prevention system was audited and an audit of industrial purchases was carried out, in 2018 the travel expenses of employees and managers were audited and in 2019 a standing biomass purchase audit was carried out.

Regardless of the specific activities planned for the year, at least one audit of the standing timber and/or supply procurement area is carried out each year to verify the absence of corruption and bribery offences by individuals, covering 100% of the procurement areas. In 2019, no cases of breach in the regulations or precepts of the Code of Conduct regarding corruption and improper payments were detected.



Furthermore, the risk of fraud is analysed in all internal audits. In 2019, a total of 24 audit reports were carried out, with no breaches being detected in this regard.

Prevention of money laundering.

Ence's business model is based on a direct B2B (Business to Business) relationship with industrial clients. For this reason, the risk analysis does not show the company being exposed to a money laundering risk.

However, an audit focused on this aspect was carried out in 2016 and no breaches were detected in this regard.

Furthermore, in line with its commitment to ethics and corporate integrity, Ence has a series of internal controls to prevent money laundering and, by way of example, sales operations are analysed and blocked if it is detected that these involve customers located in sanctioned countries or tax havens.

Criminal Compliance and the Crime Prevention and Detection Model

With a firm commitment to ensuring compliance with ethical principles and good corporate governance, Ence has among its priorities the development of a solid corporate culture of regulatory compliance, in which the company's ethical values are central elements in its activities and decision-making.

As such, and in line with the provisions in criminal legislation, Ence has internal regulatory instruments that meet the need to have adequate control and management systems in the area of criminal detection and prevention, included in the company's Criminal Compliance Policy, which has been drawn up in line with the main regulatory references and best practices in the area of compliance. This Policy is available to all Ence stakeholders on the [website](#).

During 2019, Ence has continued its activities aimed at promoting its policies for fighting crime, through the **Model for the Prevention and Detection of Crimes** defined by the company, in compliance with the requirements established by Organic Law 1/2015 amending the Criminal Code, as well as the reform of the Criminal Code, approved by Organic Law 1/2019, which expands the crimes for which legal entities can be held liable. Said model includes, in addition to the Code of Conduct, a set of procedures whose objective is to ensure that Ence exercises the due prevention oversight that is legally required of any company with respect to stakeholders and before judicial and administrative bodies. In general, the updating of the Crime Prevention Model aims to reinforce the culture of compliance at Ence, transmitting to the organization that it is a dynamic model, which adapts to changes, in order to preserve its effectiveness at all times.

The Crime Prevention and Detection Model incorporates a series of specific measures and controls for each applicable crime identified in any area (environment, business corruption, workers' rights, etc.) and also establishes the creation and operation of the Compliance Committee to control, supervise, evaluate, and update this model.

Certification of the Criminal Compliance Management System

In 2018, Ence obtained the Spanish Association for Standardisation and Certification (AENOR) certificate for the Criminal Compliance Management System in accordance with the UNE - 19601:2017 standard, making it the first company in its sector to receive this recognition, which certifies an efficient management system to prevent the commission of crimes and reduce the company's criminal risk.

This certification, which is voluntary and reviewed annually, confirms that Ence has implemented a criminal compliance management system through the prevention, detection, and management of conduct that does not comply with the company's standards. The certificate takes into account the provisions in Organic Law 1/2015 on Criminal Code Reform with respect to the requirements for crime prevention models and complements them with the best international practices established in the area of social responsibility, compliance, and risk management. This certification confirms Ence's commitment to corporate governance best practices, responsibility, transparency and commitment to its stakeholders, and to the highest standards of business ethics and the reduction of criminal risk in carrying out its activities.

Training and outreach

Another of Ence's lines of action in terms of ethics and compliance involves transmitting the company's commitment to integrity in all its activities to all its employees. Therefore, the company carries out

numerous training and outreach activities in this regard, among which the following are most noteworthy:

- Implementing training activities to raise awareness of the Code of Conduct at all Ence sites. In 2019, 82% of employees underwent training in this area.
- Compliance disclosure activities for members of the Management Committee.
- Update of the antitrust compliance programme as well as specific antitrust training for managers and employees.
- Downstream internal communication and presentation to management and individual contract staff.
- Formal acceptance through the annual declaration of compliance with the Code of Conduct and the Conflict of Interests Declaration.
- Meetings with the Works Councils and with the representatives of the workers of the biofactories, of the energy plants as well as of the central offices with the purpose of explaining and deepening the knowledge and diffusion of Ence's Code of Ethics.



4. Sustainable Growth Focal Points

- a. Ence people and values
- b. Safe and eco-efficient operations
- c. Rural and agroforestry development
- d. Sustainable products
- e. Connect with the community



4.a. Ence people and values

- I. Profile of the human team
- II. Human capital management
- III. Diversity and equal opportunities
- IV. Training and development
- V. Performance management, talent attraction and retention
- VI. Labour relations and workers' rights
- VII. Internal communication and participation

Profile of the human team

Ence has a clear commitment to generating **quality employment** with a high level of **stability**. Among Ence's employees, 87% have a permanent contract and 98% work full time. Ence is also committed to **diversity and equality** and in fact in 2019 there was a 17% increase in the number of women, and the presence of women in management positions increased by 30%.

During 2019, the average workforce during the year was 1,122 people, ending at the close of 2019 with 1,131 people in the workforce, 1,128 in Spain and 3 in Portugal. 57.5% of employees in Spain are covered by collective agreements. In Portugal, all 3 employees have individual contracts.

2019 WORKFORCE BY CATEGORY SPAIN	M	F	Total
Clerical workers	11	43	54
From 31 to 50 years old	4	31	35
Up to 30 years old	1	2	3
Over 50 years old	6	10	16
Support and improvement	50	44	94
From 31 to 50 years old	30	31	61
Up to 30 years old	1	6	7
Over 50 years old	19	7	26
Management	56	13	69
From 31 to 50 years old	31	10	41
Over 50 years old	25	3	28
Managers	66	19	85
From 31 to 50 years old	48	14	62
Up to 30 years old	2	1	3
Over 50 years old	16	4	20
Maintenance	139	1	140
From 31 to 50 years old	100		100
Up to 30 years old	16	1	17
Over 50 years old	23		23
Operators	274	11	285
From 31 to 50 years old	214	7	221
Up to 30 years old	34	4	38
Over 50 years old	26		26
Team managers	71	4	75
From 31 to 50 years old	52	3	55
Up to 30 years old	2		2
Over 50 years old	17	1	18
Technicians	212	114	326
From 31 to 50 years old	136	67	203
Up to 30 years old	53	43	96
Over 50 years old	23	4	27
General total	879	249	1,128

2019 WORKFORCE BY CATEGORY PORTUGAL	M	F	Total
Technicians	2	1	3
From 31 to 50 years old	1	1	2
Up to 30 years old			-
Over 50 years old	1		1
General total	2	1	3



2019 WORKFORCE BY TYPE OF CONTRACT SPAIN			
	M	F	Total
Permanent	767	212	979
From 31 to 50 years old	557	151	708
Up to 30 years old	59	32	91
Over 50 years old	151	29	180
Temporary	112	37	149
From 31 to 50 years old	58	12	70
Up to 30 years old	50	25	75
Over 50 years old	4		4
General total	879	249	1,128

2019 WORKFORCE BY TYPE OF CONTRACT PORTUGAL			
	M	F	Total
Permanent	2	1	3
From 31 to 50 years old	1	1	2
Up to 30 years old			0
Over 50 years old	1		1
General total	2	1	3

2019 WORKFORCE BY TYPE OF WORKDAY SPAIN			
	M	F	Total
Full time	872	237	1,109
From 31 to 50 years old	611	151	762
Up to 30 years old	108	57	165
Over 50 years old	153	29	182
Part time	7	12	19
From 31 to 50 years old	4	12	16
Up to 30 years old	1		1
Over 50 years old	2		2
General total	879	249	1,128

2019 WORKFORCE BY TYPE OF WORKDAY PORTUGAL			
	M	F	Total
Full time	2	1	3
From 31 to 50 years old	1	1	2
Up to 30 years old			0
Over 50 years old	1		1
General total	2	1	3

2019 PROFESSIONAL GROUPS WORKFORCE BY TYPE OF CONTRACT SPAIN			
	Permanent	Temporary	Total
Clerical workers	49	5	54
Support and improvement	83	11	94
Management	64	5	69
Managers	85		85
Maintenance	111	29	140
Operators	242	43	285
Team managers	75		75
Technicians	270	56	326
General total	979	149	1128

2019 PROFESSIONAL GROUPS WORKFORCE BY TYPE OF CONTRACT PORTUGAL			
	Permanent	Temporary	Total
Technicians	3	-	3
General total	3	-	3

Data from previous years are not reported because the professional categories defined for the 2019 report are different from those used previously and therefore the data would not be comparable.

Ence's commitment to generating stable quality employment translates into low staff turnover and absenteeism:

Average Turnover	2018		2019	
	Men	Women	Men	Women
Employees < 30 years old	1.00	0.50	0.37	0.38
Employees 30–50 years old	1.60	0.80	0.92	0.59
Employees > 50 years old	1.00	-	0.16	0.27
Total	1.60	1.30	1.45	1.25

*The average rotation has been calculated using the following formula: (new hires - terminations / total number of employees * 100)*

In 2019, absenteeism calculated following the recommendations of legislative RD 2/2015 approving the consolidated text of the workers statute law was 0,25% (5.368 hours).

Human capital management

Ence focuses on its human team, the protagonist and key player in achieving the objectives set out in its Strategic Plan 2019–2023.

The company aims to **make available to all the people who are part of Ence what is necessary** to make them feel that they are part of a team of *Competent People, committed* to the values of the company, to sustainability and to the improvement of the environment. People who feel *that they own their work*, with *autonomy* in *decision-making* and who *cooperate* between areas and know the *impact* their work has on the company.

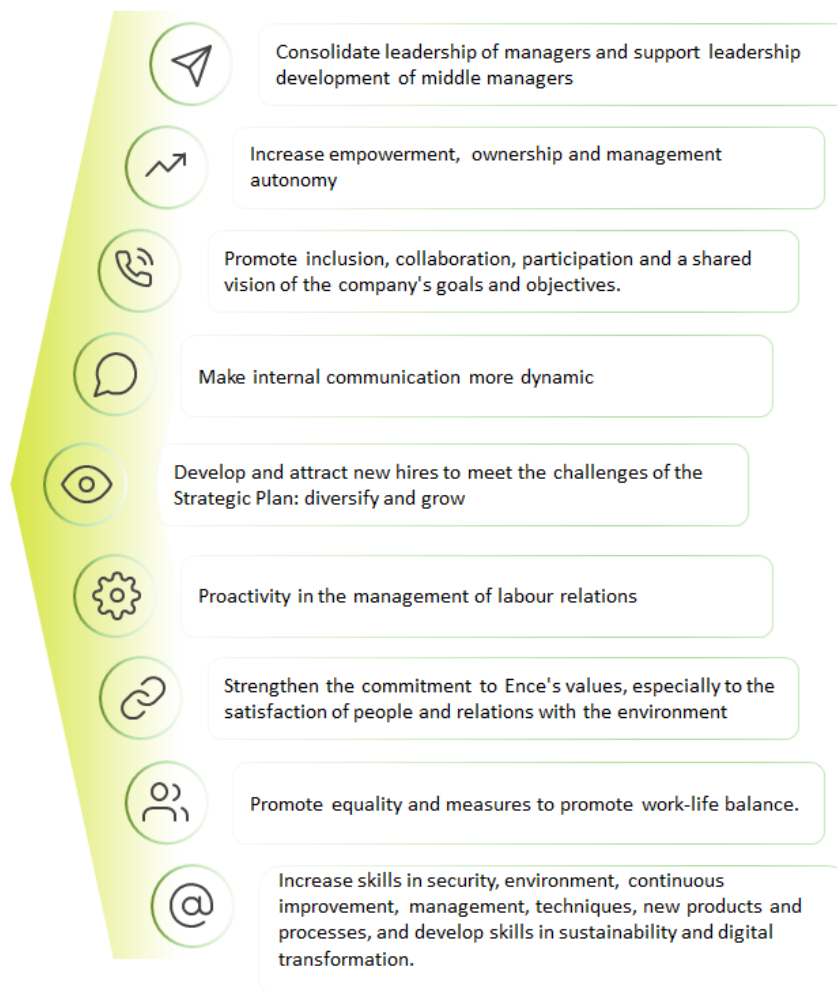


Another key to human capital management is to promote the role of the **Ence Leader**, who *inspires* the achievement of common objectives by linking the team's goals with those of the company; the Ence Leader, who *shares* by promoting cooperation and a shared vision at all levels in order to meet business challenges; the Ence Leader, who *conveys* the company's values and is a reference point for his ability to communicate, mobilise and generate trust in others; and the Ence Leader, who *takes care* of their team by acting as a mentor and making their collaborators the protagonists of their own development.

Ence also aspires to be recognised as an **organisation** in which each person knows their mission and contribution, and directs efforts towards the objectives and challenges of the company, which is why human capital management is focused on:

- Promoting development with career plans and individual development plans.
- Managing and evaluating performance.
- Rewarding to attract, motivate and build loyalty in a fair and competitive way.
- Recognising achievements through words and deeds.
- Attracting and retaining talent.
- Communicating with transparency and making channels available so that communication flows in all directions, promoting the continuous improvement management model (TQM).
- Investing in development, training, learning, exchange of good practices and suggestions.
- Guaranteeing equality and active policies in favour of the balance between work, personal and family life, with simple and efficient organisational structures that promote inclusion.
- Establishing cooperation, teamwork and communication.
- Making Ence's people and values agents and focal points of the Sustainability Master Plan.

To achieve these objectives, **Ence's strategic people plan** focuses on 9 Priority Action Areas:



Based on these priority areas of action, specific human capital management objectives are defined and updated annually.

Noteworthy actions within the 2019 plan framework

Below are details of the actions developed in 2019, in line with each of the focal points of the strategic people plan:

- ✓ In order to consolidate leadership of managers and support leadership development of middle managers, the 360° and 180° evaluation and coach leader training for the chain of command has been launched.
- ✓ In order to increase the empowerment and feeling of ownership and management autonomy, Ence10 has consolidated itself with the implementation of customer-supplier partnerships between different areas and the routine monitoring of partnership results, as well as the development of RACI responsibility matrices in the cellulose area.
- ✓ In order to promote mainstreaming, collaboration, participation and a shared vision of the company's objectives, in addition to the development of Ence 10 Excellence Teams, monitoring is carried out through a harmonisation committee to ensure the application of the Objective Setting Code.

- ✓ To boost internal communication, the Annual Internal Communication Plan of the Management Committee has been monitored.
- ✓ In order to develop and attract talent, the annual Talent Programme continues to be developed.
- ✓ In order to increase skills, the programme on sustainability and equality training and its delivery to the Steering Committee has been developed. As well as the training plan to support the digital transformation.
- ✓ To strengthen the commitment to Ence's values, open days and family days have been organised, as well as environmental education and training given by Ence employees at educational centres near the plants and biofactories, as well as presentations of Ence's values to new recruits by the company's directors.
- ✓ In order to promote equality, the implementation of the equality objectives set in 2018, and those of the working time policy, have continued in the 2019-2020 period and the Technical Committee on Equality has been set up for subsequent follow-up.
- ✓ The protocol for the management of labour relations has been implemented to integrate labour relations into the management of all the company's executives, developing habits and policies to maintain a healthy and high-quality dialogue.

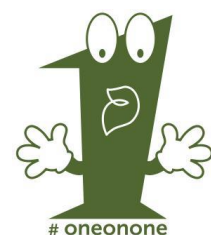
Making Ence a great place to work

One of the main objectives in human capital management at Ence is to make the company a great place to work and to make all the professionals who are part of it proud to be a part of the team.

In order to work on improving the organisational environment, Ence places special emphasis on knowing the opinion and degree of satisfaction of the people who work in the company through annual environment surveys. The results obtained are used as a basis for defining and implementing measures that respond to the expectations and needs of employees.

In this sense, in the year 2019, as a starting point, the Executives' Day was held, focused on the creation of action plans and next steps in the project of Improvement of the Organisational Environment. In addition, specific teams were defined in each work centre in which the improvement of the organisational environment is promoted through FEIO (Fundamental Environment Improvement Objectives). Among the actions that the company has implemented to work on improving the environment, the following stand out:

- **A programme of one-on-one meetings** between employees and their direct superiors to learn the concerns of all people and improve their performance day by day. This programme, launched in 2018, was supported by internal communication campaigns and reinforced training. As a result of the implementation of this programme, a total of 12,250 One-on-One meetings were held throughout the company in 2019.
- **Employee development** interviews at all levels within the collective bargaining agreement with their superiors, aimed at professional development within the company, with a total of 484 interviews conducted.
- Definition of **career plans**, with special focus on personnel not included in the collective agreement. During 2019, more than 371 personalised career plans were drawn up.
- Manager/worker meetings based on the **job description** to define what is expected of each person in his or her job - 619 meetings.
- Implementation of 160 alliances between different departments within the framework of the Ence10 project.
- Conducting 67 team coaching sessions.
- Publication of 287 awards on the intranet.
- Working Breakfasts with 535 participants



- Participation in improvement activities from a total of 8,784 participants.
- Follow-up on a **suggestions channel** for compiling ideas for improving the pulp biofactories and the Supply Chain area with the participation of 1,005 people.

In addition to these actions, in 2019 the perception of Ence employees continued to be analysed by means of monthly studies to ascertain their opinion on issues such as the relationship with superiors, the dialogue climate and the work environment.

In December 2019, a new edition of the Workplace Environment Study was also launched, which was communicated to staff with a letter from the Chairman urging all employees to contribute their opinions and stressing the importance of helping to make Ence a great place to work. As a result of all the actions described above, this Climate Study recorded a 7% improvement in the aggregate Climate indicator in 2019 with respect to the previous year's result.

Diversity and equal opportunities

Respect for people's dignity, equal opportunities and the rejection of all possible discrimination are fundamental ethical pillars of Ence. The company also understands diversity as a value-generating asset that encourages innovation and uplifts all employees personally and professionally.

In this context, Ence considers diversity not only in terms of gender, but also in terms of cultural, generational, ideological, sexual orientation, skills and competencies, different capacities, and any other personal, physical or social condition. To formalise this commitment, in May 2019, Ence's Board of Directors approved the **company's Diversity and Equal Opportunities Policy**, which is publicly available on Ence's [website](#).

This Policy establishes Ence's principles of action to achieve real equality among all employees and avoid any exclusionary or discriminatory conducts, as well as to create a work environment in which individual differences are valued, and which constitutes a sign of the company's identity to attract and retain talent. The principles set out in the Policy are articulated in Ence's equality plan.

Equality plan and objectives

This Plan promotes the effective application of the principle of equality between men and women, guaranteeing equal opportunities for income and professional development at all levels of the organisation. In the same vein, the **remuneration policy** guarantees non-discrimination and remunerates competitively pursuant to market criteria.

In 2018, the Steering Committee thus approved the 10 **Equality Objectives 2019/2020**, organised in five focus areas: professional development, selection process, pay gap, work/life balance measures, and visibility and monitoring.



Ence's Management Committee and Board of Directors monitor these objectives on a monthly basis and the Technical Committee on Equality, specially created for this purpose, meets at least quarterly to evaluate the fulfilment of the objectives and propose measures to facilitate and accelerate their implementation. In the financial year 2019, 100% of the objectives were met, except for Objective no. 3 (to include at least one woman in the final three of all selection processes), where the level of achievement was 64%.

The efforts made by Ence in the area of equality have resulted in a **17% increase in female representation in the workforce**. In addition, women accounted for **74% of new hires under 30 years of age with a university degree**.

Likewise, on the occasion of the celebration of World Women's Day 2019, all the company's workers were invited to submit their proposals for improving equality. From all the proposals received, the Technical Committee on Equality selected, among others, the following actions to be implemented:

- ✓ Identification and elimination of barriers to the incorporation of women in certain jobs in biofactories
- ✓ Acquisition of work clothes with female pattern
- ✓ Creation of break rooms for pregnant women
- ✓ Return to work interviews after maternity leave to detect possible obstacles in the development of your career
- ✓ Equality training programmes

Inclusion of people with different abilities in the labor market

Ence's Equality and Diversity of Opportunities Policy establishes that the company will contribute to the inclusion of people with disabilities, creating specific integration plans and eliminating possible barriers (physical or otherwise) that hinder their effective integration. At the end of the 2019 financial year, Ence had 13 disabled employees on its workforce and the company provides them with all the means and conditions necessary to guarantee their access and allow the correct development of their duties. Ence also works with special employment centres and subcontractors.

In addition to promoting equal opportunities with its Diversity Policy, through the **Harassment Prevention Policy**, Ence commits to preventing, avoiding, resolving and penalising any cases of harassment that may occur, as an essential requirement to guarantee the dignity, integrity and equal treatment and opportunities of all the people who work for the company. In 2019, no harassment complaints were received through the channels established for this purpose.

Work/life balance

Ence understands that work/life balance is a right for people who work in the company and at the same time a lever to generate satisfaction and pride in belonging. In this sense, the Ence Equality Plan establishes measures to facilitate work/life balance that go beyond what is established in current legislation, such as:

- Breastfeeding leave with the possibility of accumulation in full days
- Maternity leave coverage
- Part-time maternity leave
- Promotion of face-to-face meetings (videoconferencing, etc.) to reduce the need for business travel
- Responsible meeting schedule (care is taken to ensure that working meetings do not extend beyond the mandatory working day).

In 2019, as part of the value proposal that Ence has defined for staff not included in the collective agreement, the working time policy has been updated with the aim of increasing the flexibility of working hours and the employee's ability to organise their own working time, establish **digital disconnection** and implement mandatory presence throughout the year only from 9:00 to 13:30.

Training and development

As mentioned above, training and promoting the personal and professional development of all the people who work at Ence is one of the pillars of the People Strategic Plan and a strategic priority for the company. Ence believes that training is key to:

- Contribute to increasing production and competitiveness, improving quality and reducing costs by updating knowledge on technical matters and also facilitating the rapid adaptation of workers to new production facilities.
- Identify hidden costs and eliminate defects, to enhance and achieve maximum continuous improvement and operational excellence.
- Implement environmental awareness, with training actions that contribute to creating a culture of respect for the environment and are oriented not only towards compliance with environmental regulations but also towards social demands and impacts on the environment.
- Increase awareness of safety at work, so that workers know the risks inherent in their job and the preventive measures to be taken.
- Promote the training of workers as a basis for improving their integration in the company and their commitment to the objectives, improving their professional training and personal development.

- Contribute to raising awareness of aspects relevant to Ence, such as sustainability.

Ence's commitment to training was reinforced in 2019, increasing the total training hours to 29,595 in the Group, i.e. 26.4 hours of training per employee, which constitutes a 22.2% increase in comparison to the previous year.

Total training hours per category				Average number of hours of training per category			
	M	F	Total		M	F	Total
Management	3,262.0	734.3	3,996.3	Management	59.5	57.0	59.0
Managers	3,625.8	600.3	4,226.0	Managers	55.3	32.9	50.4
Technicians	5,994.5	3,513.0	9,507.5	Technicians	29.6	32.3	30.8
Team managers	2,772.5	118.5	2,891.0	Team managers	38.7	32.2	38.4
Operators	4,156.0	238.5	4,394.5	Operators	14.6	23.7	14.9
Maintenance	2,602.0	10.0	2,612.0	Maintenance	18.8	11.9	18.8
Support and improvement	498.5	659.5	1,158.0	Support and improvement	9.6	14.9	12.1
Clerical workers	123.5	686.0	809.5	Clerical workers	9.8	16.6	15.0
Total	23,034.8	6,560.0	29,594.8	Total	26.1	27.4	26.4

The main training initiatives carried out in 2019 fall into the following 7 areas:



The following table details the hours of training and the number of participants in the specific training actions carried out in these areas:

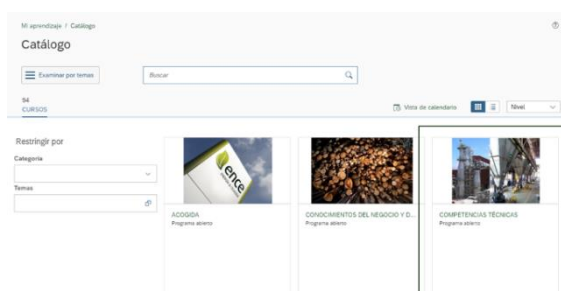
TRAINING PLAN 2019	h/person	Number of participants
Ence10 Team Coaching	9	371
Follow-up on 'Let's Talk' project. One-to-one meetings	3	153
Sustainability and Equality	2	68
Operation technical training plan	8	469
Maintenance technical training plan	8	75
Cellulose Occupational Health management training plan	8	575
Energy occupational health management training plan	8	170
Forestry occupational health management training plan	6	222
<i>Black Belt</i> Training	128	86
<i>Green Belt</i> Training	40	37
<i>Yellow Belt</i> Training	7	76
Project management	35	12
Microsoft Office 365	3	485
Digital transformation	72	4
Management development programmes	200	4
Individual Coaching and Mentoring	10	8

In addition to these actions included in the corporate training plan, each operations centre defines specific training plans adapted to its own unique aspects.

As a complement and in order to increase the technical skills and knowledge of the company's cellulose production process, all Ence employees have been provided with training blocks in the **ABOUT ENCE e-learning** course, structured in modules on the human capital management tool, AUNA, intended for professional retraining and the training plan for new hires.



It is an interactive process in which all the tools and resources are used, from a didactic point of view through multimedia environments that facilitate and promote learning and interactivity, using resources such as audio, animations and interactive exercises: Learning by Doing.



Performance management, talent attraction and retention

One of the key areas in human capital management for Ence is to ensure that the company attracts, develops and retains the talent necessary for the successful development and fulfilment of the objectives set out in the People Strategic Plan.

Ence offers a value proposition to accompany individual contract personnel in their professional and personal project at Ence in terms of developmental pay, active reconciliation and equality policies and communication. It accompanies all people with their **career plan and annual individual development plan (IDP)**, which is specified in the annual development interview with their boss and periodically followed up at the One-on-One meetings.

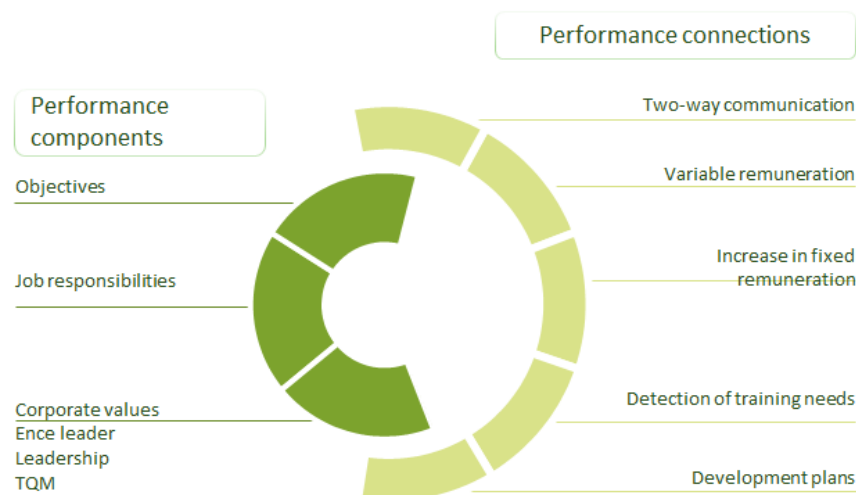
In 2019, Ence has also supported leadership development through corporate development and "leader coach" training programmes, with tailored executive coaching and mentoring programmes, and with the participation in Management Development and digital transformation programmes at prestigious Business Schools.

Performance management is assembled through the annual **talent and organisation review** process based on:

- Establishing a clear vision of the organisation and the key positions of the company. In 2019, 77 critical positions were identified.
- Identifying key actors, potential successors and talent. Throughout 2019, 70 key actors and 72 successors were identified
- Anticipating and preparing for upcoming movements and replacements
- Identifying possible "gaps" and adopting the necessary corrective measures

Additionally, the **performance management process** is also carried out annually to:

- Clarify what is expected of the position
- Reinforce and recognise behaviours
- Guide people towards development and progress
- Aim all efforts towards Ence's objectives and challenges
- Obtain people's commitment to Ence's values and the Ence leader model: "support and guidance" from your collaborators



These assessments are based on a continuous dialogue on goals, achievements, reinforcements and acknowledgements, where not only "what is achieved" through participatory management by objectives is analysed, but also "how it is achieved", "by what means" and "in what situations". The process is carried out through the annual performance interview and continuously throughout the year to all of the organisation's technicians and managers. In 2019, the Performance Management model has been enriched with *feedback* from peers, managers and collaborators. (360 Evaluation).

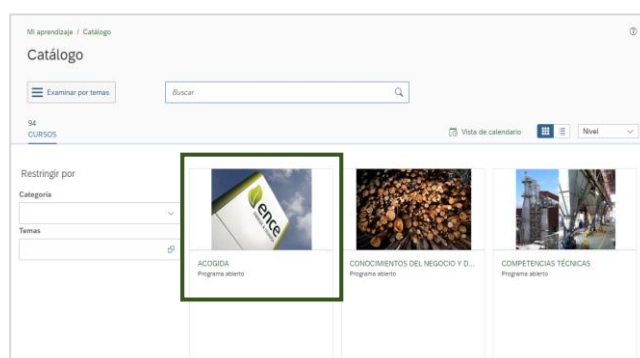
The company wants to involve the entire line of command in managing people and in Human Capital policies, making collaborators feel the trust and recognition of their superiors. For this reason, among other actions, the number of annual performance reviews carried out and the number of people participating in the participative management system by objectives are analysed, the latter with the annual variable remuneration.

In 2019, a total of 385 people took part in these performance evaluations, which represents 34% of the total workforce (2019) and 84% of the executive and individual contract workforce, demonstrating the company's commitment to this talent management system.

Number of people who received variable remuneration 2018	330
Percentage of the total workforce	29%
Percentage of staff managers and individual contracts	72%
Number of performance evaluations carried out in 2019	385
Percentage of the total workforce	34%
Percentage of staff managers and individual contracts	84%
Number of people with fixed objectives in 2019	383
Percentage of the total workforce	33%
Percentage of staff managers and individual contracts	83%

Welcome to Ence

In order to facilitate integration into the company and to accompany newly hired employees in their first days of work, Ence has designed a Welcome Plan in *e-learning* mode, which can be found in the same human capital management tool, AUNA, in the training module, and which includes the description of the company, its mission, vision and values and a description of the main management tools and procedures, and in the information safety protocols.



In addition, as an example of Ence's commitment to integrity, on the day they start, new employees receive copies of the code of conduct, harassment prevention protocol, criminal compliance policy and working time policy for reading and signing. Ence thus ensures that new recruits take on the company's rules of conduct and values from day one.

Commitment to development and internal promotion

As a basis for professional development and generating pride in belonging for the people who work in the company, Ence is committed to development and internal promotion. In 2019, special focus was placed not only on promoting internal personnel, but also on internally communicating the promotions that have been carried out, making them known to all company employees through channels such as the intranet, the up to date Ence corporate newsletter and the internal communication systems in offices and biofactories.

As a result of this commitment, there were 33 internal promotions in 2019.

Talent Programme

As a sign of its commitment to the environment and to the objective of promoting professional development and employment among young people in the regions in which it operates, in 2015 Ence launched the Talent scholarship programme for recent university graduates. With this programme, Ence offers young people the opportunity to begin their professional career by actively participating in the different areas of the company, both in its corporate offices and in the different operations centres. Each participant in the programme has a designated tutor who is responsible for ensuring their development and learning, and every four months their performance is evaluated and feedback is provided. The intern fills in the activity notebook that is reviewed by human capital to ensure learning in new areas throughout the scholarship period.



With this programme, Ence can also strengthen the link between the company and other stakeholders, such as the universities and other academic institutions from which the students come and thus promote the company's employer brand.

In 2019, a total of 97 interns participated in the Talent Programme, of which 21 have joined Ence's workforce after the final evaluation of the Talent Programme and the presentation of their improvement project to their area and to Ence's management committee by the finalists.

Remuneration and welfare plans

As part of its talent management and retention system, for employees not included in the collective agreement, Ence defines competitive remuneration policies that take into account the responsibilities of each position and the individual contribution of each person within a structure of salary levels and bands. For employees who receive variable remuneration in addition to the fixed remuneration, the former is determined on the basis of achieving individual, organisational and business results. The annual salary review is linked to a merit matrix, which is based on the employee's situation in the salary band and performance in the position, guaranteeing equality and non-discrimination.

Collective bargaining pay ensures a guaranteed minimum for individual contract staff as a whole and on an annual basis.

Average remuneration per group		2019	
Ence Energía y Celulosa		€ 55,944	
Management		€ 192,043	
Managers		€ 95,260	
Technicians		€ 55,158	
Team managers		€ 56,877	
Operators		€ 42,907	
Maintenance		€ 35,836	
Support and improvement		€ 41,760	
Clerical workers		€ 39,241	
Norte Forestal		€ 14,533	

Average remuneration by age		2019	
Ence Energía y Celulosa		€ 55,944	
Up to 30 years old		€ 42,132	
31–50 years old		€ 54,572	
+50 years old		€ 86,257	
Norte Forestal		€ 14,533	
31–50 years old		€ 14,600	
+50 years old		€ 14,406	

Average remuneration by gender	2019
Ence Energía y Celulosa	€ 55,944
Men	€ 55,958
Women	€ 55,886
Norte Forestal	€ 14,533
Men	€ 13,290
Women	€ 14,901

The remuneration of the Norte Forestal entity, which is mostly composed of permanent seasonal staff that could distort the general data, is reported separately.

The average effective remuneration 2019, excluding the Management Committee, was € 55,944 per annum, including fixed and variable remuneration and long-term savings pension systems. The average effective remuneration has increased by 5.1% with respect to 2018. The remuneration of senior management can be consulted in the company's Corporate Governance Report.

Pay gap

The **wage gap** is measured in hourly pay rates according to the methodology described in the "Methodological guide for the evaluation of the wage gap in the company" published by the Excellence in Sustainability Club in collaboration with Sagardoy Abogados and the Ministry of Labour, Migration and Social Security in October 2019. **In 2019, Ence Energía y Celulosa's average gender wage gap is 0%.**

Pay Gap	Ence Energía y Celulosa		Norte Forestal	
	Average	Median	Average	Median
Ence Energía y Celulosa				
Gender pay gap	0%	11%	-12%	-13%
Gender pay gap in terms of bonus	-8%	31%	7%	-1%

Proportion of employees who receive a bonus	Ence Energía y Celulosa		Norte Forestal	
	M	F	M	F
Ence Energía y Celulosa				
Percentage of employees who receive a bonus	87%	77%	100%	100%

Proportion of employees in each salary band by quartile	Ence Energía y Celulosa		Norte Forestal	
	M	F	M	F
Ence Energía y Celulosa				
Lower quartile	79%	21%	50%	50%
Lower Median Quartile	77%	23%	22%	78%
Upper Median Quartile	85%	15%	11%	89%
Upper Quartile	81%	19%	11%	89%

Gender distribution by quartiles	Ence Energía y Celulosa		Norte Forestal	
	M	F	M	F
Ence Energía y Celulosa				
Lower quartile	24%	27%	50%	15%
Lower Median Quartile	24%	30%	25%	26%
Upper Median Quartile	27%	19%	13%	30%
Upper Quartile	25%	24%	13%	30%

These results have been made possible by Ence's equality and diversity objectives, as mentioned above, and the necessary actions have been taken to increase internal equity. The Diversity and Equality of Opportunities section (pages 87–89) details the actions that Ence has undertaken in this area.

In the case of the Management Committee, the average pay gap between men and women in comparable positions is 3.75% in favour of women.

Salary Gap Management Committee		
Ence Energía y Celulosa	Average	Median
Gender pay gap	-3.75%	-17.35%
Gender pay gap in terms of bonus	-13.99%	-10.88%

Ence Energía y Celulosa	M	F
Percentage of employees who receive a bonus	100%	100%

With regard to the members of the Board of Directors, the criteria established in the Policy on the Remuneration of Directors apply equally to all members of the Board, regardless of their gender or any other personal circumstance. The differences in the remuneration received in a specific financial year are determined by objective aspects established in that policy, such as membership of the various committees or, where appropriate, their status as chairmen of one of the committees. In 2019, the average remuneration of the members of the Council disaggregated by gender was as follows:

Men	Women
€ 96,332	€ 110,299

In calculating the average remuneration, the remuneration of those members of the Board who have not been members of the Board during the whole financial year has not been taken into account (since their remuneration cannot be annualised), nor has the remuneration corresponding to the executive functions of the Chairman been taken into account.

The individual remuneration of each member of the Board is reflected in the Annual Remuneration Report published by the company and available on its [website](#) and on the [website](#) of the Spanish National Securities Market Commission.

The relationship between the starting salary of the lowest category applied in Ence and the official minimum salary in Spain in 2019 is detailed below:

Proportionality between SMI and lower-level salary Ence		
	2018	2019
Men	1.21	1.05
Women	1.21	1.09

Welfare plans

In its commitment to attracting and retaining talent and as a sign of its commitment to people, in addition to monetary remuneration, Ence has designed a social benefits scheme to reward its individual contract employees. The welfare benefits offered by Ence include:

- Health insurance (payment of 50% of the insurance premium), to protect the health of employees and their families
- Supplementary benefit of up to 100% of the real salary in ordinary working hours, for situations of temporary incapacity that are due to a common illness or accident

- Life and accident insurance (payment of 50% of the insurance premium), to protect the employee and his/her family in all circumstances
- Pension Plan, so that employees have a source of income in addition to retirement
- Restaurant/factory dining room card (subsidised by the company through a restaurant card)
- Loans for home purchase, home or vehicle repair and for unforeseen situations
- Birth and marriage gratuities and death grants
- Flexible Remuneration Plan, to contract products or services with tax advantages such as medical insurance, child care, transport card, training, etc.

Labour relations and workers' rights

At Ence, labour relations are based on dialogue, trust and co-responsibility, thus maintaining the relations framework necessary to be able to work on improving efficiency and productivity.

With regard to workers' rights, Ence operates in countries of the European Union where the risk of violation of workers' rights is low, since the administrations implement robust regulatory frameworks and control systems. However, Ence's Sustainability Policy includes the company's express commitment to respect for human rights and specifically the rights of workers as set out in the ILO Declaration on Fundamental Principles and Rights at Work and its conventions. Thus, Ence's collective agreements contain specific that set out workers' rights to collective and union representation.



During 2019, the **Protocol for the Management of Labour Relations** has been implemented in order to:

- Improve working relations with representatives and workers through dialogue, reaching lasting and significant commitments, focused on people and business. To this end, we have integrated labour relations into the management of all the company's executives.
- Develop habits and practices to maintain a high quality and healthy dialogue
- Achieving greater social peace
- Improving the environment and our image as an employer brand
- Retaining and attracting talent
- Guaranteeing the fulfilment of part of our legal obligations as a company before the Labour Inspectorate, other Labour Authorities and third parties.

In addition, meetings have been held in 2019 with the workers' representatives in order to make them aware of the company's strategy, request their participation and collect their proposals. Specifically, meetings were held in which the Strategic Plan, the Sustainability Master Plan and the Ence Equality Plan were presented.

Internal communication and participation

Internal communication and active participation from employees is fundamental to achieving strategic objectives and advancing cultural change, and its effectiveness depends directly on the involvement of everyone, especially the management committee and the entire management team. Thus, Ence is aware that the success of its new Strategic Plan 2019–2023 is based on excellent internal communication. For this reason, Ence has developed an internal communication strategy that contemplates the following aspects:



In order to respond to the objectives set out in the plan, during 2019 numerous communication, participation, joint activities and dialogue measures carried out with employees, including:

Actions of strategy and results communication

- Cascade presentation of the Strategic Plan to the entire organisation
- "Know our Strategic Plan" Contest
- Quarterly Conference call/Webex to communicate quarterly results and business performance
- Publication of results information on the corporate intranet

Communication actions and active participation and feedback

- Annual meeting of the Management Team, in which the main challenges of the following year were analysed with more than 100 managers from all areas of the company
- Working breakfasts with the CEO and the directors of each operations centre.
- 'Have your say' programme: visits by the Chief Executive Officer and the General Manager of Human Capital to hear employees opinions and points of view at each operations centre. At these meetings, attendees have the opportunity to speak in person with the company's executives and convey their concerns and perceptions about the measures Ence is implementing to improve the workplace climate, as well as other issues related to the running of the business and relations with local stakeholders. These talks also provide an excellent opportunity for the CEO to communicate aspects such as the Plan and the company's strategic objectives directly and to convey the Management Committee's commitment to working on the issues that arise during the meeting.
- "Adopt-a-Partner" Programme, an initiative in which participants have the opportunity to share a day with a colleague from another department at their workplace.
- Annual performance interviews

- "One-on-one" meetings with the direct superior
- Visit of workers from the Energy and Recovery area of Pontevedra to the condensation turbines of Navia.
- Conducting a company-wide survey to collect requests for training actions.
- Conducting a survey to collect suggestions for the implementation of actions in fulfilment of the objectives of the Equality Plan.

Corporate volunteering actions and solidarity campaigns

- Support for Jaime Caballero's swim across the Pontevedra estuary for the Commonwealth
- Volunteering in the collection of Christmas food together with the Food Bank
- Campaign "ENCEndamos la Navidad", whose aim is to collect toys for families with little resources from the City of Marín.
- Participation in a bicycle route between Navia and Santiago de Compostela in solidarity with the DEBRA-butterfly skin association.
- New edition of the Christmas greeting contest for the children of Ence employees
- A solidarity auction in the Navia biofactory with the aim of collecting funds for a non-profit social entity in the region.
- Environmental collaboration by participating in the "Ecological Walk" through the Navia estuary, organised by the Association of Friends of the Navia Estuary within the framework of the town's Descent to Swim.
- Collaboration with the Exit Foundation through the Coach Project, in which Ence volunteer workers have given coaching and mentoring sessions to young people at risk of dropping out of school.
- Development of leisure and sports activities to promote the knowledge and personal relationships of employees (paddle tennis tournament and indoor football) in a spirit of solidarity.
- Open days for employees' relatives at the operations centres in Pontevedra, Huelva, Lucena and Madrid, in which 546 people participated.





Another priority of Ence is providing recognition and gratitude to the people who play a relevant role in some of the improvement activities that the company sets in motion. In 2019, various recognition events were held:

- ✓ Recognition of those evaluated as Leaders in the performance evaluation process
- ✓ Annual recognition in the Huelva operations centre, Navia and Pontevedra biofactories and Supply Chain
- ✓ "Excellent Team" recognition in the annual executives meeting
- ✓ Periodic recognition through the company's internal communication channels (intranet, screens, etc.)

These actions have been implemented through different media and channels, including the monthly "Ence Today" newsletter, the corporate intranet, e-mail, announcements on panels and employee meeting points and monitors installed in Ence's biofactories and offices.

To encourage more digital and accessible communication, Ence has also launched the 'Mi Ence' application, which enables employees to access the company's communications and work-related information. This application also serves as a platform for dialogue and participation, since the people who work at Ence can use it to participate in perception studies and give their opinion on different issues.

Ence10

During the year 2019, the *ENCE10* project for the development of excellence teams in the company was consolidated. This project was established in 2018 to improve inclusion, the generation of synergies and the establishment of common objectives with a global vision.

The specific objectives of the programme are to improve collaboration between the areas through the so-called Customer-Supplier partnerships and to increase



empowerment and develop greater management autonomy.

The phases of the project implementation have been:

- | | |
|---|--|
| 1) Identifying the area's Mission and Business | 5) Validating Partnerships |
| 2) Identifying and mapping macro-process interfaces | 6) Developing Additional Plans for Goal Attainment |
| 3) Defining the KPIs | 7) Implementing an Improvement Plan |
| 4) Establishing Action Plans/Partnerships | 8) Monitoring the results of the Partnerships |

All of this is done with the aim of establishing a systematic approach (frequency, meeting agenda, reports at higher levels, tools and routines for dealing with deviations) for controlling alliances between areas and, where appropriate, analysing the results not achieved and proposing actions to correct the course, working with tools such as empowerment, promoting mainstreaming and establishing synergies.

Number of partnerships created
160

The project has been accompanied by team coaching sessions and the status of the partnership indicators is monitored monthly by the steering committee.



4.b. Safe and eco-efficient operations

- I. People health and safety
- II. Environmental commitment
 1. Management systems
 2. Fight against climate change
 3. Water and waste
 4. Materials and waste - circular economy
 5. Noise and odours
 6. Emissions into the atmosphere

Occupational health and safety



Ence understands that safety is a fundamental tool for improving the effectiveness and efficiency of the company in general, and therefore considers it an integral element of its way of working.

Ence's dedication to safety is shown in the company's own values, the first of which is commitment to people:

*"Ence respects and listens to **people**, it **recognises and values their work and contributions** and their professional and personal development. It communicates, it generates relationships of trust and it actively promotes **their safety** and equality and a **good working environment**".*

Ence believes that it is possible to carry out all of its industrial and business activities without accidents or incidents, and therefore sets ambitious objectives towards the ultimate goal of ZERO Accidents in all of its activities.

Security, seen and managed in this way, not only allows all the people who collaborate in Ence to develop themselves without the burden of accidents and incidents or the fear of suffering them, but is also a factor in the company's competitiveness. Secure operations mean greater business predictability and help the company achieve its goals.

Principles underlying Ence's safety culture

Management is in charge and sets the example in safety

Excellence in safety is only achieved when the company's leaders also behave accordingly in all safety processes, in a visible and committed way. Ence encourages and demands a visible commitment to safety from senior management and the entire chain of command, which should be evident in their actions and daily management.

Ence expects all its leaders and managers to lead by example, so that their exemplarity, visibility and credibility in safety will be the driving force behind an accident and incident free work culture with leading edge safe practices.

All accidents and incidents can and should be prevented

Ence believes that accidents do not occur by chance, but are caused by a number of factors, hence each is investigated constructively with the aim of preventing their recurrence.

This conviction applies not only to accidents, but also to incidents, that is to say, those events that, having not caused injuries to people, have come close to doing so, so that they are used as an opportunity to correct deficiencies before they result in damage.

Training and education

Ence believes that safety, like all cultural aspects, is learned, so a continuous effort and focus is dedicated to providing the necessary training and development before each job, so that each person, whether they are an employee or a collaborator through a contractor company, is able to perform their tasks safely, as a condition prior to the commencement of work.

Continuous auditing

Ence understands safety, or accident prevention, as one of the fundamental pillars of continuous improvement and, as such, it is based on the cycle of planning, doing, checking and auditing. Therefore, it is not enough to have and implement excellent plans, but a continuous auditing is necessary to verify that they are still in place, that they have been understood and maintained, and to detect and correct deviations.

Safety as a right and obligation

Safety is a condition of employment; it is a right of each person who wishes to develop themselves in their work without suffering the risks of injury or illness as a result of work conditions.

At the same time, safety is everyone's obligation, as it requires everyone's contribution to achieve it. A careless or negligent attitude by one person can lead others into an unsafe situation that results in accidents or incidents. Ence's safety programme therefore involves the entire workforce, both its own workers and those of collaborating companies.

Integrating safety into the business

Safety is an inseparable part of all business processes, from the conception or study of a new activity, the design, construction, implementation or improvement process. All decisions and actions taken by the company's management and its units take safety into account as a top priority.

Objectives for continuous improvement in Health and Safety

At Ence, safety is one of the essential management variables of the company and one of the pillars of its commitment to sustainability. So much so that the company's dashboards and operational meetings begin with the safety aspects, given their top priority.

In the annual strategic reflection processes, held by the management teams of each business unit, Occupational Health and Safety aspects are considered within the analysis and general Fundamental Improvement Objectives (FIO) to reduce accidents and incidents. As part of this process, work teams are formed in each unit, led by management and involving managers at all levels in order to implement improvements that reduce the chances of accidents occurring and improve working practices.

Indicators of improvement

Ence's fundamental safety improvement objectives are focused on improving loss indicators or "lagging indicators" such as the Frequency Index, which measures accidents resulting in sick-leave per million hours worked, or the Severity Index, which measures working days lost as a consequence of accidents resulting in sick-leave.

In addition, improvement objectives are also established in early indicators, or "leading indicators", which inform the degree of proactive safety measures in the organisation, so that their high level and quality can predict a lower accident rate and a stronger safety and management culture. In this way,

objectives are measured and established, among others, in the number of preventive safety observations, the number of audits carried out, and corrective and improvement actions carried out in time.

Ence Tools for the improvement of Health and Safety

Within Ence's management culture, the following safety management tools are used, among others, which are based on the involvement of all employees to maintain a safe workplace:

- **Work Permits**
All work with a certain level of risk of accidents or incidents, such as operating cranes, work in confined spaces, in areas with risk of explosions, in high voltage electrical installations, on roofs, etc., requires the use of work permits. This tool consists of an evaluation of the risks that this work presents, as well as the establishment of preventive measures, personal protective equipment, work procedures and monitoring to ensure that the risks are well controlled or eliminated.
- **Standard Operating Procedure (SOP)**
All work is analysed and standardised by means of documents called SOPs, which list the tasks to be carried out, the points of special attention, and the main risks. This helps to consolidate the first step necessary for continuous improvement: standardisation. The improvement processes, in which the operators actively intervene, are based on the SOPs, which also represent the basis for training and knowledge transmission.
- **Pre-access training**
All persons who access Ence's facilities receive prior training and follow a rigorous protocol to ensure that they are physically, formally and knowledgeably able to perform their tasks. Each of the contractor companies follows a rigorous protocol of approval with the most advanced tools of Coordination of Business Activities, to ensure that they are excellently trained to perform their jobs safely.
- **Regular meetings with the management of contractor companies**
The management of each of Ence's units meets periodically with the management of the main contractors in order to work in tandem to coordinate and improve safety. This activity is especially valued at Ence, as it is not possible to develop a good level of safety without clear leadership and involvement on the part of management. In addition, contractors are evaluated on their safety performance, which is crucial in the new hiring and renewal process.
- **Particularly Hazardous Work (PHW)**
Apart from the work permit procedure, it is an additional safety requirement at Ence to carry out safety studies and additional controls in the case of the so-called Particularly Hazardous Works (PHW). This practice makes Ence a leader in the sector and in the industry, as the company has established a pioneering standard based on:
 - Identifying all situations that may occur in the centres and have a high risk potential if not planned and carried out with high discipline.
 - Developing specific plans for these works, which includes a step-by-step work plan for each of the stages that identifies risks and preventive measures.
 - Involve all parties in the analysis: the planner, the area where the work is to be carried out and the executor.

All PHWs are informed and reviewed by the chain of command with the participation of the safety department. The Steering Committee is informed, sponsors and monitors the programme. During execution, all work categorised as Particularly Hazardous Work (PHW) is

continuously monitored by the chain of command and at least one Senior Technician in Occupational Risk Prevention, to ensure that it is executed safely in accordance with the plan.

- **Preventative Safety Observations (PSO)**

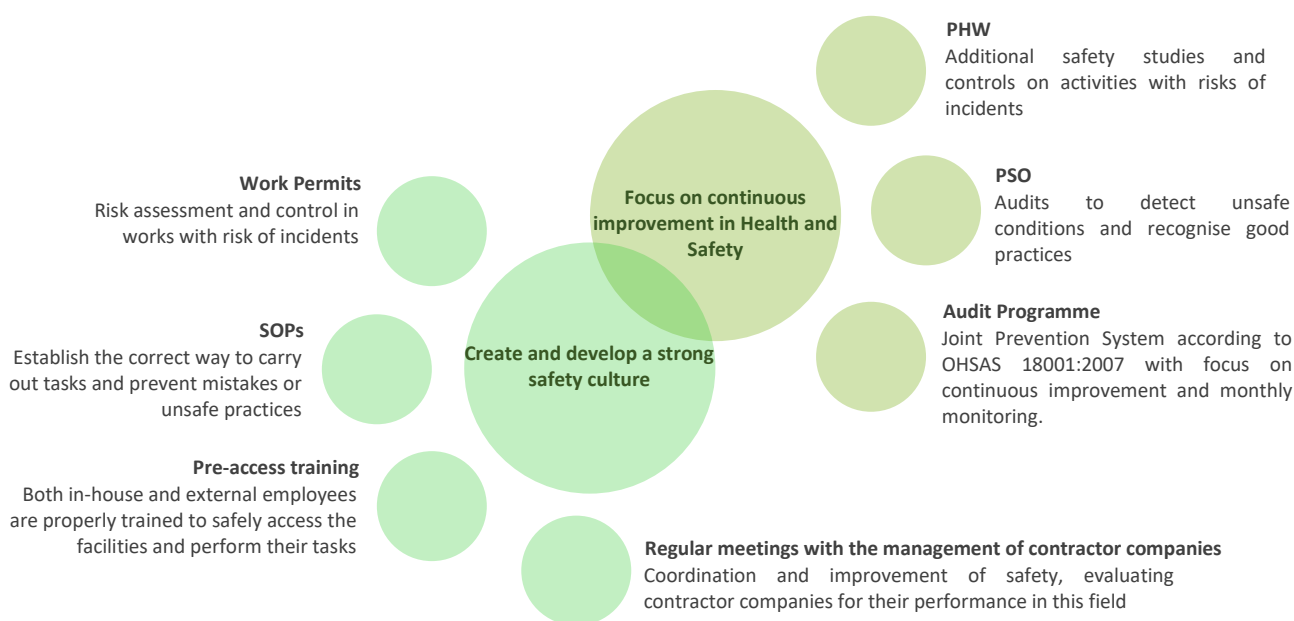
For more than a decade, Ence has been training its managers and employees according to the most renowned good safety practices focused on behaviour.

Each manager, from front-line functions to top-level management, performs Preventive Safety Observations (PSOMs) consisting of small audits of about 45 minutes that aim to detect unsafe actions and conditions and correct them in a constructive manner. They also serve to recognise good practices and reinforce them. They therefore contribute to creating and developing a strong safety culture.

- **Audit Programme**

Ence organises prevention through a Joint Prevention Service (JPS), which assumes the preventive specialisation areas of safety at work, ergonomics and applied psycho-sociology, and health surveillance. The management model of the Joint Prevention Service is structured pursuant to the OHSAS 18001:2007 international standard, and is planning to adhere to the new ISO 45.001 standard, which is based on exercising continuous improvement in order to: reduce accidents, ensure compliance with prevention legislation and encourage a preventive culture integrated into the general system of the company with the commitment of all the people who work in it.

At a higher level, a programme of corporate audits, requested and supervised by the board of directors, is drawn up with the participation of reputable external audit bodies. These audits cover aspects of Occupational Risk Prevention, Industrial Safety, Regulatory or Structural Safety, among others. The programme includes monthly follow-up activities by management at the highest level and reported to the Audit Committee to ensure that the action plan resulting from these audits is completed on time and effectively.



Health and safety performance

Ence's main health and safety indicators are summarised below:

Number of accidents:

2019	In-house Staff Accidents		External Staff Accidents	
	With leave	No leave	With leave	No leave
Cellulose	4	4	5	13
Energy	2	4	11	25
Forestry	0	1	9	5
Total	6	9	25	43

In 2019, only one non-serious accident (without leave) involving a woman was recorded.

2018	In-house Staff Accidents		External Staff Accidents	
	With leave	No leave	With leave	No leave
Cellulose	3	8	3	2
Energy	1	5	4	16
Forestry	0	0	11	6
Total	4	13	18	24

2017	In-house Staff Accidents		External Staff Accidents	
	With leave	No leave	With leave	No leave
Cellulose	1	12	3	4
Energy	0	3	1	6
Forestry	0	3	9	7
Total	1	18	13	17

Frequency and severity indices:

2019	FI	SI
Cellulose	2.66	0.090
Energy	4.21	0.151
Forestry	5.86	0.258

2018	FI	SI
Cellulose	2.75	0.136
Energy	3.45	4.26
Forestry	8.76	5.018

2017	FI	SI
Cellulose	2.20	0.086
Energy	2.04	0.082
Forestry	7.05	0.157

The frequency and severity rates include both in-house and external staff. These indices are calculated according to the provisions of the INSST. (External staff hours are calculated based on their records in the application that manages plant accesses). Since no accidents with leave among women have been recorded, the frequency and severity rates for this group would be zero.

An analysis of the root cause is carried out for each accident registered, following the procedure of investigation, registration and notification of accidents and incidents. With the aim of clarifying the reasons for the accident, an action plan is drawn up to prevent its repetition, and the lessons are shared with all the work centres, in order to have them benefit from the lessons learned from these accidents.

Health surveillance

In the area of health surveillance, in addition to carrying out annual medical check-ups following specific protocols required according to the risk assessment of each post, the company prepares informative documents that delve into general health aspects, thus promoting **healthy living guidelines** ("Ence por tu salud" (Ence for your health) bulletins).



Plans to promote healthy living focus on promoting a balanced diet, smoking cessation, promoting physical exercise and health testing (hypertension, obesity, uric acid, cholesterol, etc.).

The health surveillance service is also responsible for preparing the corresponding **epidemiological studies** and annual reports in the operations centres. In this regard, it should be noted that no case of occupational disease was recorded in 2019.

Environmental commitment

Commitment to the environment forms part of Ence's vision and is one of the principles of action included in the company's Sustainability Policy. In fact, Ence's own business model contributes to the protection of the environment, given that:

- ✓ As Europe's leading eucalyptus cellulose producer, it puts on the market renewable and recyclable products that can replace other materials with a high environmental impact, such as plastics
- ✓ With the generation of renewable energy it contributes to decarbonise the electric mix and avoid polluting emissions

In addition, Ence shows the utmost respect for the environment in its operations, minimising the use of resources and implementing all measures available to it to reduce the environmental impact of its activities, in terms of waste generation, emissions, effluents, noise, effects on biodiversity, etc.



RENEWABLE ENERGY

Use of excessive agroforestry biomass

Implementation of a circular economy model
Prevents uncontrolled burning and reduces the risk of fire
Principles of sustainable biomass management (Ence's Code for the Sustainability of Biomass as Fuel)



Environmental management in the generation process

Reduction of water consumption in the operation
Improved disposal parameters
Minimisation and recovery generated waste
Noise reduction in plants
Improved air quality



Renewable and manageable energy production

The consumption of energy from renewable sources avoids emissions from the use of energy from fossil sources.
Recovery of a local product that allows manageable generation (not dependent on non-controllable resources)



Ence's commitment to the environment translates into significant **investments** to apply the best available techniques and improve the efficiency of the processes, allocating 42.9 million euros in environmental investments in 2019, of which 32.9 million were invested in the cellulose biofactories and 10 in the independent energy plants. Among the investments made, those corresponding to emission purification and air quality systems stand out, which contribute to continuing to reduce possible environmental impacts and improve relations with nearby communities. Thus, the company seeks continuous improvement in environmental performance driven by senior management and shared by the entire organisation.

Ence also extends its commitment to respecting and improving the environment throughout all phases of its value chain, both in its forestry and cellulose production activities and in the generation of renewable energy, focusing especially on the potential environmental impacts of its activity and that of its supply chain, and providing its suppliers with the highest level of environmental requirements in their operations.

Ence is also aware of global environmental challenges, such as climate change, the protection of biodiversity and the transition to a circular economy, and takes them into account when designing its environmental strategy and objectives.

Regulatory compliance and best available techniques

Ence's environmental commitment is based on rigorous and exhaustive compliance with the regulations in force, which establish the requirements to be met by all activities related to the production of cellulose and the generation of renewable energy, as well as adaptation to *Best Available Techniques (BAT) in the Pulp and Paper Industry 2014*, adopted by the Environmental Committee of the European Parliament and BAT under Directive 2010/75/EU of the European Parliament and of the Council on large combustion plants adopted on 31 July 2017.

The Integrated Environmental Authorisation (IEA) for each of the biofactories and power plants establishes the environmental conditions necessary for an industrial facility. Its aim is to avoid, or where this is not possible, to minimise and control emissions into the atmosphere, water and soil in order to achieve a high level of protection of the environment as a whole.

In this context, the IEA establishes the limit values for each installation based on the best available techniques as well as the monitoring plans for all relevant environmental aspects. Ence puts all the measures at its disposal to comply with and even improve these limit values established by the AAI and punctually informs the corresponding administrations of their evolution.

Environmental management systems

In its aspiration to contribute to protecting and improving the environment, the environmental management carried out by Ence goes **beyond compliance with current regulations**. Since 2011, Ence has implemented the TQM (*Total Quality Management*) model as one of cultural transformation and management practices, which addresses in an integrated manner the aspects of quality, health and safety of people, respect for the environment and pollution prevention. An **Environmental Policy** is defined within the framework of this model, which establishes the company's general objectives on the matter, and a series of Fundamental Improvement Objectives (FIO) are established with a clear environmental orientation that is aimed to:

- | | | |
|--------------------------------------|----------------------------------|--|
| ✓ Reducing the impact of odours | ✓ Improved discharge quality | ✓ Reduced consumption of raw materials |
| ✓ Reducing the acoustic impact | ✓ Improved energy efficiency | ✓ Waste reduction |
| ✓ Reducing the impact on air quality | ✓ Reduction of water consumption | ✓ Improvement of Management Systems |

Within the TQM model, operational standards have been developed that favour the control and management of possible environmental impacts. The improvement in the control of processes with the PDCA and SDCA cycle and the operational improvements of the key process indicators (KPIs), enable Ence to achieve results that certify the effectiveness of this management model.

Ence has also developed an **Integrated Management System** at the biofactories in Pontevedra, Navia and at the energy operations centres in Huelva and Termollano, in order to ensure that all of the company's activities are carried out in accordance with the management policy established by Senior Management and the objectives and goals defined. This integrated management system is certified by an accredited body that carries out the corresponding audits annually. Management is organised by identified and evaluated processes to facilitate monitoring and continuous improvement. The integrated management system is implemented pursuant to the following international standards:

- UNE-EN-ISO 9001, for quality management
- UNE-EN-ISO 14001, for environmental management
- OHSAS 18001, for occupational health and safety management

These certifications can be viewed on the Ence [website](#).

Both biofactories and the Huelva Energy Operations Centre also adhere to European Union Eco-Management and Audit Scheme (**EMAS**) Regulation 1221/2009. Validation of the Environmental Declaration enables the sites to remain registered under this scheme, each site having been the first to reach this demanding voluntary commitment in their respective Regional Communities, which only a small number of companies have reached to this day. The Environmental Statements are also available on Ence's corporate website (<https://ence.es/sostenibilidad/declaraciones-ambientales/>)

The excellent environmental development achieved by the Ence biofactories has granted the cellulose produced in Pontevedra and Navia, since 2014, the **Nordic Swan** eco-label (the official eco-label for the Nordic countries 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 enables consumers to make purchasing decisions that respect the environment.



After a rigorous process of assessing the environmental impact of products throughout their life cycle, this eco-label ensures compliance with their stringent requirements in terms of climate change mitigation, energy efficiency and use of resources (water, chemicals and raw materials).

In 2019, the cellulose produced in the Navia and Pontevedra biofactories has also been validated as a raw material according to the European Union Decision 2019/70, which establishes the EU **Ecolabel** criteria for graphic paper, tissue paper and tissue products.



Environmental performance

The main environmental aspects related to Ence's activity can be grouped into the following categories:

- Material consumption
- Energy consumption
- Water consumption
- Emissions into the atmosphere
- Climate change mitigation and GHG emissions
- Liquid effluents
- Waste generation
- Other aspects: odorous impact and noise

The main indicators of the company's environmental performance in each of these sections are detailed below.

Material consumption



In the **cellulose pulp production process**, the main raw material used by Ence is **wood**, mainly from eucalyptus and local sources. The wood is used in full, using cellulose for producing the pulp and the rest (lignin, bark) as fuel for energy production.

In addition to wood, the production of cellulose pulp requires **chemicals** (soda, bleaching agents, etc.) that are used to separate and process the cellulose and to process the effluents and waste generated, thus minimising its environmental impact.

Responsible use of chemicals and chlorine-free bleaching in pulp production

In application of Regulation 1907/2006 on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH Regulation), Ence verifies that the chemicals it uses comply with this regulation before authorising their use. In accordance with this regulation, Ence has therefore registered: calcium oxide, calcium carbonate, chlorine dioxide, white, green and black liquids, ashes (from the biomass boiler) and *dregs* (inert elements from clarifying the green liquid). All the requirements of this regulation have also been incorporated into the Integrated Management System.

Ence also actively participates in the registered substances consortia in order to update the registration if there are any changes in the composition or new identified uses. Although pulp paste does not have to be registered as a natural substance since it is not chemically modified and not classified as dangerous, REACH requires that information is collected on customer uses due to the registered substances present in the final product. Ence also requires that its suppliers have registered the substances supplied for specific use in the production process, that all substances have the relevant safety data sheets and that they are correctly labelled pursuant to current European regulations.

Beyond the responsible use of chemical products, Ence is committed to chlorine-free bleaching in its production centres, using the process known as ECF (*Elemental Chlorine Free*) in the Navia biofactory, in which elemental chlorine is replaced by chlorine dioxide to prevent dioxin contamination. In the Pontevedra biofactory, the bleaching is TCF (*Total Chlorine Free*), where no chlorine compound is used, but oxygenated water is used as a bleaching agent.

Ence also promotes the use of Best Available Techniques (BAT) such as delignification with oxygen or modified low kappa firing, which significantly reduce the consumption of bleaching agents.

For **energy generation**, the main material consumed at Ence's facilities is **biomass** used as fuel, mainly agricultural and forestry biomass and pomace. The biomass used meets the sustainability criteria set by the Code (more information on page 154).



In power generation plants, **chemicals** are also used to treat effluents and waste to reduce environmental impact, such as ammonia, which is used to reduce the amount of NOx in fuel gas. In Huelva, sand is also consumed for the fluid bed boiler.

As for the **nurseries**, the main materials used are **substrates and fertilisers**.

The consumption of the main materials used in Ence's operations centres is: In the case of Huelva and Mérida, due to the characteristics of these facilities and the mix of biomass they consume, consumption data are reported without counting the withdrawals of fine...

Navia Biofactory	2017	2018	2019
Wood consumption (m ³)	1,565,712	1,618,645	1,402,035
Biomass consumption (t)	373,569	380,590	361,945
Soda consumption (t)	10,796	8,303	10,052
Oxygen consumption (t)	8,621	8,922	9,260
Hydrogen peroxide consumption (t)	3,662	4,228	3,663
Sulphuric acid consumption (t)	17,796	18,552	16,116
Sodium chlorate consumption (t)	13,642	14,435	11,697

Pontevedra Biofactory	2017	2018	2019
Wood consumption (m ³)	1,319,150	1,294,194	1,329,575
Biomass consumption (t)	214,577	248,375	227,671
Soda consumption (t)	10,433	10,146	9,151
Oxygen consumption (t)	9,154	8,922	9,333
Hydrogen peroxide consumption (t)	7,643	8,454	9,426
Sulphuric acid consumption (t)	5,398	5,271	5,095

Huelva	2017	2018	2019
Biomass consumption (t)	623,245	645,867	564,498
Soda consumption (t)	498.3	409.4	634.5
Sulphuric acid consumption (t)	92	59	110
Consumption of fluid bed sand (t)	5,788	6,421	12,510

Enemansa	2017	2018	2019
Biomass consumption (t)	88,130	96,377	96,563
Ammonia consumption (t)	249	236	253

La Loma	2017	2018	2019
Biomass consumption (t)	85,806	77,336	77,301
Ammonia consumption (t)	162.5	135.3	393.2

Lucena	2017	2018	2019
Biomass consumption (t)	50,267	96,601	103,357

The Lucena plant was acquired by Ence in June 2017. The figure for 2017 corresponds to the period August-December 2017

Mérida	2017	2018	2019
Biomass consumption (t)	138,890	168,230	150,213
Soda consumption (t)	0.5	1.3	1.1
Sulphuric acid consumption (t)	27.6	12.9	13.9
Lime consumption (t)	-	-	43.9
Ammonia consumption (t)	-	-	58.2
Consumption of fluid bed sand (t)	-	-	8.9

Chemicals are consumed by the subcontractor that carries out the operation and maintenance of the plant.

Termollano	2019
Sulphuric acid consumption (t)	17.8

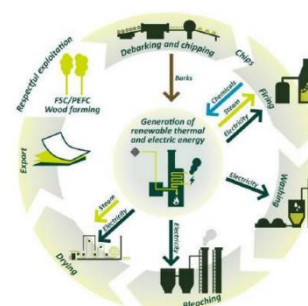
The Termollano plant was acquired by Ence in December 2018

Forestry (nurseries)	2017	2018	2019
Substrate consumption (t)	533.0	725.4	816.32
Fertiliser consumption (t)	4.1	10.9	3.93

Recovered and recycled materials

The cellulose production process is an example of a circular economy, since most of the reagents used are recovered and reincorporated into the production cycle. In this way, lime, soda and sodium sulphate are recovered.

The trays used in the seedbeds, the wooden pallets and the substrate for filling seedling trays are also reused in Ence's nurseries:



Forestry (nurseries)	2017	2018	2019
Recovery of seed trays (t)	183.6	151.6	269.16
Recovery of wooden pallets (t)	-	17.6	10.28
Substrate recovery (t)	25.6	38.9	-

Efficient generation and consumption



The consumption of energy, in the form of fuels and electricity, is another relevant environmental aspect of Ence's activity, and for which it has established rigorous control measures.

In the cellulose pulp production process, the most widely used fuels are **lignin** itself and **biomass**, both obtained from wood, which is another example of the commitment to the circular economy and helps to reduce the demand for additional fuels. As additional fuels, cellulose production plants mainly use fuel oil for furnace feed and boiler support.

In the electricity generation activity, the main fuel used is biomass, but the plants also use auxiliary fuel (fuel oil or diesel) as a support for specific times, such as starting a boiler. In the Lucena plant, natural gas is also used as fuel for the cogeneration process, and in the case of Termollano it is used for the auxiliary heater system, which only works when support for the solar field is required (times of high cloudiness, at night or on days with less solar radiation than expected)

In order to improve the energy **efficiency** of this biomass, Ence has implemented processes such as dry debarking and concentrating solids in black liquid. In 2019, it is worth highlighting as a good practice the start-up of a biomass drying facility at the Navia biofactory, where, by taking advantage of the surplus heat from other sub-processes, the humidity is removed from the biomass prior to its use, thus increasing its thermal potential, and becoming a benchmark for energy efficiency.

In this sense, it is also worth mentioning the interventions carried out for the use of the useful residual heat within the facilities of the independent energy plants, such as, for example, the evaporation unit for the reduction of the volume of residual effluents from the pomace storage of the La Loma plant by means of atmospheric evaporation, or the installation of an expansion tank for the use of the continuous purges in the Huelva plant.

With regard to forestry, the main fuel used is petrol and diesel used by forestry technicians' vehicles and nursery machinery. The consumption of the main fuels used in Ence's facilities is detailed below:

Navia Biofactory	2017	2018	2019
Fuel consumption (GJ)	322,465	243,672	401,116
Diesel A consumption (GJ)	19.4	0	-
Diesel B consumption (GJ)	-	-	131
Propane consumption (GJ)	93	0	60
Natural gas consumption (GJ)	708,169	764,656	647,943
Biomass consumption (GJ)	2,981,793	2,833,187	2,961,489

Pontevedra Biofactory	2017	2018	2019
Coke consumption (GJ)	168,911	158,459	166,540
Fuel consumption (GJ)	1,033,859	1,089,262	982,778
Propane consumption (GJ)	1,122	1,781	1,436
Biomass consumption (GJ)	1,317,089	1,560,580	1,025,788

Huelva	2017	2018	2019
Fuel consumption (GJ)	28,324	56,110	32,958
Diesel B consumption (GJ)	53.7	53.7	-
Propane consumption (GJ)	108.1	83.8	50.1
Biomass consumption (GJ)	7,241,465.7	7,800,487.8	7,439,744

Enemansa	2017	2018	2019
Diesel B consumption (GJ)	6.24	4.21	4.57
Biomass consumption (GJ)	1,481,411.9	1,386,333.1	1,601,523

La Loma	2017	2018	2019
Diesel C consumption (GJ)	7,445.9	7,891.5	9,368.7
Biomass consumption (GJ)	1,431,288.1	1,113,376.4	1,273,912

Lucena	2017	2018	2019
Diesel B consumption (GJ)	3.9	10.4	-
Natural gas consumption (GJ)	1,112,174	872,176	1,133,967
Biomass consumption (GJ)	-	1,356,226	1,490,109

The Lucena plant was acquired by Ence in August 2017. Natural gas is consumed in the cogeneration plant.

Mérida	2017	2018	2019
Diesel B consumption (GJ)	610.7	914.7	996.1
Biomass consumption (GJ)	1,753,232.4	2,016,146.8	1,986,871.4

Termollano	2019
Diesel A consumption (GJ)	174.1
Diesel B consumption (GJ)	333.3
Natural gas consumption (GJ)	37,697.3

The Termollano plant was acquired by Ence in December 2018

Forestry (nurseries)	2017	2018	2019
Diesel consumption (GJ)	223.2	170.5	172.1

As far as electricity consumption is concerned, energy production from biomass allows Ence's biofactories to be practically **self-sufficient**: from the wood components that they do not use to produce cellulose and from local biomass, they generate most of the energy they consume in their industrial process in a renewable way. In the case of Navia, in fact the amount of energy generated is greater than that consumed by the plant.

Independent power plants use part of the energy generated for their own consumption and resort to buying electricity for specific situations with generation stoppage. In this sense, Ence is working on projects for the installation of **solar panels for self-consumption**, so that the auxiliary consumption of the generation plant facilities can be covered. In 2019, they have been installed in the Huelva plant and the processing for their installation in the Mérida plant has begun.



The data on generation, self-consumption and sale to the electricity market and, where appropriate, steam, for each of Ence's plants is:

Navia Biofactory	2017	2018	2019
Electricity generation (GWh)	563.6	554.7	519.5
Purchased electricity consumption	279.1	284.0	254.4
Electricity self-consumption (GWh)	31.7	32.2	36.1
Electricity sales (GWh)	527.9	519.3	483.4
Energy intensity (MWh/tAD)	0.53	0.54	0.56
Cogeneration steam consumption (GJ)	7,750,284	8,002,703	8,068,345

Pontevedra Biofactory	2017	2018	2019
Electricity generation (GWh)	225.3	239.0	232.4
Purchased electricity consumption	235.6	239.1	245.3
Electricity self-consumption (GWh)	8.2	8.3	7.7
Electricity sales (GWh)	217.4	230.7	224.7
Energy intensity (MWh/tAD)	0.54	0.55	0.54
Cogeneration steam consumption (GJ)	6,647,799	6,610,938	6,811,049

Huelva	2017	2018	2019
Electricity generation (GWh)	541.2	492.8	529.4
Purchased electricity consumption	1.86	2.34	15.8
Electricity self-consumption (GWh)	41.05	44.3	48.5
Electricity sales (GWh)	500.2	448.6	480.9
Energy intensity (GJ biomass/GWh generated)	13,379.4	15,828.3	14,055.8

The consumption of electricity purchased in 2019 includes auxiliary consumption and direct purchases from the market

Enemansa	2017	2018	2019
Electricity generation (GWh)	103.5	105.8	107.3
Purchased electricity consumption	0.22	0.23	0.16
Electricity self-consumption (GWh)	12.8	13.0	13.1
Electricity sales (GWh)	90.7	92.8	94.2
Energy intensity (GJ biomass/GWh generated)	14,313.2	13,101.0	14,925.7

La Loma	2017	2018	2019
Electricity generation (GWh)	88.9	92.6	83.0
Purchased electricity consumption	0.56	0.38	0.97
Electricity self-consumption (GWh)	11.8	13.3	11.7
Electricity sales (GWh)	77.1	79.3	71.3
Energy intensity (GJ biomass/GWh generated)	16,108.7	12,017.2	15,348.3

Electricity purchased in 2019 includes auxiliary and multipoint consumption

Lucena	2017	2018	2019
Electricity generation (GWh)	209.4	180.6	208.7
Purchased electricity consumption	0.28	0.48	1
Electricity self-consumption (GWh)	13.6	12.3	12.8
Electricity sales (GWh)	196.8	168.3	195.9
Energy intensity (GJ biomass/GWh generated)	-	7,509.0	7,140.0
Heat sales (GJ)	-	460,798	690,236

The Lucena plant was acquired by Ence in June 2017. In this plant, the natural gas cogeneration facility provides heat to an adjacent facility for drying the alperujo. This, once dried and extracted, serves as fuel for the plant. Electricity purchased in 2019 includes auxiliary and multipoint consumption

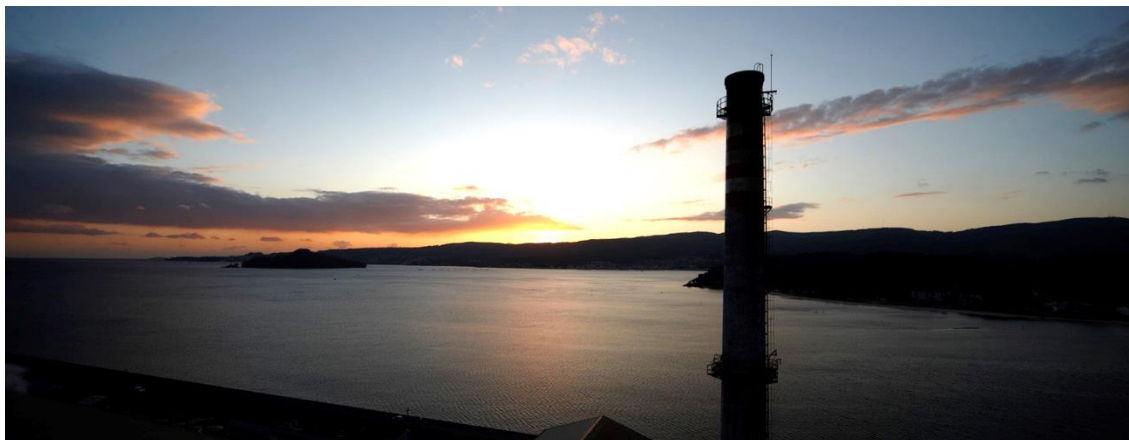
Mérida	2017	2018	2019
Electricity generation (GWh)	149.1	150.0	147.4
Purchased electricity consumption	0.58	0.59	2.3
Electricity self-consumption (GWh)	14.6	15.5	14.6
Electricity sales (GWh)	134.5	134.6	132.9
Energy intensity (GJ biomass/GWh generated)	11,759.2	13,439.3	13,479.4

Electricity purchased in 2019 includes auxiliary and multipoint consumption

Termollano	2019
Electricity generation (GWh)	79.8
Purchased electricity consumption	4.2
Electricity self-consumption (GWh)	7.8
Electricity sales (GWh)	72.0

The Termollano plant was acquired by Ence in December 2018

Water resources management

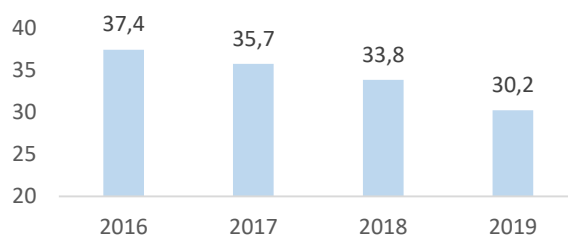


The efficient management of water resources and especially the reduction of water consumption at its facilities is one of Ence's environmental priorities and one of its corporate sustainability objectives. Thus, the company has been implementing measures to encourage efficiency in consumption and reuse, such as dry debarking, or *stripping* of condensate, in the case of cellulose biofactories.

In this sense, the process water treatment projects that Ence is implementing at the Pontevedra biofactory to **reduce water consumption per ton of cellulose produced are also noteworthy**. During 2019, fundamentally improving the control and engineering of the process, a new reduction in consumption has been achieved with respect to the previous year, achieving a **reduction of almost 20%** in consumption over the last four years:



Consumption of biofactory water in Pontevedra (m³/tAD)



At the Navia biofactory, a plan to optimise consumption is being worked on, with a 10% reduction target set for 2020 compared to the previous year. For independent power plants, specific optimisation plans will be available throughout 2020.

The biomass plant in Lucena is another example of efficiency in water consumption and circular economy, as it uses the water from the municipality's WWTP, thus avoiding additional extraction.

As an example of its commitment to responsible management of water resources, Ence is part of EsAgua, a pioneering network of Spanish entities committed to reducing their water footprint. Managed by Cetaqua, the Water Footprint Network and DNVGL, EsAgua is a unique and innovative project in Spain where more than 30 Spanish entities are already participating.



By joining the EsAgua Network, Ence expresses its commitment to help preserve the environment and achieve a more efficient allocation of water resources, making progress towards calculating the water footprint and raising awareness among all its stakeholders.

The water that Ence uses in its cellulose production and energy generation processes is obtained from surface or underground sources, always within the framework of the corresponding environmental authorisations for each facility. The following is a detail of the consumption of each of Ence's plants, as well as its origin.

Navia Biofactory	2017	2018	2019
Surface water consumption (m ³)	19,555,011	19,828,447	18,256,117
<i>Source: Navia river</i>			
Water consumption ratio (m ³ /tAD)	33.8	35.0	35.2

Pontevedra Biofactory	2017	2018	2019
Surface water consumption (m ³)	15,505,018	14,766,269	13,735,086
<i>Source: Bora Dam on the River Lérez</i>			
Water consumption ratio (m ³ /tAD)	35.7	33.8	30.2

Huelva	2017	2018	2019
Surface water consumption (m ³)	5,231,076	5,107,150	3,534,852
<i>Source: El Sancho dam on the river Tinto</i>			
Municipal supply water consumption (m ³)	51,050	53,511	47,724

Enemansa	2017	2018	2019
Ground water consumption (m ³)	37,702	35,125	34,196
<i>Source: aquifer survey 23</i>			

La Loma	2017	2018	2019
Municipal supply water consumption (m ³)	47,952	49,608	48,866

Lucena	2017	2018	2019
Consumption of wastewater from another organisation (m ³)	513,342	461,856	482,036
<i>Source: Lucena WWTP</i>			
Municipal supply water consumption (m ³)	1,232	636	806

The Lucena plant was acquired by Ence in June 2017

Mérida	2017	2018	2019
Surface water consumption (m ³)	595,144	662,043	577,086
<i>Source: Guadiana River</i>			

Termollano	2019
Surface water consumption (m ³)	310,972

Source: Montoro reservoir

Water consumption at the Mérida, Lucena, Termollano and Huelva facilities is higher due to the use of cooling towers. Consumption is lower in the Enemansa and La Loma plants due to the use of air condensers (without water consumption) as cooling systems.

Forestry (nurseries)	2017	2018	2019
Municipal supply water consumption (m ³)	17,018	19,181	18,615

Management of air emissions



The control and improvement of emission parameters is another of Ence's priorities in its environmental management. The facilities have continuous control systems to monitor and manage the main emission parameters so that not only are the emission limits established in the corresponding environmental permits for each facility not exceeded but, in accordance with their management system based on continuous improvement, they can be gradually improved. In this regard, in 2019, the plan to improve the reliability of environmental data continued with the installation of redundant measuring equipment and the strengthening of the entire data collection, processing and reporting system.

Ence has also begun to adapt to the new Emission Limit Values indicated in the BAT document in the plants that so require it, anticipating the date of entry into force of the BATs (August 2021).

Among the milestones achieved in 2019 in improving emissions, the installation of a new sleeve filter system at the **Lucena** plant should be highlighted, which has managed to **reduce the particulate emissions from this facility by more than 30%**.



At the **Huelva energy complex**, thanks to the optimisation of biomass processing, the boiler input mix has been improved, reducing the inert content and facilitating the continuity of the process. As a result, **SO₂ emissions have been reduced by more than 50%** compared to 2018.

The emissions of the parameters of Ence's operations centres are detailed below, according to the parameters established in their corresponding AAI:

Navia Biofactory	2017	2018	2019
NOx (t)	1,102.0	1,490.6	1,012.8
SO ₂ (t)	240.0	130.2	98.3
Particles (t)	118.0	132.5	111.9
SH ₂ (t)	2.0	1.7	0.56

Pontevedra Biofactory	2017	2018	2019
NOx (t)	817	589	649
SO ₂ (t)	201	172	106.5
Particles (t)	49	132	141.5
SH ₂ (t)	1.3	1.9	2.5
CO (t)	137	142	147.5

Huelva	2017	2018	2019
NOx (t)	448.0	476.0	407.6
SO ₂ (t)	191.0	197.0	93.1
Particles (t)	23.4	9.7	13.4

Enemansa	2017	2018	2019
NOx (t)	51.0	105.5	105.8
SO ₂ (t)	0.1	0.3	0.07
Particles (t)	1.8	0.8	0.8
CO (t)	227.0	120.4	84.3

La Loma	2017	2018	2019
NOx (t)	362.0	327.0	140.6
SO ₂ (t)	147.0	132.0	1.51
Particles (t)	254.0	229.0	1.83
CO (t)	133.0	120.0	634.6

Lucena	2017	2018	2019
NOx (t)	407.0	353.0	394.0
SO ₂ (t)	108.0	113.0	115.0
Particles (t)	59.5	53.2	36.0
CO (t)	725.0	697.0	753.0

Note: The Lucena plant was acquired by Ence in June 2017

Mérida	2017	2018	2019
NOx (t)	148.5	218.4	238.5
SO ₂ (t)	7.8	43.5	40.5
Particles (t)	1.2	4.1	6.4
CO (t)a	73.7	171.6	152.7

Termollano	2019
NOx (t)	0.63
SO2 (t)	0.34
CO (t)	0.37

The Termollano plant was acquired by Ence in December 2018

Climate Change Mitigation and Carbon Footprint



Ence contributes to mitigating climate change through its own business model. On the one hand, thanks to its activity in renewable energy generation, Ence is helping to change the Spanish energy model, providing a type of energy such as that generated from biomass that is not only renewable but also provides manageability, a factor that other renewable generation technologies do not have.

The use of surplus biomass represents a sustainable energy alternative with great environmental advantages, reducing emissions and contributing to the transition to a low-carbon energy model, in line with the guidelines of the European Union and the Spanish energy policy. In this sense, Ence also transfers its commitment to climate change mitigation to its Code for the sustainability of biomass, which has included the principle of minimising carbon emissions throughout the life cycle of biomass.

On the other hand, with its pulp production business, Ence contributes to changing society's consumption model, offering renewable, recyclable alternatives with a lower carbon footprint to products such as plastic.

Carbon footprint analysis

In addition to its contribution through the company's own business model, Ence also works to reduce greenhouse gas emissions from its operations. In this regard, in 2019 Ence has carried out an exhaustive analysis of the carbon footprint of the organization and its products, taking 2018 as the baseline year.

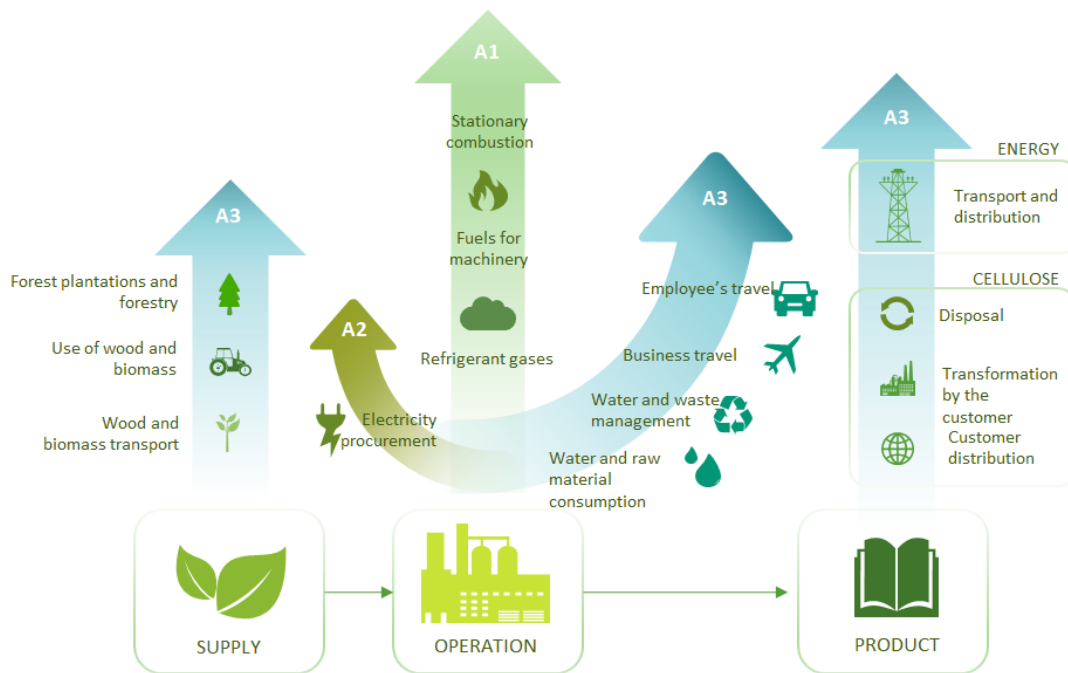
This exercise has been planned following the guidelines of the **Corporate Accounting and Reporting Standard of the Greenhouse Gas Protocol (GHG Protocol)** and its calculation tools for the pulp and paper industry, and the **ISO 14064-1:2019 standard** for the calculation of the organization's footprint and the **PAS 2050** and **ISO 14067:2018 standard** for the calculation of the product's carbon footprint, all of which are reference documents in Europe and Spain concerning the quantification of emissions.

The results for the base year have been subject to **independent external verification with reasonable scope** to ensure both the accuracy of the results and the adequacy of the protocol and the calculation tools.

The calculations have covered both direct emissions from the company's activity, (referred to as **Scope 1** according to the GHG Protocol), and indirect emissions produced by the acquisition of electrical energy (**Scope 2**). Ence has also chosen to extend the exercise to activities not directly under its operational

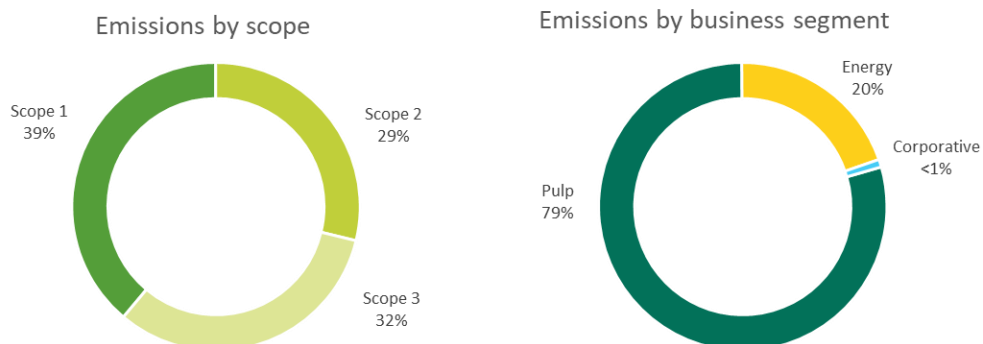
control (**Scope 3**), with the aim of fully defining the emission flows derived from the entire life cycle of its activities and products, from generation and acquisition of raw materials to their distribution, transformation, use, and disposal.

Among the flows analysed in Scope 3, the most important are the emissions derived from the cultivation and use of raw materials such as wood, the transport of wood and biomass to Ence's plants, business trips and employee commuting, emissions derived from the treatment of water consumed in the plants or from the waste generated, or emissions derived from losses in the transport and distribution of the electrical energy generated, as represented in the following diagram:

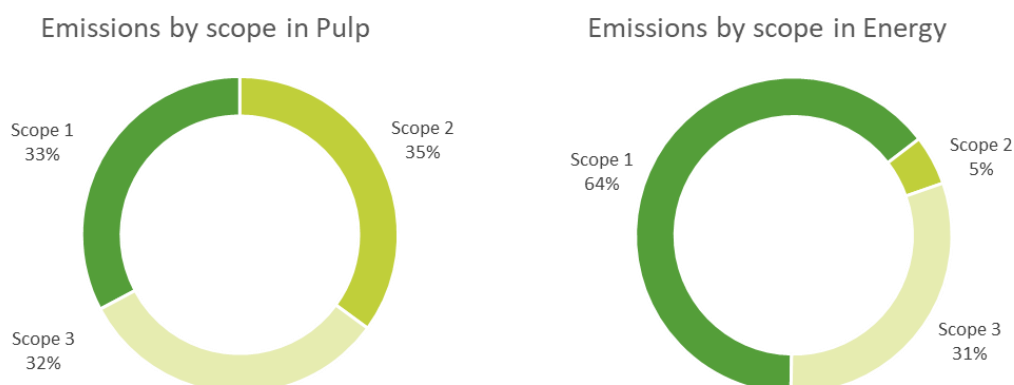


Results

Ence's carbon footprint in 2019 ^(see note) was 742,368.1 tCO_{2eq} distributed relatively evenly among the three scopes, with direct emissions (from scope 1) being slightly more represented. Per business unit, Pulp with a total of 588,743.7 t CO_{2eq} represents 79.3% of the organisation's total footprint. Energy, with emissions of 147,209.5 tCO_{2eq}, accounts for 19.8% of the total and the corporate segment, with 6,415 tCO_{2eq}, represents only a 0.86%.



The profile of the footprint of the various segments is logically different, since in pulp, scope 1 emissions represent more than 30% of the total, while in energy they represent 64%.



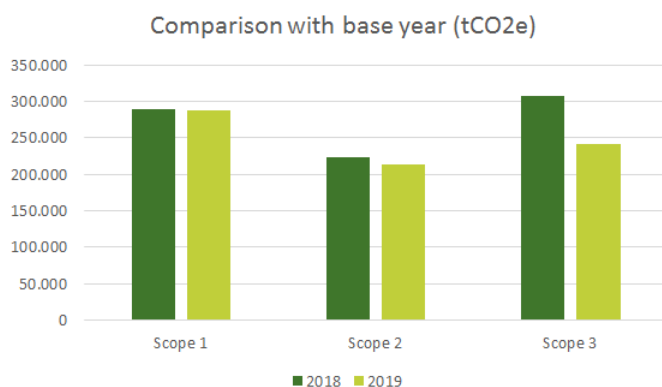
In the **pulp segment**, by breaking down the emissions by life cycle phases, it can be seen that the operations in Navia and Pontevedra are the largest contributors to the carbon footprint of this unit. Next, the product logistics (transport of pulp to the customer), the use and transport of the wood, stand out.

In the **energy segment**, Lucena's operations, due to cogeneration with natural gas, are the ones that contribute the highest emissions to the area's total, followed by the Huelva operations.

Evolution compared to 2018

The organisation's emissions in the base year 2018 (verified by an independent third party in accordance with ISO 14064-1:2019) are detailed below:

	Scope 1	Scope 2	Scope 3	Total
Cellulose	206,673.0	216,488.1	226,318.6	649,479.7
Energy	81,282.4	7,072.7	79,655.2	168,010.3
Corporate	598.1	27.5	1,142.5	1,768.1
Total			819,258.073	



The organisation's direct emissions have remained practically constant with respect to the previous year. **Significant reductions of more than 40% have been achieved at the Huelva plant and 8% at the biofactory in Pontevedra**, thanks to the reduction projects carried out during 2019 which achieved a significant reduction in fuel consumption at these centres. These reductions have been offset by the inclusion in the scope of the

Termollano plant and the increases in emissions at the Lucena cogeneration plant (resulting from an increase in electricity production) and the Navia biofactory (whose operation in 2019 cannot be

considered representative due to the stoppages required to complete the Navia 80 expansion and efficiency improvement project).

Scope 2 emissions have been reduced by 4.4% due to lower consumption of purchased electricity. Finally, Scope 3 emissions during 2019 have also experienced a 21.6% decrease over the base year. This is largely due to a parameter external to the company from which transmission and distribution losses of the energy sold are calculated, provided by Red Eléctrica Española and which may vary each year.

Product footprint

As far as products are concerned, in 2019 the carbon footprint of pulp produced in Pontevedra, taking into account direct emissions and those derived from energy purchases, will decrease by 5% with respect to the base year, partly due to the lower consumption of fuel oil mentioned above. Due to the shutdown of the Navia biofactory for the execution of the capacity expansion and efficiency improvement project, the activity in the centre cannot be considered representative, so the product footprint of 2019 is not representative or comparable to that of 2018.

	2018	2019
Navia	0.24	-
Pontevedra	0.38	0.36

Carbon footprint of the product per centre (tCO₂eq/tAD produced)

In the energy segment, the energy footprint ranges from 0.05 tCO₂eq/MWh generated at the Termollano solar thermal plant to 0.22 tCO₂eq/MWh generated through cogeneration with natural gas at the Lucena plant. In generation plants with biomass, the average footprint of the energy generated is 0.07 tCO₂eq/MWh.

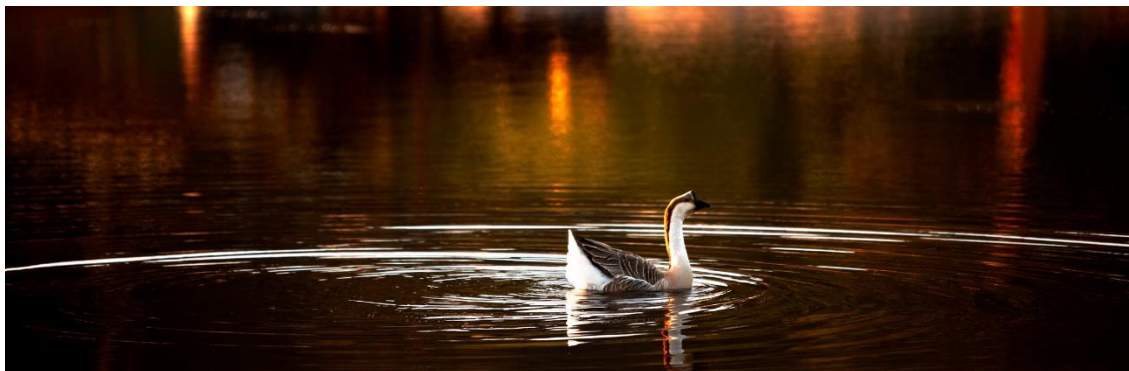
Avoided emissions and carbon sequestration

The generation of renewable energy means significant savings in greenhouse gas emissions compared to generation based on fossil fuels. Taking the Spanish energy mix as a reference, with its renewable energy generation, Ence contributed to avoiding the emission of 641,593 tCO₂eq in 2019. The emissions avoided by Ence's renewable electricity generation would correspond to a population of more than 100,000 inhabitants.

Ence also contributes to the removal of CO₂ from the atmosphere through its forest management activities. In 2019, the forests managed by Ence absorbed almost 809,000 tCO₂, some 67,000 tonnes more than the organisation's total footprint.

Note: The data of the emissions generated and avoided by Ence in 2019, as well as the product footprints have been calculated with the emission factors and other parameters available at the date of publication of this report. Updates for some of them for 2019 were not yet available from official sources at the time of the report, so the data will be updated as soon as these factors are available and the emission inventory is subject to external verification.

Prevention and control of liquid effluents



Minimising the amount of effluent and improving its quality are two of Ence's priorities in environmental management. To this end, the company carries out strict operational control of all its processes and applies various treatment and purification processes to ensure that the effluents not only comply with the discharge parameters set out in the environmental authorisations for its facilities, but also improve them considerably. Thus, in 2019, significant reductions in the volume of waste have been achieved, including 32% in Mérida, 31.1% in La Loma, 9.4% in the Navia biofactory and 2.4% in Lucena with respect to 2018.

As part of the improvement in effluent management, it is worth noting that in 2019 Enemansa's plant has connected the final effluent to the municipal wastewater treatment plant in Villarta de San Juan, thus reinforcing the security of compliance with legal requirements and the search for methods to minimise the risk of spillage.

The following tables detail the discharge volumes and characteristics of the liquid effluents from Ence's different operating sites:

Navia Biofactory	2017	2018	2019
Waste volume (m3)	18,744,895	19,962,866	18,087,690
<i>Destination: Maritime-Terrestrial Public Domain through underwater pipeline</i>			
Waste parameters*			
<i>pH</i>	7.5	7.7	7.1
<i>Conductivity (S/cm)</i>	3.4	3.4	2.8
<i>Suspended solids (mg/l)</i>	21.3	23.0	8.6
<i>BOD (mg/l)</i>	11.0	28.0	24.4
<i>COD (mg/l)</i>	119.0	131.0	124.5

Pontevedra Biofactory	2017	2018	2019
Waste volume (m3)	12,983,999	12,376,933	11,242,305

Destination: Ría de Pontevedra through the Os Praceres WWTP underwater pipeline

Waste parameters

pH	7.3	7.4	7.3
Suspended solids (Kg/day)	539	765	476
BOD (Kg/day)	268	187	240
COD (Kg/day)	4,498	5,206	3,145
AOX (Kg/day)	<0.35	<0.34	-
Total N (Kg/day)	-	-	212.8
Total P (Kg/day)	11	23	23.4

Huelva	2017	2018	2019
Waste volume (m3)	1,393,801	1,531,171	1,543,651

Destination: maritime-terrestrial public domain (MTPD) Tinto River mouth (transition

Waste parameters*

pH	7.4	7.3	7.1
Suspended solids (mg/l)	7.3	< 11	7.6
Oils and grease (mg/l)	< 2.5	< 2.5	2.5
AOX (mg/l)	0.08	-	-
TOC (mg/l)	4.3	< 5.3	3.4
Total N (mg/l)	1.1	< 1	1.1
P Total (mg/l)	1.0	< 1.1	1.0
Residual Chlorine (mg/l)	<0.1	< 0.1	< 0.1

Annual average of regulatory controls. In September 2017 the Integrated Environmental Authorisation (IEA) was modified, adding limit values for the Oils and Greases and Residual Chlorine parameters and eliminating it for AOX.

Enemansa	2019
Waste volume (m3)	1,450

Destination: Villarta de San Juan WWTP

Waste parameters*

pH	8.4
Conductivity (µS/cm)	4,289
Suspended solids (mg/l)	106
BOD (mg/l)	105
COD (mg/l)	440
Total Nitrogen (mg/l)	1.1
Total phosphorus (mg/l)	8.0

In Enemansa, until 2019 there was no discharge, the waste water was managed through an authorised manager

La Loma	2017	2018	2019
Waste volume (m3)	17,803	15,496	11,424

Destination: Public water domain (Arroyo de la Parrilla)

Waste parameters*

<i>pH</i>	8.2	7.9	7.6
<i>Conductivity (µS/cm)</i>	810.9	959.0	1,195.0
<i>Suspended solids (mg/l)</i>	2.0	12.0	8.0
<i>BOD (mg/l)</i>	6.5	9.0	10.0
<i>COD (mg/l)</i>	20.1	34.0	22.6
<i>Total phosphorus (mg/l)</i>	0.7	0.6	0.2
<i>AOX (mg/l)</i>	1.9	0.1	0.2
<i>Chlorides (mg/l)</i>	-	-	0.1

Annual average of regulatory controls

Lucena	2017	2018	2019
Waste volume (m3)	313,811	247,435	241,428

Destination: Public water domain UTM coordinates X: 367,373 Y:

Waste parameters*

<i>Conductivity (µS/cm)</i>	1,366.3	1,212.3	1,422.3
<i>Suspended solids (mg/l)</i>	8.4	6.5	8.9
<i>BOD (mg/l)</i>	8.9	10.9	6.2
<i>COD (mg/l)</i>	29.0	39.0	23.8

Annual average of regulatory controls. Note: The Lucena plant was acquired by Ence in June 2017

Mérida	2017	2018	2019
Waste volume (m3)	382,801	466,773	317,519.4

Destination: public water domain (Guadiana River waterway)

Waste parameters*

<i>pH</i>	8.0	7.8	7.6
<i>Conductivity (µS/cm)</i>	1,023.0	1,032.4	932.8
<i>Suspended solids (mg/l)</i>	5.1	7.0	6.8
<i>Chlorides (mg/l)</i>	153.3	126.8	141.6
<i>Sulphates (mg/l)</i>	204.7	169.1	186.8
<i>BOD (mg/l)</i>	4.2	5.4	6.1
<i>COD (mg/l)</i>	6.4	20.0	22.1
<i>Total N (mg/l)</i>	5.1	4.6	4.1
<i>Nitrates (mg/l)</i>	12.2	15.8	10.3
<i>Total P (mg/l)</i>	0.3	0.4	0.3

Annual average of regulatory controls

Termollano	2019
Waste volume (m3)	60,733
<i>Destination: DPH, arroyo Valconejero</i>	
Waste parameters*	
<i>pH</i>	8.0
<i>Conductivity (µS/cm)</i>	825.1
<i>Suspended solids (mg/l)</i>	5.8
<i>BOD (mg/l)</i>	16.0
<i>COD (mg/l)</i>	16.5
<i>Oil and grease (mg/l)</i>	1.1
<i>The Termollano plant was acquired by Ence in December 2018</i>	

Forestry (nurseries)	2017	2018	2019
Waste volume (m3)	727	886	425
<i>Destination: Tree nursery septic tank (North nursery), public water domain (South)</i>			

The Enemansa plant does not discharge effluents outside the facility at present. Liquid effluents are handled through an authorised operator.

Circular economy, waste prevention and recovery



Ence's business model is based on the principles of the circular economy, as it uses renewable raw materials to produce energy and recyclable and biodegradable products such as pulp. In addition, Ence plays an important role in helping to **circulate other sectors such as agriculture**, since it uses remains such as vine shoots or pomace for energy production.

In this way, Ence not only solves the problem of managing these remains, but also recovers them and avoids environmental impacts derived, for example, from their uncontrolled burning and other unsustainable forms of treatment.

Ence also applies the principles of the circular economy in its own production processes, committing to the prevention and minimisation and recovery of waste through strict operational control of its processes.



In biofactories and generation plants with biomass, **the average amount of waste reused, recycled or recovered in 2019 was 99.3%**, i.e. less than 1% of the waste generated was sent to landfill.

In 2019, Ence's biofactory in Pontevedra was certified in accordance with the requirements established in **AENOR's Zero Waste Regulation (RP-CSG-057)**, being one of the first companies in the country to obtain this certificate and the first in its industrial sector.

This highlights its excellent waste management model, having achieved a reduction in waste generation of 25% since 2014 and recovery ratios of over 99%, for waste production quantities of around 29, 000 tons. In 2020, the company has set itself the goal of obtaining this certification for the rest of its facilities.



Generated waste in Ence's plants can be used to replace other types of materials, such as lime sludge that can be used as a substitute for chemical compounds to neutralize effluents or ash that can be used to manufacture technosols or fertilisers.

In 2019, Ence has participated in two **European Union LIFE projects** related to the circular economy, in conjunction with the Merida plant:



The **iCirBus 4Industries** project consists of treating sewage sludge with combustion ash from biomass plants to obtain low-impact fertilisers and building materials.



Ence also participates in the **Life Renatural NZEB** sustainable construction project, which aims to develop near-zero energy consumption buildings with a low carbon footprint using natural and recycled materials and products.



Ence also actively participates in **forums to promote the circular economy**, sharing experiences and best practices. For example, in 2019 Ence participated in the "Circular Thinking" conference promoted by the Galician Ministry of Environmental Quality and Climate Change of the Environment, Land and Housing Department of the Government of Galicia, presenting the case of the biofactory of Pontevedra. The conference was part of the industrial waste plan of Galicia (PRIGA 2016-2022) with the aim of promoting and boosting specific actions for the improvement and prevention of waste in the industrial field.

The main waste flows generated by Ence's activities are dregs, ashes and bioslurry in the biofactories and ashes and slag from biomass boilers in the independent power plants. The waste generated is collected and managed by authorised managers in accordance with current regulations. In terms of packaging, Ence uses a type of paper to package the pulp it sends to its customers that can be incorporated directly with the pulp in the transformation process, so that the customer does not have to discard it.

The amounts of the main waste generated at Ence's operations sites are detailed below:

Navia Biofactory	2017	2018	2019
Amount of waste generated (t)	43,435.3	45,230.6	65,459.6
<i>Hazardous waste (t)</i>	112.8	379.1	106.4
<i>Non-hazardous waste (t)</i>	43,322.6	44,851.5	65,353.2
% of waste reused, recycled, or recovered	96.2%	95.9%	97.2%

Pontevedra Biofactory	2017	2018	2019
Amount of waste generated (t)	22,905	29,650	29,495
<i>Hazardous waste (t)</i>	41.1	153.0	184.6
<i>Non-hazardous waste (t)</i>	22,864	29,497	29,310
% of waste reused, recycled, or recovered	99.96%	99.98%	99.84%

Huelva	2017	2018	2019
Amount of waste generated (t)	133,000.1	141,846.3	126,298.6
<i>Hazardous waste (t)</i>	368.5	304.8	141.9
<i>Non-hazardous waste (t)</i>	132,631.6	141,541.5	126,156.6
% of waste reused, recycled, or recovered	99.50%	99.10%	98.7%

Enemansa	2017	2018	2019
Amount of waste generated (t)	15,090.5	14,481.2	12,578.5
<i>Hazardous waste (t)</i>	6.5	2.4	1.2
<i>Non-hazardous waste (t)</i>	15,084.0	14,478.8	12,577.3
% of waste reused, recycled, or recovered	100.00%	99.98%	99.99%

La Loma	2017	2018	2019
Amount of waste generated (t)	3,280.9	10,039.2	9,973.1
<i>Hazardous waste (t)</i>	1.1	0.9	1.7
<i>Non-hazardous waste (t)</i>	3,279.8	10,038.4	9,971.4
% of waste reused, recycled, or recovered	99.79%	99.99%	99.56%

Lucena	2017	2018	2019
Amount of waste generated (t)	19.2	17.2	31.6
<i>Hazardous waste (t)</i>	2.2	2.1	5.4
<i>Non-hazardous waste (t)</i>	17.0	15.1	26.2
% of waste reused, recycled, or recovered	65.3%	71.8%	100%

The Lucena plant was acquired by Ence in June 2017

Regarding ash and slag waste, the Lucena plant has lodged a request for them to be classified as by-products with the Ministry for Ecological Transition (MITECO). The same request was made for the Enemansa and La Loma sites in 2017. As such, ash and slag from the combustion of pomace will be deemed raw materials for the manufacture of fertiliser, thus consolidating Ence's leadership position within the Circular Economy model.

Mérida	2017	2018	2019
Amount of waste generated (t)	12,487.2	29,223.4	33,633.3
<i>Hazardous waste (t)</i>	4.0	2.8	3.4
<i>Non-hazardous waste (t)</i>	12,483.2	29,220.6	33,629.9
% of waste reused, recycled, or recovered	99.99%	100%	100%

Regarding Mérida, the slag generated is being recovered as part of the Emgrisa project to restore the degraded soil at the Saelices el Chico uranium mine in Salamanca. The same use has been proposed for mining facilities in the Mérida area and approved by the Government of Extremadura.

Termollano	2019
Amount of waste generated (t)	479.5
<i>Hazardous waste (t)</i>	263.5
<i>Non-hazardous waste (t)</i>	216.0
% of waste reused, recycled, or recovered	39.0%

The Termollano plant was acquired by Ence in December 2018

Forestry (nurseries)	2017	2018	2019
Amount of waste generated (t)	94.6	25.2	20.6

Regarding the forestry unit's tree nurseries, most of the waste corresponds to plant matter and waste similar to municipal waste. Ence is working on the definition of measurement systems to provide a breakdown of the types of waste generated by this business unit although, in comparison with the other sources of waste generation, the quantity is not significant.

Management of other environmental aspects: noise, odours and air quality



Respect for the communities in which Ence's biofactories and plants are integrated is one of the company's maxims, as stated in its vision. For this reason, it is essential for Ence to behave as a responsible neighbour and reduce any impact that may be a nuisance to the community, such as noise, odour or dust.

Reducing the impact of odours

The process of pulp production by the Kraft method generates odorous compounds in some of its phases that, if not properly managed, can be released into the atmosphere generating odour in the surroundings of the plants. Aware of this, Ence has been working for years to improve its processes, facilities and operations to prevent and, where appropriate, treat odorous gases with the aim of reaching its goal of Zero Odours. The work that the company carries out in this area is articulated through the Zero Odour Plan, which began in 2010 and since then has managed to reduce over 99% of odour emissions in both biofactories through channelled sources.

To monitor and set reduction targets, Ence has developed its own methodology that incorporates several parameters, such as odour emissions from channelled sources, emissions from diffuse sources or qualitative odour perception records. Ence also provides its stakeholders with warning systems so that they can be alerted to possible odour episodes in real time in the vicinity of the biofactories, so that they can be remedied immediately.

Ence also works with a system of reduction of potential odour impacts based on meteorological variables that the company developed together with the University of Santiago de Compostela and that allows to know the potential odour events 72 hours in advance and thus be able to plan process interventions minimising their potential impacts

Below are the results of the odour impact index (KPI developed by Ence) for both biofactories:

Navia Biofactory	2017	2018	2019
Odorous impact index	0.68	0.53	0.73

Pontevedra Biofactory	2017	2018	2019
Odorous impact index	0.17	0.13	0.19

Minimisation of the acoustic impact

Another aspect that Ence works on to ensure community acceptance is minimising the noise generated by its facilities. In previous years, specific action plans were defined at those operations centres identified as priorities and, throughout 2019, reduction plans have been defined for the remaining facilities. Noise data from the operations sites are detailed below:

Navia Biofactory	2017	2018	2019
Lek Noise (dBK) (Morning)	63.2	64.8	62.2
Lek Noise (dBK) (Late)	63.2	64.8	62.2
Lek Noise (dBK) (Night)	60.8	61.9	62.8

Pontevedra Biofactory	2017	2018	2019
Lek Noise (dBA) (Morning)	60	58	61.0
Lek Noise (dBA) (Afternoon)	59	58	58.5
Lek Noise (dBA) (Night)	57	51	52.6

Huelva, Enemansa, Lucena, and La Loma do not require recurrent regulatory noise controls; at Enemansa, the last ones were done prior to 2017.

Air quality control

Another aspect that Ence has defined as a priority in terms of environmental management is the prevention, monitoring and control of air quality, especially in terms of the emission of particles and other compounds. The following table shows the air quality indicators of Ence's biofactories:

Navia Biofactory	2017	2018	2019
Air Quality (Particles) (PM10 $\mu\text{g}/\text{Nm}^3$)	11	10	11
Air Quality (SO₂) ($\mu\text{g}/\text{Nm}^3$)	6	4	4
Air Quality (NO_x) ($\mu\text{g}/\text{Nm}^3$)	8	9	9

Pontevedra Biofactory	2017	2018	2019
Air Quality (Particles) ($\mu\text{g}/\text{Nm}^3$)	15	15	15
Air Quality (SO₂) ($\mu\text{g}/\text{Nm}^3$)	3.5	3.5	3.5
Air Quality (SH₂) ($\mu\text{g}/\text{Nm}^3$)	1.6	2.5	2.6



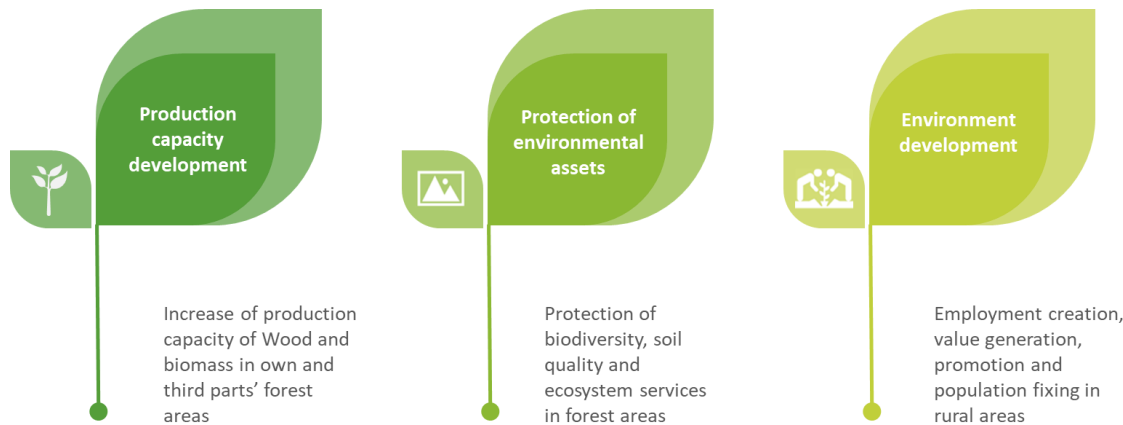
4.c. Rural and agroforestry development

- I. Sustainable forest management
- II. Protection of biodiversity
- III. Sustainable management of biomass
- IV. Guarantee of origin and traceability
- V. Value generation for owners and suppliers
- VI. Approval of suppliers

Sustainable forest management

The management of forests, their cultivation and maintenance for the production of wood and biomass and applied research are the main activities of Ence in forestry. In this sense, Ence has become the **national benchmark for forest sustainability** as it not only develops its forest management activities under the most demanding standards of environmental sustainability, but also promotes the development of local communities, generating employment and creating value.

The **main objectives** of forest management for Ence are structured around three axes:



Ence develops transparent, efficient and responsible forest management not only in its asset areas (own forests and managed by the company) but **extending this policy to its value chain**, promoting responsible management of the areas of its partners and collaborators. To this end, Ence puts all the means at its disposal to facilitate and enhance management by the forest owner through knowledge transfer, the contribution of improved plants at competitive prices, as well as through training and information and the development of environmental awareness programmes.

Within this area, among the actions carried out in 2019, it is worth mentioning, among others, the **informative conferences** organized together with the University of Valladolid or the Association of Chemical Industries of Huelva, as well as the Employment Workshop Rehabilitation Villa Turística Fuente Heridos in the region of the Sierra de Aracena-Picos de Aroche, the meetings with the Ecologist group Fuegos Nunca Más, The Cooperative Corchera San José, and the City Council of Berrocal (Huelva).

In the north of the peninsula, 51 **informative meetings** have been held by the Forestry team's personnel with Communities of Neighbourhood Forests in Common Hand and forest owners in Galicia and Asturias. All of them have reported on sustainable forest management models.

Ence also works to promote its management principles and *know-how* acquired through its activity in the rural environment in which it operates, **collaborating actively with administrations, forestry associations and other organisations** in matters of planning, pest management, plant matter and forest certification, among other aspects. In this sense, it is worth mentioning the work carried out by Ence together with the Galician General



Workshop School Visit to Ence's Assets operations in Huelva.



Working meeting with neighbours of Berrocal (Huelva) and environmental groups.

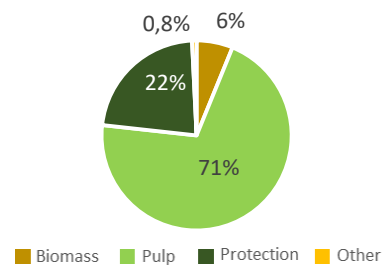
Directorate of Forestry with the aim of adapting current projects to the new management instructions and including the new asset areas, as well as the work meetings with the Forestry Service of Pontevedra on forestry, fire prevention, pest management, plant material and forest certification. From the area of Southern Area, in this aspect we can highlight the work meetings held in 2019 with the Ministry of Agriculture, Livestock, Fisheries and Sustainable Development of the Andalusian Government to contrast criteria of the management models.

Main figures

Ence manages more than **66,011 hectares of gross forest area** in the Iberian Peninsula.

Most of this area corresponds to eucalyptus wood producing areas (46,605 ha) and more than **22%** of the total (14,822 ha) corresponds to areas considered as **ecosystem protection and conservation areas**.

Area managed by category



Ence's commitment to professionalised and sustainable forest management is realised in the **investments** that the company makes each year in tasks such as reforestation, the creation and maintenance of tracks and firebreaks, forestry work, preparation of inventories and payment of rents and fees. In 2019, investments made in Ence's forest assets amounted to almost 7 million euros, with special emphasis on the almost 1.3 million euros allocated to the maintenance of tracks and firebreaks which, together with clearing and land cleaning operations, represent almost 2.4 million euros dedicated to the prevention of forest fires on a surface area of 6,706 hectares. 1.6 million was also spent on rent payments to forest land owners.

Equity investments (euros)

Investment (euros)	2019
Forestry Operations	€ 3,821,99.28
Tracks and firebreaks	€ 1,311,254.8
Rents and fees	€ 1,597,057.4
TOTAL	€ 6,730,310.4

Forest management tools

In order to ensure sustainable forest management that guarantees the development of the productive capacity of the forests, the conservation of natural values and the generation of value in the rural environment, Ence has a **Management Plan** that integrates the rational use of all the goods and services of the forest assets for, which are productive while also ecological and social.

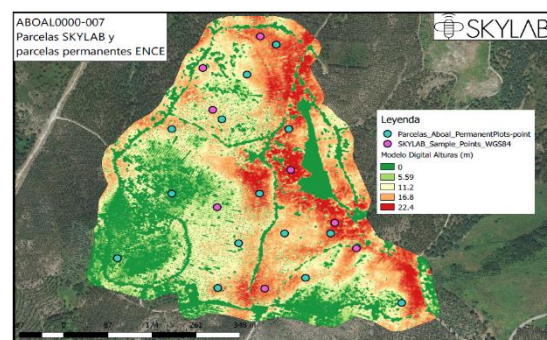
Within the framework of its **Forest Management System**, Ence elaborates Forest Management Technical Plans, Dasocratic Plans and the Continuous Forest Inventory. In addition, each management unit has a **Management Project** in which management criteria, objectives and priorities are defined, alternatives are evaluated and decisions are taken. All these tools allow 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. As a measure to be highlighted within the framework of its sustainable forest

management model, it should be noted that in 2019 Ence has decided to **eliminate the use of herbicides** among its practices for eliminating accessory vegetation.

Among the main activities carried out in 2019 forming part of the management plans and allowing for the correct control and monitoring of the activities, it is worth highlighting:

Forestry management of the mountains based on the Continuous "Land" Forest Inventory in the Northern Area with nearly 700 permanent and aerial plots over more than 50,000 hectares with LIDAR technology in the Southern Area, highlighting in the latter its coverage also over the area of conservation.

Implementation of a **system of excellence in management (TQM)**. Ence aims to continuously improve its efficiency in the consumption of natural resources and the performance of its forest management. At Patrimonio Norte, 15 videos have been produced during 2019 so that both the company's own staff and forestry service contractors can use the standardised procedures on their mobile terminals. The aim is to facilitate their monitoring and highlight the preventive measures to be taken into account for each operation. A mobility system has also been launched on the X-One platform for the process of searching, negotiating and contracting new forest areas, and the use of drones has begun in the development phase for the certification of operations carried out, identifying the status of the main stand, the competition and the undergrowth that could be a potential risk for fires. In addition, the testing phase has been launched for a drone-based cubing and photogrammetry system with Skylab software for pre-slicing cubes, so that the planning of cuts and the use of asset masses or the comparison of inventories at mid-shift is optimised.



Drone usage tests for new land surveys and pre-cut inventory.

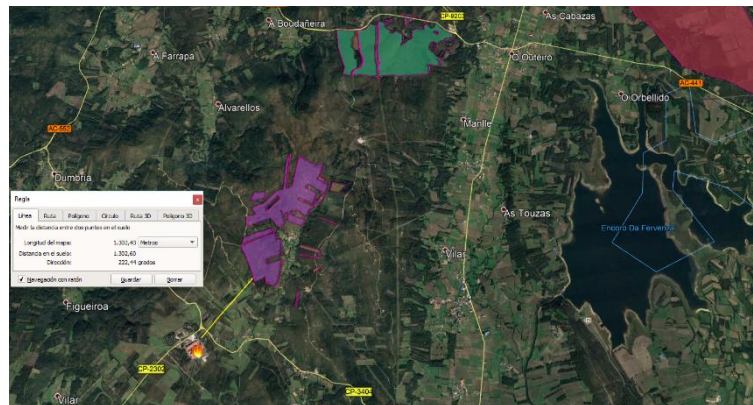
In Southern area, videos have also been made to reinforce the implementation of procedures, such as mechanised planting. Planting trials with the use of hydrogel to reduce potential water stress after planting have also been carried out with very encouraging results.

Adaptation to climate change: Tests have been carried out on the "clonal composite" methodology that increases the genetic diversity of clonal plantations, improving their capacity to adapt to the potential effects of climate change on the masses managed by Ence. Measures such as this are intended to reduce

the vulnerability of plantations and thus mitigate climate risks, which are more pronounced in the case of monoclonal plantations.

Planning of repopulation and use: in the northern area, 17 Repopulation Plans covering 497 hectares and 15 Wood Use Plans have been prepared, while in the southern area, 19 Repopulation Plans covering an area of more than 1,250 hectares and 59 Wood Use Plans have been prepared.

Fire prevention: As part of the measures designed to minimise the risk of forest fires, operations to clear and remove plant biomass have been carried out on 6,706 hectares, as well as cleaning up infrastructures and firebreaks. These operations have involved an investment of more than 2.4 million euros. In addition, a fire risk alert system has been installed for all of the mountains under asset management in order to improve planning and adapt or limit work according to this risk. An additional warning system has been established with heat



Distancia de Riesgo

Código	Monte	< 5km	< 1km
FTELLANOS	FUENTE DE LOS LLANOS	X	
HUERZARZA	HUERTA LA ZARZA	X	
LLPENAO00	LLANOS DE LA PEÑA	X	
SSLIRIOSO	LOS LIRIOS	X	

sources near Patrimonio mountains according to NASA's Viirs and Modis satellites, which make it possible to prevent potential damage, and a new instruction has been launched for action in the event of forest fires.

Improved safety in operations: in 2019, the number of machines using rear-view cameras as well as light and sound indicators has been expanded to prevent potential occupational accidents and to identify any attempted fires immediately.

Recovery of and care for the environment: in 2019, management agreements have been reached with owners for the environmental recovery of more than 1,000 hectares of degraded eucalyptus trees, in a semi-flat or abandoned state, with more than 50 different owners, of which nearly 500 hectares are Communities of Neighbourhood Forests in Common Hand of Galicia with some 550 community members.

In the field of plant health, during 2019, a consultancy of the highest scientific level has been carried out by Professor Michael J. Wingfield, president of IUFRO (International Forestry Research Organization) and chief scientist of FABI of the University of Pretoria (South Africa) on the potential causes of the mortality of *Eucalyptus globulus* in Galicia and the lack of sprouting on the Cantabrian coast.



The scientist Wingfield, completed the study conducted by the specialist in abiotic phenomena Martin Herbert in which he had previously analysed the effects of Climate Change in Ence's Eucalyptus plantations in the northwest of the peninsula. Taking into account the conclusions of these investigations, in 2019 the Vimianzo Plan has been implemented, consisting of reforestation and regeneration with new genetic material in 12 mountains in the province of Coruña with an area of 452 hectares affected in a terminal way by the combination of a fungus "*Teratosphaeria sp*" and a

coleopterous insect "*Gonipterus platensis*" causing the apical "die-back" of the trees and the subsequent total drying of the mass.



Dying state of masses affected by Goniptero and Teratosphaeria and recovery of these masses.

During 2019 the number of **trials in the experimental network** has increased significantly from 38 in 2018 to 72 in 2019, of which 31 have genetic improvement objectives and 41 have forestry improvement objectives. The production of means to advance biological control of the pest caused by *Gonipterus platensis* has also increased from 410,354 oothecae of the parasitic wasp used for biological control of the pest in 2018 to 568,962 in 2019.

Sustainability certification in forest management

Ence, as a reference player in the field of sustainable forest management, has once again maintained its actions based on the principles of **forest certification**, both in the stands managed directly by the company (forests owned, consortiums and leases), and through the promotion of these principles in the case of stands owned by third parties that form part of its supply chain (standing purchases and forest supplies).

Ence works not only to implement these criteria in its own forests, but also to extend them to its surrounding environment. In this way, in 2019 Ence, through its participation in the FSC® Standards Committee, has collaborated in adapting the FSC® Sustainable Forest Management principles and criteria to the reality of small ownership and management in Spain. This adaptation is intended to facilitate the implementation of these principles in the context of the forest micro-property so abundant in Spain and in particular in the northwest of the peninsula.

Specifically, Ence's forestry activity is based on solid voluntarily defined **principles of forest sustainability** to reflect the company's commitment to environmental, social and economic sustainability.

Ence's 10 principles of forest sustainability are:

<p>Principle 1: Durability over time</p> <p>Managed forest resources are an important environmental, social and economic asset that must be passed on to future generations. Its management focuses on maintaining and growing production capacity in the short, medium and long term, through conservation, development and, where appropriate, renewal of managed forest ecosystems.</p>
<p>Principle 2: Minimising impacts</p> <p>Managed ecosystems have production and management constraints that need to be known. All activities are planned with the aim of minimising the environmental impact, compensating for possible negative effects and identifying and implementing environmentally friendly alternatives that contribute to preserving the environment.</p>
<p>Principle 3: Maintaining diversity</p> <p>The forests managed by Ence contain a great diversity of natural, social and cultural elements. The objectives of the actions carried out include the preservation of this diversity, enabling it to evolve naturally and for the Company to harness this knowledge and enhance it.</p>
<p>Principle 4: Multifunctionality</p> <p>The forests managed by Ence contain diverse goods and services that can be used for many purposes. The actions therefore consider active policies for managing the different goods and services of the forests, maximising and preserving the environmental, social and cultural benefits of the forests, as well as the economic ones.</p>
<p>Principle 5: Continuous innovation</p> <p>Forestry R&D+i policies are necessary to promote the Company's continuous adaptation to technical, environmental and social management requirements. Ence constantly searches for innovation in its forest management processes, as a guarantee for continuously improving to achieve social, environmental and economic objectives.</p>
<p>Principle 6: Forest area</p> <p>Ence's forestry activity takes place in the rural environment, in which the Company participates and is involved beyond its activity as owner and manager. Ence applies active forest extension policies aimed at transmitting accumulated knowledge, fostering management agreements, informing its stakeholders and supporting sustainability principles, in the conviction that a technologically managed and trained forest sector is the best way to achieve effective sustainability in environmental, social and economic values.</p>
<p>Principle 7: Active participation with stakeholders</p> <p>The stakeholders and the community are a necessary and desirable reference for identifying best practices for action. Ence will maintain its efforts to promote, channel and make the most of this relationship, which will result in Society having better knowledge of forestry activity and precisely defining its expectations.</p>
<p>Principle 8: Public commitment</p> <p>Ence considers that these Sustainability Principles are only possible with collaboration and effective support from all customers and suppliers. These principles will be disseminated to all stakeholders, and especially to those who have direct responsibility for forest management actions, fostering environmental, social and economic improvements in their actions. Ence particularly values relations with those who incorporate sustainability criteria in their daily activity, aligning with the Company's objectives in this area.</p>
<p>Principle 9: Forest certification</p> <p>Forest certification is an effective tool for promoting sustainability in managing forest areas. Ence works to maintain and extend the certification of its forests and promotes certification of among its suppliers. It also collaborates on initiatives aimed at promoting and developing forest certification, from regulatory and practical perspectives.</p>

To achieve maximum efficiency in the sustainable forest management it develops, Ence has an **Integrated Forest Management System (IFMS)** that serves as a framework for compliance with the guidelines set by the standards on Sustainable Forest Management and Chain of Custody of FSC® (*Forest Stewardship Council*®, with license code FSC-C099970, and FSC-C081854 respectively) and PEFC (*Programme for the Endorsement of Forest Certification schemes*).

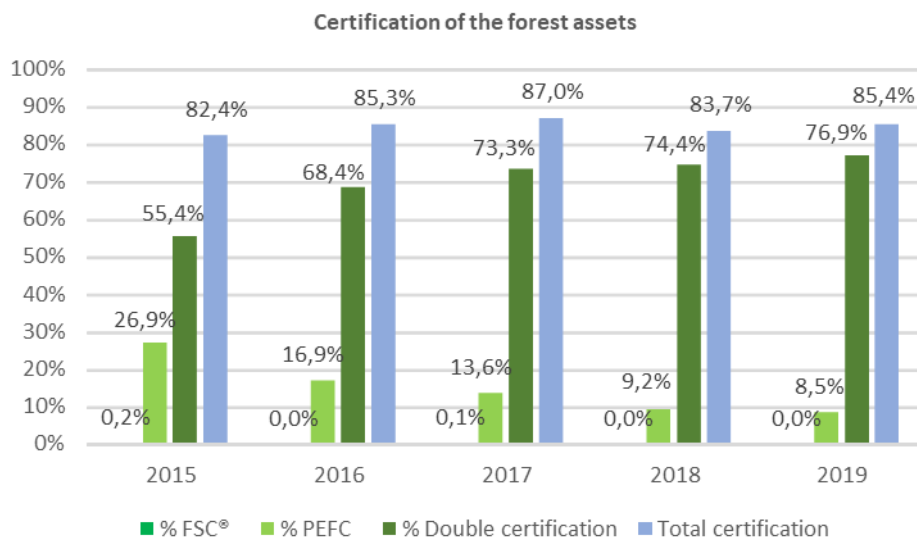


FSC® forest management certification guarantees that the forest management unit is being managed according to the **10 Principles and 56 Criteria of the standard**. This certification is valid for 5 years, but in-depth reviews of management systems and their results in the field are carried out annually.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



PEFC certification aims to ensure that forests are managed responsibly, and that their multitude of functions are protected for present and future generations. PEFC certified forest products guarantee consumers that they are buying products from sustainably managed forests, combating **illegal felling** and promoting the **main functions** played by forest resources such as contributing to the maintenance of ecosystems and biological diversity or being the economic livelihood of many rural populations, among others.

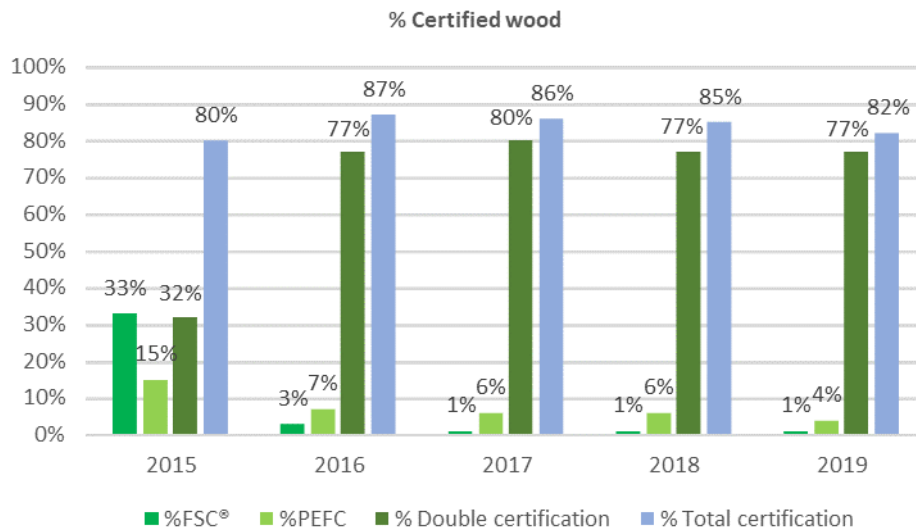
The evolution of Ence's **certified asset area** is as follows:



In 2019, these percentages correspond to more than 50,000 ha certified with FSC® and more than 56,000 ha certified with PEFC, with 377 FSC® certified forests and 446 PEFC certified forests.

Ence also promotes the **certification of third party forests** through a wide variety of forestry extension programmes that offer the means to provide private owners with the tools to improve sustainability in their management. In addition, it promotes the creation of certification groups for owners and suppliers to facilitate their access to FSC® and PEFC certification schemes. Ence's objective is to promote the double certification (PEFC+FSC®) for forests in order to allow owners to have better access to certified wood markets. The promotion of double certification allows both a higher certification premium for the owner and greater flexibility to Ence in terms of meeting the requirements of its customers (selecting the certification required based on needs), and ensures the highest standard of sustainability in the forest management of third parties. Ence's commitment to forest certification has led to an increase in the area managed under sustainability criteria and an improvement in the management of third-party areas.

Thanks to Ence's efforts to increase its certified area and promote third-party forest certification, in 2019 the total amount of wood obtained with a guarantee of sustainability through double forest certification and management traceability has reached **82% in 2019**. The evolution of certified wood entries in Ence's biofactories has been as follows:



This means that, apart from Ence's asset certification, the purchase of PEFC and FSC® certified and traceable wood has led to the promotion of sustainable forest management in nearly 9.595 ha of forest.

Protection of areas of high natural value within the framework of certification systems

Within the scope of forest certification, 9,553 hectares of the entire managed area are considered **High Conservation Value Forests (HCVF)** according to FSC® classification. And 8,136 hectares in areas with some kind of **national or regional protection figure** (SCI, SPA, Natura Network, etc.), officially declared by the different national competent administrations.

Madera Justa Certification

Another milestone in Ence's sustainable forest management has been obtaining the Madera Justa seal from COPADE, an organisation dedicated to Fair Trade. This seal is the first global Fair Trade certification for the forestry sector.

Madera Justa certification has as its initial reference the FSC®-certified wood used in the pulp production process, and takes it further in complementary indicators, with social aspects of the company's personnel and about the commercial relationship between Ence and its suppliers. Some of these indicators are the generation of wealth in rural areas, labour policy, and even some environmental commitments such as, for example, energy efficiency plans in the Group's forestry offices.



To maintain certification, ENCE has passed a third party accreditation audit in 2019 of compliance with the Fair Trade indicators defined by COPADE. At present, the production of forest asset wood and part of the wood from the company's standing purchases has been certified.

In addition, Ence has made a commitment to progressively add a large number of its wood suppliers, either from standing purchases or from suppliers. To this end, the company is working on the transmission and promotion of Fair Trade values with its collaborators.

Alliance for the conservation of the forest through the generation of a responsible market

The certification of forest products is a powerful lever to promote Sustainable Forest Management. Considering this, Ence has been participating since 2019 in a project coordinated by COPADE aimed at promoting Fair Trade and Forest Certification in the region of Concello de Viveiro.

The project, which is pioneering in its characteristics, seeks to promote the maximum possible certification of agroforestry products based on management techniques that are based on principles of forestry, agricultural and environmental sustainability and Fair Trade. One of the results will be the analysis of the environmental, social and economic impact that forest certification has produced on the forest environment.



Protection of biodiversity



The protection of biodiversity is one of the premises of the sustainable forest management that Ence promotes both in its own operations and in those that participate in its supply chain, with special emphasis on the management of protected species and **habitats of Community interest** (the Habitats Directive defines as natural habitat types of Community interest those natural and semi-natural areas, land or water, which, within the European territory of the EU Member States, are threatened with disappearance in their natural range, or have a reduced natural range because of their regression or because they are intrinsically restricted, or are representative examples of one or more of the biogeographical regions of the European Union.)

Of these, the Directive considers **priority natural habitat types** to be those that are threatened with disappearance in the territory of the EU and whose conservation is a special responsibility for the EU. The Ence Integrated Forest Management System has specific instructions and management recommendations for **protected species** through the application of a systematic identification and monitoring, taking into account the particular feeding, reproductive cycle and habitats of the inventoried species catalogued.

The protected species included in Ence's inventory are those included in the following regulations:

- Directive 92/43/EEC on the conservation of natural habitats and of wild fauna and flora (Annexes II, IV and V)
- Spanish Catalogue of Threatened Species (CEEAA)
- List of Wild Species in Special Protection Regime (LESRPE)
- Regional or autonomous catalogues of Threatened Species
- Lista Roja de la Flora Vasculare española (Spanish Vascular Flora Red List)
- Directive 2009/147/EC on the conservation of wild birds

In addition to identifying protected species, for the identification of **Habitats of Community Interest (HCI)**, Ence has been collaborating with the University of Huelva and ARCEA Xestión de Recursos Naturais S.L since 2012 on a study called *Identification and Classification of Habitats of Community Interest in the Forests managed by Ence, Energía and Celulosa in the north and south*. The purpose of this study is to determine the natural plant communities present in the Company's forests and whether they can be classified as HCI pursuant to the Habitats Directive (92/43/CEE, 97/62/CE, 2006/105/CE). The habitats included in the High Conservation Value forests managed by Ence are:

Southern assets area:

Tipo de hábitat (SUR)	Código UE	Comunidad - Asociación - Formación	Nombre común
* Bosques aluviales de <i>Alnus glutinosa</i> y <i>Fraxinus excelsior</i>	91E0	Scrophulario scorodoniae - Alnetum glutinosae	Aliseda
* Brezales húmedos atlánticos	4020	Erico ciliaris - Ulicetum minoris	Brezal
* Zonas subestépicas de gramíneas y anuales del Thero-Brachypodietea	6220	Dauco criniti - Hyparrhenietum sinaicae	Cerrillar
* Zonas subestépicas de gramíneas y anuales del Thero-Brachypodietea	6220	Gaudinio fragilis - Agrostietum castellanae	Vallicar vivaz
* Zonas subestépicas de gramíneas y anuales del Thero-Brachypodietea	6220	Paronychio cymosae - Pterocphaletum diandri	Herbáceas xerofíticas
* Zonas subestépicas de gramíneas y anuales del Thero-Brachypodietea	6220	Pulicario paludosae - Agrostietum porretii	Vallicar anual
* Zonas subestépicas de gramíneas y anuales del Thero-Brachypodietea	6220	Trifolio cherleri - Plantaginetum bellardi	Herbáceas terofíticas
* Zonas subestépicas de gramíneas y anuales del Thero-Brachypodietea	6220	Trifolio subterranei - Poetum bulbosae	Majadal
* Zonas subestépicas de gramíneas y anuales del Thero-Brachypodietea	6220	Dauco criniti - Hyparrhenietum sinaicae	Cerrillar
* Zonas subestépicas de gramíneas y anuales del Thero-Brachypodietea	6220	Paronychio cymosae - Pterocphaletum diandri	Herbáceas xerofíticas
* Zonas subestépicas de gramíneas y anuales del Thero-Brachypodietea	6220	Trifolio cherleri - Plantaginetum bellardi	Herbáceas terofíticas
Aguas oligotróficas con un contenido de minerales muy bajo de las llanuras	3110	Scirpo fluitantis - Juncetum heterophylli	Juncal
Alcornocales de <i>Quercus suber</i>	9330	Myrto communis - Quercetum suberis	Alcornocal
Alcornocales de <i>Quercus suber</i>	9330	Oleo sylvestri-Quercetum suberis	Alcornocal
Alcornocales de <i>Quercus suber</i>	9330	Sanguisorbo agrimonoidis - Quercetum suberis	Alcornocal
Bosques galería de <i>Salix alba</i> y <i>Populus alba</i>	92A0	Aro italic - Ulmetum minoris	Olmeda
Bosques galería de <i>Salix alba</i> y <i>Populus alba</i>	92A0	Crataego brevispinae - Populetum albae	Alameda
Bosques galería de <i>Salix alba</i> y <i>Populus alba</i>	92A0	Nerio oleandri - Populetum albae	Alameda termófila
Bosques galería de <i>Salix alba</i> y <i>Populus alba</i>	92A0	Nerio oleandri - Salicetum pedicellatae	Sauceda pedicelata
Bosques galería de <i>Salix alba</i> y <i>Populus alba</i>	92A0	Salici pedicellatae - Populetum albae	Alameda
Bosques galería de <i>Salix alba</i> y <i>Populus alba</i>	92A0	Viti viniferae - Salicetum atrocineriae	Sauceda atrocinera
Brezales secos europeos	4030	Erico australis - Cistetum populifolii	Jaral-brezal
Brezales secos europeos	4030	Genisto hirsutae - Cistetum ladaniferi subsp. ericetum	Jaral-brezal
Brezales secos europeos	4030	Halimio ocyroidis - Ericetum umbellatae	Nanobrezal
Brezales secos europeos	4030	Ulici eriocladi - Cistetum ladaniferi subsp. ericetum	Jaral-brezal
Dehesas perennifolias de <i>Quercus spp.</i>	6310	Dehesa de <i>Quercus ilex</i>	Dehesa de encinas
Dehesas perennifolias de <i>Quercus spp.</i>	6310	Dehesa de <i>Quercus suber</i>	Dehesa de alcornoques
Dunas con vegetación esclerófila del Cisto-Lavanduletalia	2260	Halimio halimifolii - Stauracanthetum genistoidis	Monte blanco
Encinares de <i>Quercus ilex</i> y <i>Quercus rotundifolia</i>	9340	Myrto communis - Quercetum rotundifoliae	Encinar
Encinares de <i>Quercus ilex</i> y <i>Quercus rotundifolia</i>	9340	Pyro bourgaeanae - Quercetum rotundifoliae	Encinar
Formaciones estables xeroterófilas de <i>Buxus sempervirens</i>	5110	Lonicero hispanicae - Rubetum ulmifolii	Zarzal silicícola
Fresnedas mediterráneas ibéricas de <i>Fraxinus angustifolia</i> y <i>Fraxinus ornus</i>	91B0	Ficario ranunculoidis - Fraxinetum angustifoliae	Fresneda
Galerías y matorrales ribereños termomediterráneos	92D0	Polygono equisetiformis - Tamaricetum africanae	Tarajal
Galerías y matorrales ribereños termomediterráneos	92D0	Pyro bourgaeanae - Flueggeetum tinctoriae	Tamujar
Galerías y matorrales ribereños termomediterráneos	92D0	Rubo ulmifolii - Nerietum oleandri	Zarzal-Adelfar
Lagos eutróficos naturales con vegetación Magnopotamion o Hydrocharitio	3150	Callitricho stagnalis - Ranunculium saniculifolii	Vegetación de hidrófitos flotantes
Lagos eutróficos naturales con vegetación Magnopotamion o Hydrocharitio	3150	Lemnetum gibbae	Vegetación de hidrófitos flotantes
Lagos eutróficos naturales con vegetación Magnopotamion o Hydrocharitio	3150	Lemnetum minoris	Vegetación de hidrófitos flotantes
Matorrales termomediterráneos y pre-estépicos	5330	Asparago albi - Rhamnetum oleoidis	Acebuchal
Matorrales termomediterráneos y pre-estépicos	5330	Asparago albi - Rhamnetum oleoidis	Coscojal
Matorrales termomediterráneos y pre-estépicos	5330	Asparago albi - Rhamnetum oleoidis	Lentiscar
Matorrales termomediterráneos y pre-estépicos	5330	Asparago albi - Rhamnetum oleoidis	Palmitar
Matorrales termomediterráneos y pre-estépicos	5330	Genistetum polyanthi	Cambronal
Matorrales termomediterráneos y pre-estépicos	5330	Phillyreo angustifoliae - Arbutetum unedonis	Madroñal
Matorrales termomediterráneos y pre-estépicos	5330	Retamo sphaerocarpaceae - Cytisetum bourgaei	Retamar
Matorrales termomediterráneos y pre-estépicos	5330	Asparago albi - Rhamnetum oleoidis	Acebuchal
Matorrales termomediterráneos y pre-estépicos	5330	Asparago albi - Rhamnetum oleoidis	Coscojal
Matorrales termomediterráneos y pre-estépicos	5330	Asparago albi - Rhamnetum oleoidis	Lentiscar
Pendientes rocosas silíceas con vegetación casmofítica	8220	Asplenio billotii - Cheilanthes hispanicae	Vegetación casmofítica
Pendientes rocosas silíceas con vegetación casmofítica	8220	Asplenio billotii - Cheilanthes hispanicae	Vegetación helechos casmofíticos
Pendientes rocosas silíceas con vegetación casmofítica	8220	Cheilanthes maderensis - Cosentinetum velleae	Vegetación casmofítica
Pendientes rocosas silíceas con vegetación casmofítica	8220	Coicyo longirostrae - Dianthes lusitani	Vegetación casmofítica
Pendientes rocosas silíceas con vegetación casmofítica	8220	Polypodietum serrati	Vegetación casmofítica
Pendientes rocosas silíceas con vegetación casmofítica	8220	Selaginello denticulatae - Anogrammetum leptophyllum	Comunidad de helechos esciófilos
Pendientes rocosas silíceas con vegetación casmofítica	8220	Selaginello denticulatae - Anogrammetum leptophyllum	Vegetación casmofítica
Prados húmedos mediterráneos de hierbas altas del Molinion-Holoschoen	6420	Holoschoeno-juncetum acuti	Juncal de <i>Juncus acutus</i>
Prados húmedos mediterráneos de hierbas altas del Molinion-Holoschoen	6420	Junco rugosi - Ericetum andevalensis	Brezal de brezo minero
Prados húmedos mediterráneos de hierbas altas del Molinion-Holoschoen	6420	Trifolio resupinati - Holoschoenetum	Juncal churrero
Prados-juncuales con <i>Molinia caerulea</i> sobre suelos húmedos gran parte del	6410	Juncetum rugoso - effusi	Juncal higrofilo
Roquedos silíceos con vegetación pionera	8230	Sedetum caespitoso-arenarii	Vegetación rupícola
Roquedos silíceos con vegetación pionera del Sedo-Scleranthion o del Sedi	8230	Sedetum caespitoso-arenarii	Vegetación rupícola

Northern assets area:

Tipo de hábitat (NORTE)	Código UE	Comunidad - Asociación - Formación	Nombre común
aguas oligotróficas (littoretalia-uniflorae)	3110	<i>Hyperico elodis-Potametum oblongi</i>	aguas anfibias
aguas oligotróficas (littoretalia-uniflorae)	3110	<i>Eleocharitetum multicaulis</i>	aguas anfibias
Bosques aluviales de Alnus glutinosa y Fraxinus excelsior (Alno-Padion, Alnion incanae, Salicion albae) (*)	91E0	<i>Senecio bayonenses-Alnetum glutinosae</i>	bosque de ribera
Bosques aluviales de Alnus glutinosa y Fraxinus excelsior (Alno-Padion, Alnion incanae, Salicion albae) (*)	91E0	<i>Valeriano pyrenaicae- Alnetum glutinosae</i>	bosque de ribera
Bosques aluviales de Alnus glutinosa y Fraxinus excelsior (Alno-Padion, Alnion incanae, Salicion albae) (*)	91E0	<i>Hyperico androsaemi-Alnetum glutinosae</i>	bosque de ribera
Bosques de laderas, desprendimientos o barrancos del Tilio-Acerion (*)	91B0	<i>Luzulo henriquesii-Aceretum psudoplatani</i>	bosques de ladera, desprendimientos o barrancos
Formaciones higrófilas dominadas por brezos (Erica) desarrolladas sobre suelos húmedos o con tendencia turbosa. (*)	4020	<i>Genisto berberideae-Ericetum tetralicis</i>	brezales húmedos atlánticos
Brezales secos atlánticos costeros de Erica vagans (*)	4040	<i>Sileno maritimi-Ulicetum humilis</i>	brezales secos atlánticos costeros
Brezales, brezales-tojales, ibéricos de suelos ácidos más o menos secos. dominados por especies de Erica, Calluna, Ulex	4030	<i>Ulici europaei-Ericetum cinerea</i>	brezales secos europeos
Brezales, brezales-tojales, ibéricos de suelos ácidos más o menos secos. dominados por especies de Erica, Calluna, Ulex	4030	<i>Ulici europaei- Ericetum vagantis</i>	brezales secos europeos
Dunas costeras fijas con vegetación herbácea (Dunas grises)(*)	2130	<i>Iberidetum procumbentis</i>	dunas costeras fijas con vegetación herbácea (dunas grises)
Prados con molineas sobre sustratos calcareos, turbosos o asrillo-limónico-asrillo-limónicos	6410	<i>Deschampsio hispanicae-Juncetum effusi</i>	prados húmedos seminaturales de hiervas altas
Bosques galaico-portugueses con Quercus robur y Quercus pyrenaica	9230	<i>Ruscu aculeati-Quercetum roboris</i>	Robledales galaico portugueses
Roquedos silíceos con vegetación casmófito	8220	<i>Anogrammo leptophyllae-Davallietum canariensis</i>	roquedos silíceos con vegetación casmófito
Roquedos silíceos con vegetación pionera del Sedo-Scleranthion o del Sedo albi-Veronicion dillenii	8230	<i>Airo proecocis-Sedum arenarii</i>	roquedos silíceos con vegetación pionera
Roquedos silíceos con vegetación pionera del Sedo-Scleranthion o del Sedo albi-Veronicion dillenii	8230	<i>Sedo anglici-Thymetum caespititii</i>	roquedos silíceos con vegetación pionera
Turberas altas activas (*)	7110	<i>Erico mackaiana-Sphagnetum papilloso</i>	turberas ácidas de esfagnos
Hayedos acidófilos atlánticos	9120	<i>Saxifrago-Fagetum sylvaticae</i>	hayedos
Pastizales salinos atlánticos	1330	<i>Agrostio stoloniferae-Juncetum maritimi</i>	pastizales salinos atlánticos

These studies contribute to **enhancing the natural forest assets managed by Ence**, with specific analyses to assess the state of conservation of the natural habitats existing in them. These analyses are based on the documents associated with the interpretation of Article 17 of Directive 92/43/EEC on the conservation of natural habitats and of wild flora and fauna and those generated in this respect by the Ministry for Ecological Transition.

The following factors have been taken into account in order to assess the state of conservation of existing Habitats of Community Interest:

- Current surface area and potential surface area.
- Minimum surface area and degree of insulation.
- Number of characteristic species recorded.
- Invasion of exotic flora.
- Presence of protected or threatened taxa.
- Signs of fire.

The information provided by these studies over the last six years has enabled Ence to actively manage these areas in order to improve their conservation status and therefore work on conserving biodiversity.

Once all the factors and parameters defining the state of conservation of each habitat identified in the reports for each forest have been analysed, a **specific management plan is defined** for them. The plans include specific objectives and measures to maintain or re-establish a favourable conservation status for natural habitats and wild fauna and flora species of ecological interest.

The ultimate objective of these plans is to **preserve and improve the ecological operation** of the network of conservation areas included in Ence's forest management units in the regions in which they are located, increasing the surface area and connectivity of habitats, improving the wealth of flora, reducing the presence of invasive and non-native species and promoting the protection of protected species.

Environmental and cultural singularities of the managed forests

As a result of these studies, during 2018 Ence identified all the unique features of the asset with a specific management orientation, validated in audit processes.

- There are 15 protected species of flora identified in the forests managed by Ence, and their presence is confirmed by visual identification in specific reports. An accurate number for protected fauna species is not available due to the lack of specific presence inventories.
- There are 87 points with the presence of protected flora species in the forests managed by Ence.
- The number of floristic studies in certified forests with B quarters amounts to 179 FSC® and PEFC forests in southern area and 144 FSC® and 179 PEFC forests in northern area.
- There are 275 Habitats of Community Interest (HCI) identified among Ence's forests assets, according to EU classification. This means that there are HCIs in 46.5% of Ence's forests.

In addition to the unique environmental features, there are various different kinds of **unique cultural and archaeological features** in Ence's areas, ranging from a Celtiberian village in the "Los Barrancos" forest (Huelva) and a dolmen in "Coto Miño" to remains of works and infrastructures from different periods and various elements of immovable art such as mine openings and stone engravings, as well as animal shelters, old threshing floors, farmhouses and various buildings. All of them are taken into account in the management.



In previous years, Ence has developed a new methodology for monitoring **High Conservation Value Forests (HCVFs)** in collaboration with the company Arcea, with expert biologists and naturalists, to identify HCVFs in the north of the Peninsula and with the University of Huelva to study the biodiversity of the HCVFs in the Southern Area. In 2019, 13 monitoring reports were drawn up on the evolution of the habitats in the Northern Area, as well as monitoring 17 forests with 47 different high conservation value units in the Southern Area.

Eradication work of invasive species in conservation areas of Coruña and final status.





Exotic tree species removal work in riverbank conservation areas

Additionally, a **mapping improvement** has been made of non-productive areas on 8,936 hectares of High Conservation Value Forests and 7,530 hectares with other protection figures in Southern Area and on 1,865 hectares of total protection area and 617 hectares of High Conservation Value Forests in Northern Area.

Other actions for biodiversity protection

Yet another year the framework of the actions carried out by Ence for protecting natural spaces includes the work carried out on **restoring the Rubín Marsh in Cantabria**. This action was included as a case study in the *Guía Práctica de Restauración Ecológica* (Practical Guide to Ecological Restoration) published in November 2018 by the Fundación Biodiversidad del Ministerio para la Transición Ecológica (Biodiversity Foundation of the Ministry for Ecological Transition), which Ence experts collaborated on.

The objective of the action was to restore an intertidal environment, increasing the surface area and ecological value of the San Vicente de la Barquera marshes. Recovery of the osprey (*Pandion haliaetus*), a species extinct as a breeder on the Cantabrian coast, was also pursued, and it is once again reproducing in this environment. To this end, among other actions, up to 420 holm oaks were planted using a new plant protection system that replaces the traditional PVC protectors.

During 2019, the evolution of the work has been monitored and invasive vegetation has been controlled and eliminated.

Also noteworthy among other activities is Ence's participation in the First Environmental Conference of the AESAH (Association of Environmental Services Companies of Huelva) with the paper "Biomass as an element of development in the Rural Environment" held in Huelva in May 2019, the participation in the IV Scientific Meeting of Forest Health of the Spanish Society of Forest Science with the paper "Integrated Pest Control of Eucalyptus" within the session dedicated to the Alternative Actions to the use of pesticides, held in Huelva, in September 2019 and the Field Day on "Assessment of clonal mosaics" with CETEMAS (Technology and Wood Centre of Asturias)

Ence has also participated in the 11th General Assembly of Members of the WOOD FAIR PLATFORM - COPADE in December 2019, where its Certification project was presented at Concello de Viveiro. Ence

has also participated in the General Assembly of FSC® Spain, in whose Board of Directors it has ceased to participate due to the expiration of his mandate.

Other activities on the sustainable use of resources

In the forests managed by Ence, in addition to wood and biomass production and conservation activities, there are other activities that also provide examples of sustainable use of the natural resources offered by the forest. They include:



Cork production: The Southern Area of Ence has different patches of cork oak groves, which allow the production of cork. During the year 2019, 1240 quintals of reproduction cork have been produced, 25 quintals of second cork and 316 quintals of cork from Borneo.



Sustainable grazing: 11.518 hectares on which it carries out sustainable **grazing** in Southern Area and 3 mountains on which there is wind power generation.



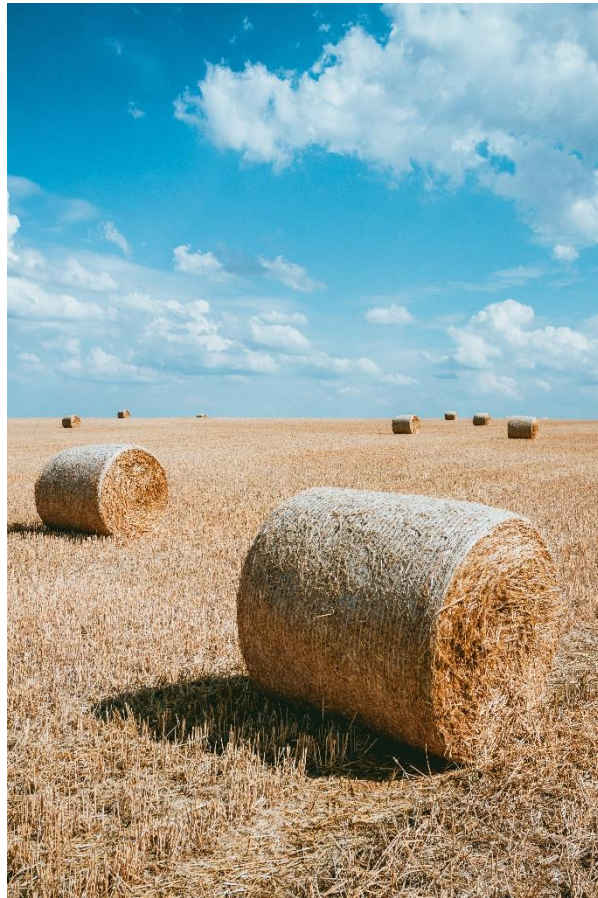
Other forest assets uses that complete this multifunctionality of the mountain are the **beekeeping productions** that are carried out on a surface of 35,594 hectares in the Southern Area and in collaboration with local producers in 7 mountains under the management of the Northern Area in Asturias. Throughout 2019, 3,030 m3 of various quarrying materials have also been produced in forests under southern area management.

Sustainable management of biomass

Biomass is, together with wood, one of the fundamental raw materials in Ence's business model. The company uses biomass as a renewable fuel in both its biofactories and its independent power plants, mostly of agricultural origin. As in the case of wood, for Ence it is essential to ensure that the biomass it uses in its operations comes from sustainable sources and is managed responsibly.

To ensure this point, Ence has voluntarily developed a **"Code for the Sustainability of Biomass as Fuel"** that establishes the sustainability criteria for primary agricultural and forestry biomass that the company uses as raw material for energy production.

This code consists of 10 commitments or principles that were developed with the collaboration of different interest groups, including environmental organisations. The principles of the code establish commitments of an environmental, economic and social nature and are divided into three types: some are focused on the natural environment from which the biomass comes, others are commitments formally acquired by Ence in relation to the type of supply that the company considers acceptable and others are related to the organisation's own environmental performance, which are therefore not associated with the type of supply or its supply areas but rather with the efficiency of Ence's processes and the best available techniques.



To monitor compliance with these principles, Ence has developed a system of indicators that specify each principle in specific, measurable aspects. In this way, each principle is assigned a variable number of indicators, up to a total of 31. Throughout 2019, Ence has worked on adapting its management tools for data capture to enable monitoring of compliance with these indicators, either through direct analysis in the field (standing purchases through the X One mobility application), or through self-regulation commitments by its suppliers (self-declarations, contracts and action commitments).

Throughout 2020 the effort will focus on developing an inspection system based on the categorisation of the risk identified for each of its sources of raw material supply.

The code is applicable to all types of Ence's forest and agricultural biomasses, whether they come from public forests or purchased from farmers or suppliers. During 2020, the bases will be established for the definition of Principles and Indicators to be applied to the rest of the sources of supply (raw materials of agroforestry origin not directly from the natural environment, that is, that have undergone previous industrial processing).

In addition to having developed this voluntary code, Ence is committed to keeping it updated and aligned with applicable legislation. In this sense, the company participates in international forums to keep abreast of the guidelines issued by the European Commission (working groups and technological forums), maintains contact with administrations to ensure the alignment of indicators with national and regional guidelines (contact with ministries and regional administrations for matters such as those

related to regulations on trade in wood products and due diligence) and collaborates with various NGOs to keep abreast of their expectations and concerns in this regard.

Ence's Code for the Sustainability of Biomass as Fuel:

- 1) **It will respect the natural environment:** The management of biomass shall at all times respect the renewal capacity of the biomass resource, the quality of the soil and shall not harm the natural environment.
- 2) **It shall be compatible with sustainable agricultural and forestry practices:** Ence's activity shall be compatible with the manuals of good agricultural and forestry practices for any crop and species.
- 3) **It shall not burn round wood:** Ence shall not use round wood with a diameter of more than 10 cm as fuel, unless its only possibility of consumption is energy use, or if it comes from cultivated invasive species.
- 4) **It shall respect the priority uses of biomass:** The biomass that Ence use shall not compete with other possible sustainable and priority uses of biomass (food, construction, furniture, ...)
- 5) **It shall not use biomass that competes for resources with food:** Ence shall not use biomass from energy crop plantations on land suitable for agriculture and food production.
- 6) **It shall use only surplus agricultural biomass:** It shall only use surplus agricultural waste and avoid reducing the quantities destined for livestock feed.
- 7) **It shall respect the law and human rights:** The collection of biomass shall always be undertaken with respect for current legislation, human rights and the rights of the communities.
- 8) **It shall use the best available technologies:** Ence shall permanently apply the best available techniques for transport, storage and energy production with biomass in order to minimise environmental impact and maximise energy efficiency.
- 9) **It shall minimise carbon emissions:** It shall consider the total carbon footprint, taking into account the balance of greenhouse gas emissions over the entire life cycle, and limit the distance of agricultural and forestry waste collection.
- 10) **It shall always strive for the highest energy efficiency:** Ence shall promote maximum energy efficiency through the development and application of technology for the use of useful residual heat from its plants for other industries and local uses.

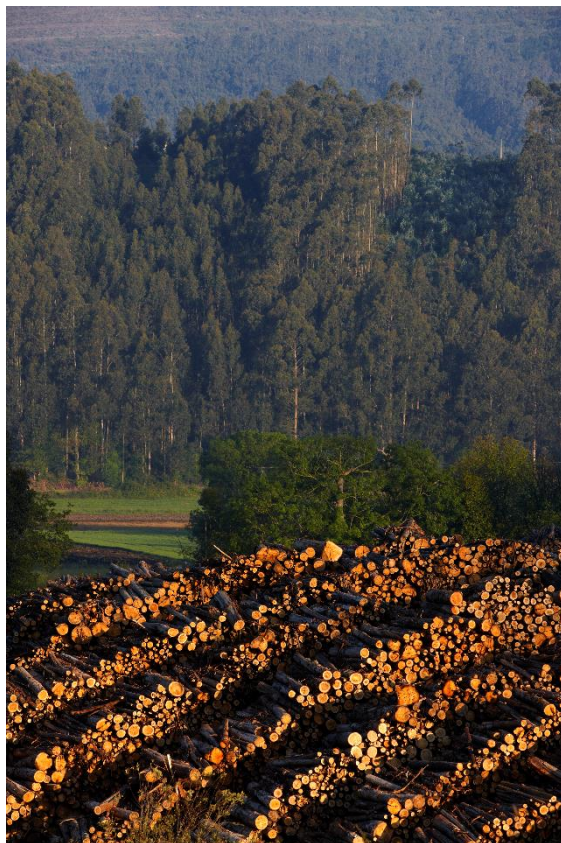
Ence has presented its code on Biomass in various forums, such as "Towards a Circular Bioeconomy in the Fruit, Olive and Wine Sectors: the role of pruning wood and renewal of plantations as biomass" (Brussels, April 2019), "Applying the circular economy for rural development through agro-biomass of vines, olive and fruit trees" (Madrid, June 2019) or "Biomass as a source of employment generation" (Mieres, November 2019) and has participated as a promoter in forums that pursue similar global strategies, such as the Summit on the Circular Economy organised in Madrid in July 2018 or promoting the dissemination of the concept of the Circular Economy through its "Circular Pathways" initiative (Huelva, November 2019)

Guarantee of origin and traceability of wood and biomass

Because Ence not only obtains wood from the forest areas it manages, but also buys wood and biomass from third parties to supply the biofactories and independent energy plants, the **traceability of the wood and biomass purchased** is another fundamental management aspect for Ence.

To ensure that the supply of wood (both from forest assets and standing purchases or supplies) is carried out with the utmost respect for legality, Ence has a **wood and biomass legality policy**, which sets out the company's operational principles with regard to the purchase of these materials and complies with Spanish legislation (RD 1088/2015 on the legality of wood) and international regulations (EUTR Due Diligence regulation). This policy includes, among other principles, the company's resolve to buy wood and biomass from forests or agricultural areas where all the requirements of the regulations in force are met, in addition to those voluntarily adopted by Ence.

The policy also establishes that all the wood with which Ence is supplied must comply with the legal requirements established by Community, state and regional regulations regarding **due diligence**, including obtaining all the use permits established by the applicable legislation. In addition, the policy includes Ence's commitment to reject any material that is proven to have been illegally harvested or to have affected protected elements of natural, archaeological, cultural or social assets incompatible with its use.



In order to ensure compliance with these principles, Ence has established a **wood and biomass supplier evaluation system**, through which the different aspects of their activity (origin, regulatory permits, etc.) are analysed. Suppliers are subject to a **periodic programmes of monitoring and audits**, both technical and on sustainability, to guarantee compliance with the established criteria.

The aforementioned wood and biomass legality policy also establishes Ence's commitment to acquire only raw materials from traceable sources that comply with established legal requirements, including those of an environmental nature. For this reason, Ence also has a **traceability system**, which covers the evaluated suppliers, based on an identification system from its origin through the use of delivery notes, QR and geolocation that guarantees that all the wood and biomass purchased by Ence is identified and accompanied by information regarding the origin, volume and forest management certificate, if the latter is available.

In addition, Ence has implemented a **system of accreditation of the wood of its standing purchase** from forests certified in forest management. By means of this system, Ence communicates all its wood entries to the different Forest Management Groups so that they can accredit it as certified wood. This ensures coordination with the entity holding the forest management certificate and, therefore, the origin of the wood.

Value generation for owners and suppliers

Ence's commitment to its partners and suppliers, as set out in the company's Sustainability Policy, consists of establishing relationships of mutual trust based on transparency and establishing lasting links with them.

To materialize this commitment, Ence **contributes to the development and growth of its suppliers**, especially local suppliers and with a special focus on forest owners and other suppliers of both wood

and biomass, both through the purchase of wood and biomass and through actions aimed at helping them improve their management and productivity.

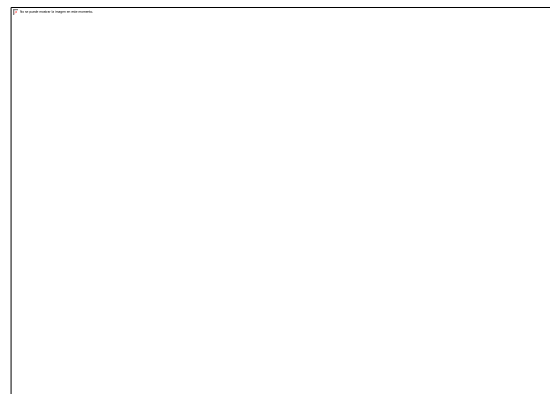
Value generation for suppliers and forest owners

Ence is not only the first private forest manager in Spain, but also one of the main buyers of wood, contributing to generating value for suppliers, owners and forest associations. Through its purchases, hiring and transfer of knowledge, Ence helps to boost the forestry sector and helps to prevent the abandonment of forests and the depopulation of rural areas.

As regards purchases from suppliers, the company supports especially **small companies** (deliveries <3,000 m³ wood/month), which constitute 94% of Ence's suppliers. In 2019, the volume of purchases from small suppliers was 69%.

Ence also seeks to promote the local development of the environments in which it operates. Therefore, the company promotes the **purchase of local wood** and in fact all purchases in 2019 were made in Galicia, Asturias and Cantabria. Buying local wood not only helps to generate value in the immediate environment, but also reduces transport and the carbon footprint of our activity.

With the aim of encouraging the development and growth of suppliers and local recycling companies, Ence has developed the **Creemos Juntos** (Let's Grow Together) **points programme**, through which companies in Ence's supply chain accumulate points that can later be exchanged for products to improve safety (PPE) and support their growth (subsidies for acquiring machinery, etc.). More than 250 local companies are participating in the points programme and in 2019, products worth 927,000 euros have been redeemed. The programme is managed through a website where companies can check their point balance and a product catalogue where they can automatically redeem points.



On the other hand, **Ence promotes sustainable forest management certification**, prioritising the purchase of wood from suppliers with PEFC and FSC® certificates. In fact, of the 292 wood suppliers Ence works with, 183 have dual PEFC+FSC® certification, 3 have FSC® chain of custody certification and 16 have PEFC chain of custody certification.

For Ence, the activity of wood production by forest owners is essential, which accounts for nearly 95% of its wood supply (the rest coming from Ence's own production). Thus, Ence is concerned that the investment needed for production remains in the interest of the forest owner, sharing with him/her the skills and knowledge needed for efficient and sustainable production, and giving him/her access to a transparent and fair market. Because of this, Ence also encourages **direct purchases from forest owners**, in order to benefit them and create alliances between them and the company. In this case, by eliminating the intermediation costs, the margin that is destined to third parties in this modality has repercussions on improving the operations of Ence and producers. Specifically, Ence bought wood from more than 2,014 forest owners during 2019, with an average of 518 tonnes per owner. Purchases made through a forestry association accounted for nearly 18% of Ence's wood purchases in 2019.

With all of the above, Ence's activity as a buyer of wood, both in the standing purchase modality and in supplies, has mobilised almost 2.8 million cubic meters of wood for an amount of more than 193 million euros in 2019.

Within the area of asset activity, it should be noted that through the payment of accrued income for forest land managed by Asset, Ence has generated value for 155 forest owners of over 1,088,000 euros. Among the beneficiary properties are 29 neighborhood communities in common hand of Galicia.

In addition to generating direct value through the purchase of wood, Ence contributes to the development of the forestry sector through actions aimed at improving management and productivity of owners and suppliers. Among the actions carried out in 2019, the following stand out:

Innovation Task Force

Ence has coordinated the first phase of the regional Innovation Task Force for the Sustainability and Productivity of *Eucalyptus globulus* in Asturias to fight against the abandonment and lack of forestry in plantations, management fragmentation or exhaustion of stocks. The Group is working on three areas that contribute to maximising efficiency and environmental excellence in its management:

improvement of forestry and the plant materials used, innovation in forest management grouping and organisation of the forest industry value chain, and improvement in the application of technological tools for information and management. The Group, coordinated by Ence, includes the main associations related to the forestry sector: Association of Forestry and Environment Businesses of Asturias (ASYMAS), Association of Forest Owners of Asturias (PROFOAS) and Association of Forest, Wood and Furniture Businesses of Asturias (ASMADERA). The conclusions of this first phase were presented at the Asturforesta 2019 forestry fair, held in Tineo.



School of Forestry Operators

In its desire to develop and professionalise the sector, Ence has launched in the fourth quarter of 2019 the sponsorship of a course to train forestry operators. The aim of the course is to develop new professionals who will join the forestry sector as forestry machinery operators (harvesters and forwarders) and it is born from the needs of the sector, in which suppliers and harvesting contractors have difficulties in finding new operators and replacing rotations.



The course has trained 15 students during 3 months in which theory classes have been combined with practice both in a state-of-the-art simulator and in professional machines, which Ence has made available to the school. The course also has an important safety component, as all students finish the course with the title of "Basic level of prevention of occupational hazards according to Royal Decree 31/1997" applicable to the forestry sector. Once the course has been completed, the students will join the forestry sector in both harvesting companies and suppliers.

Awareness Days for Forestry Service Contractors and Asset Staff

To convey its commitment to operational safety and respect for the environment, Ence organises training sessions for employees and contractors. In 2019, 13 internal safety training sessions were held for Northern forest area personnel, attended by 46 people, while at Southern Area, awareness sessions were held every two months, focusing on the prevention of occupational risks and environmental aspects, and a fire action session was held for all Southern Area personnel included in the emergency system.

Support for the development of wood suppliers



Aware of its leading role in the sector, Ence develops measures to promote sustainable forest management and the development of forest owners and other wood suppliers. In addition to promoting direct purchase, Ence puts all the means at its disposal to **favour and professionalise the management of the forest owner**. With this premise, Ence extends its forestry activity beyond its own operations, promoting the exchange knowledge and techniques aimed at improving the management of forest stands.

Ence's **best management practices** in its forestry operations are extended to forest owners and other suppliers. For many years, this has been one of the activities of highest priority for the company, from the certainty that a structured, professional and technologically proficient sector will generate an environment of mutual benefit for owners and companies.

To this end, Ence supports forest owners in aspects such as:

- The transfer of *know-how*
- Working together in the fight against pests
- The promotion of planting with quality genetic material
- Forest certification
- Associationism
- The search for complementary financing tools (Fair Wood or Payment for Environmental Services)
- The promotion of round forests to promote lower use costs and boost the sector's competitiveness by improving the efficiency and sustainability of forest management.
- Promotion of quality employment, entrepreneurship and training
- Protection of the environment

The wide range of actions mentioned is part of a transversal objective of promoting **cooperation between owners**, which enables the improved efficiency and productivity of plantations, their health management, the effectiveness of fire prevention, the design and maintenance of infrastructures and, of course, environmental management.

That is why Ence works hand-in-hand with various **forestry associations** in different models of long-term cooperation that provide a solid but simple and flexible legal structure to these joint management

arrangements, key to forest sustainability and the fight against abandonment. The contracts signed with the woodworkers' collectives go beyond the mere acquisition of wood, establishing guidelines for collaboration on structural issues for the future of the forestry sector such as managing forest crops, phytosanitary improvement, sustainable management of stands and greater transparency in the wood market.

Ence also carries out **training initiatives** aimed at forest owners, addressing issues such as the location of plants, the price of wood and certification, as well as showing the keys to developing an exemplary plantation. In 2019, 51 **informative meetings** have also been held by the Forestry team's personnel with Communities of Neighbourhood Forests in Common Hand and forest owners in Galicia and Asturias. All of them have reported on sustainable forest management models.

Ence also shares with forest owners the advantages of **improved *Eucalyptus globulus* plants**, the result of decades of work and selection of the best specimens by Ence's forest research experts, which show growth rates greater than 30% than those of the eucalyptus seed plant, thanks to appropriate silviculture and treatments.



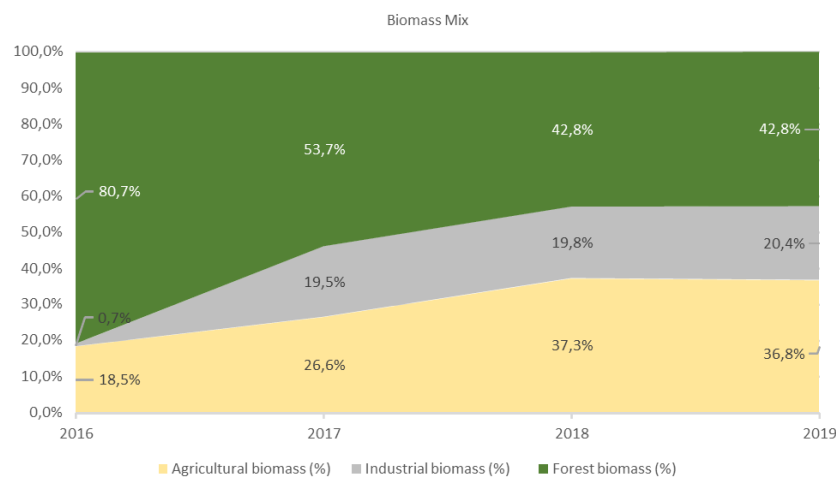
At the end of 2019, Ence has also undertaken a **campaign to strengthen legal compliance** with its suppliers of wood and forest biomass, in order to ensure that all of them are aware of the applicable regulations on legal trade in wood and wood products as well as the due diligence requirements. Within this framework, Ence has contacted its forestry suppliers and provided them with explanatory material to guide them in complying with the requirements in this area.

Generating value for biomass suppliers

Their activity of renewable energy generation makes Ence an important player in terms of mobilising agricultural and forest biomass in Spain. Ence therefore contributes to minimising the environmental impacts derived from inadequate management of agricultural and forest residues, creates value for suppliers of these materials, helps to energise supply areas and contributes to preventing rural environment depopulation.

Specifically, in 2019, Ence mobilised more than 1.42 million tons of biomass for its plants, for an amount of more than 48.5 million euros.

In addition to generating value for its biomass suppliers, Ence contributes to boosting sustainability on farms. Thus, in 2019, Ence has continued to make progress in the application of its **Code for the sustainability of biomass**, which has led to a gradual increase in the consumption of agricultural biomass in recent years, rising from 18.5% in 2016 to almost 37% in 2019.



Ence's work in capturing agricultural biomass involves sharing the company's sustainability strategy with farm owners and **promoting sustainable practices in rural areas**. Thanks to these actions, the number of owners who have authorised the rapid, orderly and recurrent removal of their biomass in many cases has multiplied.

Ence has also focused its efforts on broadening the base of **new suppliers of agricultural biomass**, encouraging its uptake. With all this, the volume of agricultural biomass has been increased, which shows Ence's success in promoting a sustainable alternative for biomass recovery.

Approval of suppliers

The great capillarity of Ence's supply chain represents an opportunity to create value in rural environments, as mentioned above, but it also entails risks given the high number of suppliers that the company works with. For this reason, Ence has equipped itself with various mechanisms to minimise the risks derived from its supply chain, especially with regard to wood and biomass traceability.

These mechanisms include procedures for supplier accreditation, with which Ence ensures that its suppliers, especially wood and biomass suppliers, assume the legal and **sustainability requirements including respect for human rights** established by the company. These procedures also serve to assess the risk level of each supplier and, based on this assessment, establish the monitoring and evaluation plan for them.

In the wood and biomass supplier accreditation process revised during 2019, Ence ensures that the supplier companies subscribe to the following commitments:

- A statement that the wood or forestry biomass supplied does not come from controversial sources and that the supplier has applied the Due Diligence System as indicated in EU Regulation 995/2012.
- Commitment of the biomass supplier to comply with applicable legal regulations in agricultural or forestry management, land use legislation and water and waste management regulations
- Commitment from the supplier to provide data on the geographical origin of all wood and biomass supplied and the supply chain, as well as data necessary to make the risk designation.
- Commitment by the supplier to collaborate in the Ence Origin Verification Programme, with a periodic inspection format.
- If the supplier is considered to be "high risk" in relation to the origin of the supplied material, Ence undertakes to provide all the necessary data to identify the managers of origin in the place of origin of the raw material, as well as the entire supply chain of the products supplied.
- In the event that the supplies are considered to be of "high risk", the supplier also undertakes to allow inspections of its own operations and those of previous suppliers in the chain by second or third parties.

The procedure also includes other aspects, such as

- ✓ Respect the compliance of the fundamental conventions of the ILO (International Labour Organization) and the human rights internationally recognised and reflected in the International Charter of Human Rights of the United Nations and the Universal Declaration of Human Rights, as well as the Covenants that it includes (the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights).
- ✓ To guarantee the development of its activities in compliance with the applicable regulations and the Guiding Principles on Business and Human Rights and the Principles of the United Nations Global Compact, as well as, for multinational companies, the ILO (International Labour Organisation) Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy and the OECD (Organisation for Economic Co-operation and Development) Guidelines.
- ✓ Ensure that there are contracts in force that will comply with all the requirements established by labour legislation and applicable agreements, especially with regard to risk prevention and occupational health and safety
- ✓ Certification according to a Sustainable Forest Management System or the quality (ISO 9001) and environmental (ISO 14001) certification systems.

The accreditation process takes place when the supplier is registered and is renewed every two years. As for service providers (such as subcontractors for the use of wood for standing purchases), although they are considered to present a lower risk level, within the framework of Ence's Integrated Forest Management System an accreditation questionnaire is also applied to them. This questionnaire includes aspects such as environmental management, occupational health and safety and quality.

During 2019 the approval process has been reviewed to make it more robust and the objective has been set to have 100% of suppliers approved under this procedure by 1 February 2020. By the end of 2019, 98.5% of wood suppliers and 86.9% of biomass suppliers were already certified. Overall, these figures represent 98.5% of approved material. As for service providers, by the end of 2019 the percentage of approved suppliers reached 81.6%.

In addition to the accreditation, in terms of supplier management, Ence carries out **periodic evaluations** as a tool for continuous improvement. These evaluations review compliance with the technical specifications of the products purchased and the contractual terms of the services. Evaluation criteria

include those of the forest certification systems (FSC® and PEFC), ISO 9000 and 14000 and *Total Quality Management*.

As for **industrial suppliers**, Ence also carries out a process of homologation in which financial, social security compliance, quality and environmental parameters are evaluated. Once approved, suppliers are eligible to work with the company. Ence has also developed an annual supplier evaluation system in which its performance is analysed in terms of health and safety, quality and service. Depending on the score obtained in the evaluation, Ence can suggest improvement measures or, if necessary, cancel the contract or block the supplier.

Inclusion of human rights criteria in supplier procurement

The supply contracts under which Ence is the recipient of the goods, both wood and biomass, have been



strengthened during 2019 in terms of human rights. Thus, specific references to the obligation of the supplier to ensure that the wood or biomass has been obtained in a manner that respects human rights have been included in its clauses. In this sense, the contract already stipulated respect for traditional rights (uses and customs) and civil rights, but this new inclusion clearly shows Ence's commitment to human rights and the need to extend this commitment to its supply chain.



4.d. Sustainable products

- I. Ence Advanced
- II. Customer Relationship

Ence exports most of its pulp production to Europe, which has the most demanding customers in the world market, supplying products that meet their needs and with special qualities using an advanced logistics system.

The main markets served by Ence are Germany, Spain-Portugal, France, Italy and other Western European countries. In 2019, total sales amounted to 910,000 TAD.



Taking into account the geographical distribution of the markets served by the company, the two production centres that Ence has in the North of Spain give it a clear competitive advantage in terms of service. The proximity to the market and the "just in time" logistics developed by the company also allow Ence to maintain a very diversified customer portfolio with a great capillarity.

At the end product level, the qualities of the pulp produced by Ence and the advantages of its service have allowed the company to continue with a high penetration in the paper tissue segment, where most of its sales are concentrated, without forgetting the leading role it continues to play in the specialty segment thanks to the new range of special products developed by Ence.

Ence Advanced



In 2019, the **Ence Advanced brand** was launched as a result of years of work in market research, R&D and industrial and product development.

The objective of Ence Advanced is to offer the client a **comprehensive value proposal**, which specifically meets their needs at a service and product level.

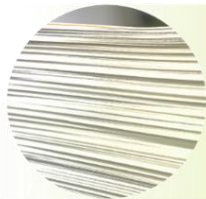


To this end, Ence has a team of experts in both product and technology capable of **advising** its customers on the constant improvement of their processes and the use of pulp in the way that best suits their needs.

Ence Advanced also has **highly differentiated products** focused on meeting the technical needs of specific paper segments within the following groups:



Long fiber substitution: products that were developed as a choice to long fiber pulp (with higher wood consumption and lower competitiveness)



Adapted products: personalised developments destined to satisfy specific characteristics of any type of paper. These products are able to simplify the processes in customers' facilities and increase the final product performance.



Raw pulp: unbleached product destined to cover the demand of rising markets, due to new regulations that stimulate their use and consumption trends towards more sustainable products, like paper bags and packaging.

Ence Advanced was presented to Ence's clients at an event held by the company in June 2019 in the city of Valencia.

Customer Relationship

Customers are one of the most relevant stakeholders for Ence and for this reason the company manifests a firm commitment to them in its Sustainability Policy. Specifically, Ence is focusing efforts to plan and execute with quality and efficiency the necessary actions to meet customers' demands and to fulfill the commitments made to facilitate their work and generate trust.

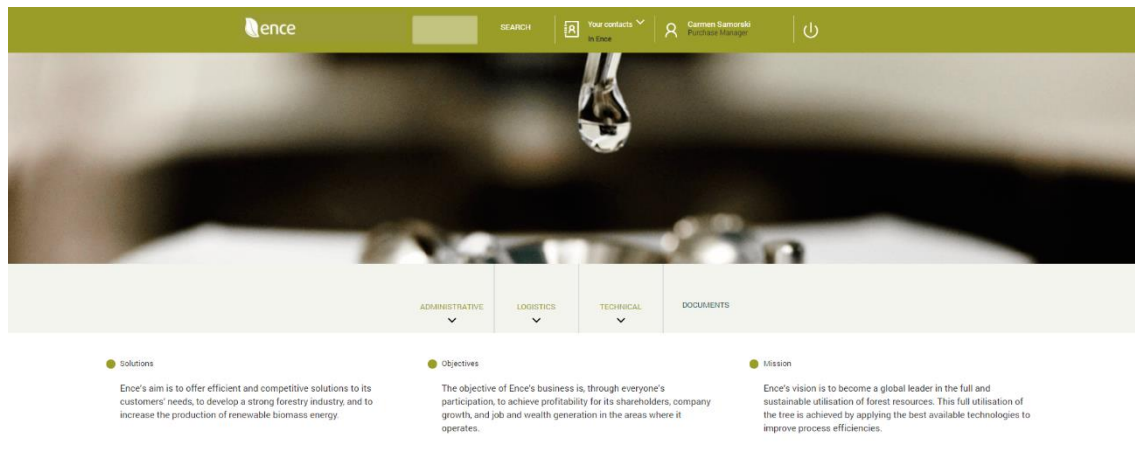
With this commitment as a guide, Ence works to maximise customer satisfaction in all activity lines, ensuring long-term relationships and seeking to become the supplier of reference in the market.

In this way, Ence's customer relationship management aims to create bonds of trust and long-term mutual benefit. In order to generate this trust, Ence maintains a proactive relationship with them based on **attention and continuous communication** that enables it to know the opinion and expectations of its customers and respond to their needs.

This relationship system is based on different channels of **proactive dialogue with customers**.

Sales managers and the technical assistance staff **periodically visit customers** and invite them to visit the company's facilities to learn about the evolution of their expectations regarding the products and services provided by Ence.

As a measure to facilitate contact with the company, throughout 2019 Ence also been improving a specific **online portal** for customers which was released during 2018 through which they can directly access the information of their interest.



Another means of dialogue is a **system for formally obtaining customers' opinions** on the most relevant aspects of their business relationship, such as service, delivery time, product quality, sales department service or technical service. An annual questionnaire has therefore been launched for the main customers, whose responses are analysed within the framework of the Quality System and are used to set Improvement Objectives to improve customer satisfaction individually and globally. Among the results of the questionnaire carried out in April 2019 in relation to 2018, the good score given by Ence's customers to the service provided by the sales department and to the accessibility of its personnel stands out.

At the same time, Ence develops the **VOC (Voice of Customer)** model in order to deepen the perceptions and expectations of customers and facilitate them access to different sectors of the company in order to implement improvement initiatives that contribute to the development of special and differentiated products that meet their needs and help Ence to increase its market share and capillarity in Europe. The VOC involves the Management Committee as well as factory personnel in order to convey the importance of customers and their realities in their respective segments. The VOC model is articulated through visits in which customer interviews are conducted that include questions on six aspects: Ence's image, products, commercial service, logistics service, technical assistance service and future perspective on aspects related to the market.

Ence also uses other types of communication channels with customers, such as computer applications designed to share specific information, e-mails or conference calls. At the same time, Ence is a member of the main sectorial associations and is present in the most important events that they organise in order to put customers in contact with the producing companies.

With regard **managing complaints and claims**, Ence has had a system in place since 2012 that enables it to articulate its relationship with customers and record any incidents that may occur. As stated in the internal procedure of customer non-conformities due to quality, in addition to claims, all complaints and comments related to any customer dissatisfaction with any requirement of the service provided or of the product delivered, without affecting the breach of warranties, or other more severe aspects such as accidents caused by the product or service provided, extra costs, returns, etc., are recorded and treated as complaints.

Through this system, a total of 5 claims were registered in 2019 on a total of more than 5,000 pulp sales transactions.

In order to manage received incidents, Ence draws up an **8D Report**, detailing the description of the problem, the containment actions implemented, a root cause analysis, the corrective actions activated, the actions defined so that the problem does not recur and the verification actions. This report is the basis for the final communication of the resolution of the complaint with the customer and also serves to promote continuous improvement in the production process.





4.e. Connect with the community

- I. Community relations
 1. Listening to and planning relations with local communities
 2. Ence Pontevedra Social Plan
 3. Other agreements
- II. Relations with administrations and other institutions
- III. Dialogue and relationship channels with stakeholders

Community relations



Ence works on the development of close and transparent relationships with its immediate surroundings, with the aim of establishing bonds of trust with those communities in which its activity takes place. For the company, ensuring the maintenance of these relationships and, therefore, the social license to operate, is of strategic importance to achieve long-term sustainability.

Likewise, the economic and social development of the neighbouring areas is one of the main foundations of the company's Sustainability Policy and one of the mainstays of the 209-2023 Sustainability Master Plan, and is materialised through the planning and execution of various community relations and support programmes. These programmes are part of a series of social initiatives aimed at promoting the welfare and economic revitalization of the communities where Ence is active.

Engagement with other influential groups, such as the media and various associations and NGOs, is also part of this area of relationship. Promoting a fluid, constant and transparent dialogue with these entities is an important part of the company's sustainability policy, and it seeks to listen, understand and resolve those social concerns or worries that are related in one way or another to its activity.

In this way, Ence seeks to establish a stable and trusting relationship with the communities where it operates, creating value and promoting the development of these communities, with the aim of translating this into a solid reputation and maintaining permanent relationships with their operating environments.

Listening and relationship plans with local communities

As part of its commitment to developing relations with society around its operating centres, Ence has launched a series of environment relationship plans in 2019 in its three main points of activity: **Huelva, Navia (Asturias) and Pontevedra**. These plans maintain a common basis that is committed to developing around three strategic axes:

We are sustainable

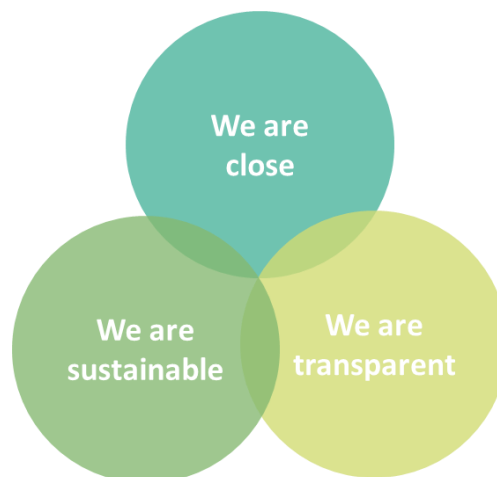
Through the implementation of various initiatives of a collaborative and informative nature, Ence seeks to position itself as a sustainable entity that pursues environmental excellence, and the economic and social development of the environments where it operates.

We are close

Ence seeks to promote closeness in relations with its environment. With the development of these plans, Ence wants to present itself as an accessible organisation that seeks to increase the trust of its stakeholders, and that projects coherence and adaptability to their needs through various actions.

We are transparent

Transparency in the presentation of information, as well as the promotion of interaction with the different communities when disseminating the impact of the company's activity on the environment is another of the strategic points raised in the different plans.



Environmental Relations Plan in Huelva

In the environment of its energy complex in Huelva, Ence is seeking to **improve its reputation and increase its acceptance by Huelva society**, seeking to end the negative image resulting from the stoppage of its cellulose production activity in 2014. Similarly, the company seeks to make **its various target audiences more aware of its activity, as well as its contribution to the environment**.

This Environmental Relations Plan includes actions aimed at the following stakeholders: employees of the Ence Group, the media, educational and teaching centres, plant neighbours, especially in San Juan del Puerto; social and cultural entities and business entities. In this line, the following relationship actions have been carried out:

We are close

- ✓ Enhancement of communication activities with the younger public: Encourage visits from neighbours, students from schools and other groups.
- ✓ Promotion of the Talent Programme in Huelva.
- ✓ Management of the funds from the collaboration agreement with the San Juan del Puerto City Council and effective promotion of Ence's contribution.
- ✓ Sponsorship of local sports teams or events taking care of the image of the Ence brand.

We are transparent

- ✓ Promotion of Ence's economic impact in Huelva through specific campaigns supported mainly by social networks and local radio and TV stations.
- ✓ Promotion of indicators of the positive environmental impacts of Ence's activity (GHG emissions avoided, particle emission avoided by energy recovery from biomass).



We are sustainable

- ✓ Promotion of corporate volunteering activities for the protection of nature or cultural heritage.
- ✓ Sponsorships aligned with Ence's values.
- ✓ Increase in information through all channels regarding the execution and environmental improvement of Ence-Huelva. The following items will be used:
- ✓ Interviews in written and digital media that are spread through the web and social networks.

Caminos circulares (Circular Paths)

"Caminos Circulares" (Circular Paths) is the name of a project presented by Ence in Huelva, which aims **to boost the circular economy through sustainable entrepreneurship and business synergies**. The project envisages the creation of various meeting spaces, including several specific training workshops for entrepreneurs, social innovation and territorial connection actions, promotion campaigns in social networks and conventional media and visits to educational centres. All this to promote the awareness of all economic agents with sustainability and with the circular economy as the only strategy for the future.



Circular Paths is based on Ence's conviction about the need to transcend concepts such as sustainable development towards regenerative development, and linear economy towards circular economy. The Circular Paths project is developed around four main axes that cover companies, entrepreneurs, students and society in general throughout the province of Huelva.

- ☑ The first axis is the business synergies, for which there will be three face-to-face days or meeting spaces in strategic locations of the province and with the participation of the municipalities as essential supporting agents of the territory.
- ☑ The second axis is the promotion of sustainable entrepreneurship, with the participation of entrepreneurs in the meeting spaces and the organisation of training workshops on how to put into practice the principles of the circular economy in their business initiatives.
- ☑ The third axis is coherent education, for which Circular Paths plans to make twelve visits to educational centres in the province of Huelva to talk about the circular economy as an alternative for the future and about entrepreneurship as a viable professional option.
- ☑ The fourth axis, transversal to all the others, is the raising of the social awareness of everyone through campaigns in social networks and conventional media on responsible consumption.

Environmental Relations Plan in Navia

In the environment of its biofactory in Navia, Ence aims to **improve the reputation of its facilities in the area, to make visible the efforts made by the company in terms of environmental protection, and to highlight its importance as the economic engine of the region**, being a source of wealth and employment in Western Asturias.

The actions included in this Plan are aimed at a series of interest groups: *employees of Ence Navia and the rest of the Ence Group, residents of Navia and Coaña, especially Armental, companies and business associations in the area, forestry organisations, suppliers and providers, City Councils of Navia, Coaña and Villayón, the media, social and cultural organisations, educational centres and universities and research centres.* The following actions have been implemented within the framework of the three axes of action:



We are close

- ✓ Promotion of the employee's activity as Ence's ambassador: spreading of information on the activity of the biofactory among the biofactory's staff, and promotion of the participation of employees in talks at schools in the area.
- ✓ Promotion and support for the participation of Ence representatives in social, cultural and sports events in the area of the biofactory and in the rest of Asturias.
- ✓ Collaboration and continuous dialogue with the groups and organisations related to the activity of the Navia biofactory, such as the City Councils of Navia, Coaña and Villayón, and the neighbours of the town of Armental, where the plant is located.
- ✓ Management and promotion of collaboration and sponsorship actions, both within the Collaboration Agreement with Navia City Council, as well as contributions and aid for social and cooperation actions with other groups in the area.



We are transparent

- ✓ Promotion of Ence Navia's economic impact in its environment through specific advertising campaigns, information to the media and social networks. At this point, special attention has been given to the promotion of the project to improve efficiency and increase production capacity "Navia 80", the main project developed in the biofactory in 2019.
- ✓ Information activation through social network actions aimed at the region, with promotion of both internal aspects of the biofactory as well as social action with the environment promoted by the company.
- ✓ Circulation of the different investments planned for the Navia biofactory within the 2019-2023 Strategic Plan through meetings with local entities and neighbourhood groups, as well as conservation organisations.

We are sustainable

- ✓ Promotion of corporate volunteering activities to partner Ence with local organisations and nature and/or cultural heritage protection initiatives.

- ✓ Increase of the information intensity through all channels about the execution and environmental improvement of the biofactory, emphasizing messages easily assimilated by the population (improvement in odours, control of effluents, reduction of air impact,...).

Environmental Relations Plan in Pontevedra

The Environmental Relations Plan in Pontevedra has sought **to achieve the recognition of the environmental quality of Ence's activity and to promote the knowledge of the contribution of Ence's Social Plan to the quality of life of the neighbours, as well as to increase the recognition of the company's contribution to the economy and employment in the region of Pontevedra.**

To achieve this, Ence has targeted the following audiences: Employees, media, educational and teaching centres, neighbours of the biofactory, residents of Pontevedra, Poio and Marín, social and cultural organisations and business organisations of the area. The following actions have been carried out within the Plan:

We are close:

- ✓ Ence has sought, as it has done in its area in Naviego, to promote communication activities within the younger public, promoting, among other important activities, visits to schools in the area to talk about the activity and the impact of the biofactory in the region.
- ✓ On the other hand, the company has promoted the activity of the employee as an ambassador of Ence, making them participate in important events in the city, such as the San Silvestre race in Pontevedra, or the "ENCEndamos la Navidad" campaign together with Cáritas Marín, with which the company collected gifts for children from families at risk of social exclusion. Likewise, Ence employees have collaborated in the annual food bank campaign.
- ✓ Through the registration in the internal Solidary Leagues of the biofactory in Pontevedra, the workers raised funds to collaborate with the Spanish Association Against Cancer and the Animal Protection Organisation "Os Palleiros".



We are transparent:

- ✓ Organisation of round tables with the media in Pontevedra to discuss the creation of wealth and employment in the forestry sector, and the quality of the environment in the region of Pontevedra.
- ✓ Promotion of the economic impact of Ence Pontevedra in its area through specific advertising campaigns, information to the media and social networks.
- ✓ Promotion of information through all channels on the execution and environmental improvement of the biofactory.



We are sustainable:

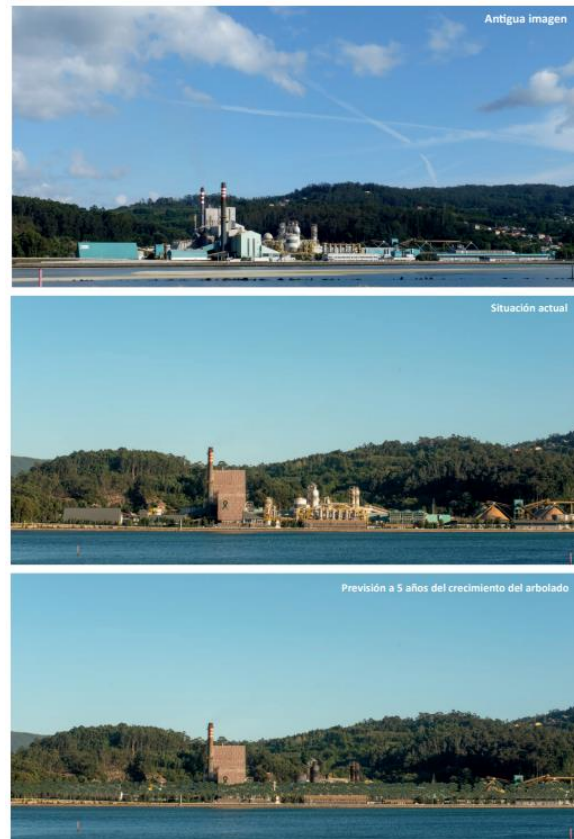
- ✓ Promotion of the **Ria Bureau** activity and activation of relations with the organisations that are part of the Bureau in order to improve and circulate Ence's contribution to the protection and sustainability of the environment.
- ✓ Strengthening the recognition of the Social Plan, working to develop and circulate the Social Plan as an umbrella for all initiatives sponsored by it, in order to raise awareness of the scope and promotion of the initiatives, encouraging the involvement of Ence employees in Social Plan initiatives with local NGOs, and promoting the circulation of the Social Plan to the region's residents.

Landscape integration of the Pontevedra biofactory

Ence's biofactory in Pontevedra has completed its landscape integration project in 2019, a pioneering initiative in the Spanish industrial sector that is part of the company's policy of sustainability and environmental responsibility. The project has involved **an investment of 4 million euros and the participation of 18 Galician companies.**

The most visible buildings in Ence's industrial complex in Lourizán have been given a cover which, due to its shapes, development and chromatic tones, makes it possible for the biofactory to be more integrated into its environment.

Also, trees mass have been introduced around the industrial complex, in addition to reinforcing the existing garden areas in the plot. These small forests visually integrate the plot with the Lourizán Arboretum behind it and allow the industrial site and its buildings to be enveloped by different plant fronts, which will become more evident in successive years as the trees grow.



Ence Pontevedra Social Plan

One of the main exponents of Ence's commitment to society is the Pontevedra Social Plan. The Plan is part of the "Environmental Pact" signed by Ence with the Department of the Environment of the Galicia Regional Government in 2016, which includes a series of investments and projects associated with environmental improvements, which will contribute to the economic development of Pontevedra and Galicia, as well as the sustainability of the activity carried out by Ence in its Pontevedra operations centre (*for more information, see Note 10.1 of the Group's Consolidated Annual Accounts*).

The first edition of the Plan was launched in 2017 as one of the largest social initiatives of a private company in Spain. The Plan, which has been designed on an annual basis, consists of allocating assistance to finance **social, cultural, environmental, sports or economic and employment promotion projects**, among others. The Pontevedra Social Plan has an annual budget of 3 million euros and is structured into six action areas:

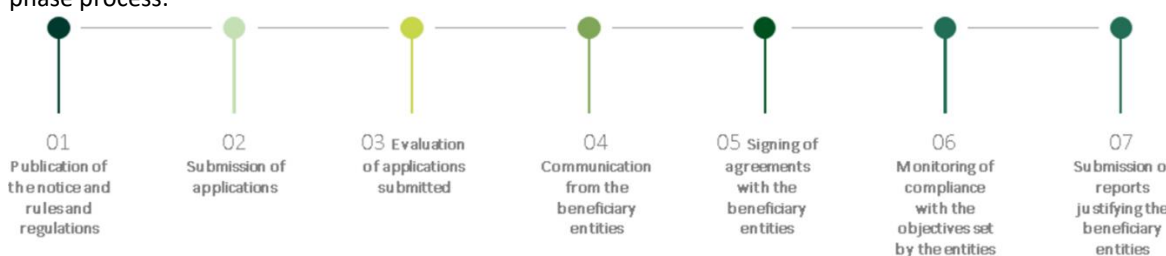
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In 2018, the 2nd edition of the Ence Pontevedra Social Plan was translated into grants for 296 projects, 70 more than in the previous edition. During the last quarter of 2019, the third call for the Social Plan was launched. The number of projects submitted by area of action were the following:

- 176 Sports support projects
- 74 Support projects and assistance to education and culture
- 104 Projects for recovery and environmental care
- 49 Projects for the fight against social exclusion
- 47 Projects for boosting entrepreneurship and innovation
- 27 Neighbourhood assistance projects

Project applications and awards are managed with the utmost accuracy and transparency in a seven-phase process:



The 2019 call entails the following maximum amounts per action area:

Action area	Maximum amount
1. Fight against social exclusion	€530,000
2. Environmental care and recovery	€400,000
3. Diverse neighborhood assistance	€200,000
4. Support and assistance to education and culture	€300,000
5. Boosting entrepreneurship and innovation	€600,000
6. Support for grassroots sport	€900,000
7. Digitalisation of the grant application and award process	€20,000
8. Administration, management and communication	€50,000
TOTAL	€3,000,000

A communication campaign has also been launched to publicise the Social Plan and Ence's contribution to society in Pontevedra, consisting of publishing informative reports and advertising in written and digital press, radio and social networks. A new website has also been created specifically for the Social Plan (www.plansocialence.es).

Some projects from the 2018 call, which have been developed throughout 2019, are the following:

- Stop Lume:** framed within the area of entrepreneurship promotion, it consisted in the creation of a multiplatform application for mobile phones that issues an immediate alert to all organisations in case of a possible fire.



The aim of the project is to prevent fires and improve the environment of the municipalities in the metropolitan area of Pontevedra. With this communication method between any person of the municipality and the fire prevention and defence services, in case of a possible fire, the management and assistance of the fire will be executed in a shorter time and consequently it will facilitate the extinction and not the propagation of the fire.

- Quérete máis:** framed within the area of social exclusion, this project set the goal of informing, training, offering psychological support and advising on the different situations of inequality and discrimination experienced by women, through the empowerment of their rights and skills and the valuation of their own image as measures to avoid or deal with possible grievances.



Thanks to this initiative, the headquarters of the Housewives and Consumers of the Rías Baixas Association had a personalised attention office for women, handicraft workshops to promote women's creative abilities as psychological help, and training sessions on access to justice, victim protection and psychological aftermath.

- Eucagreen:** framed within the area of promoting entrepreneurship, it was born as a project in 2014 with the aim of launching a new product on the market, in this case an ecological detergent based on eucalyptus and certified with the Ecolabel, following examples already existing in countries like Australia, New Zealand or Canada.



- Meal Centre of the Volunteers of Charity of San Vicente de Paul:** framed within the fight against social exclusion, the Meal Centre founded by the volunteers and which currently has a capacity to assist 80 people, was able to improve the quality of its service by acquiring new kitchenware. In addition to attending to more than 40 families a day in the dining room itself, the volunteers send food to people's homes and have breakfast service.



Other agreements

Collaboration agreement with Navia City Council

With the aim of boosting employment and patronage in Navia (Asturias), and as part of Ence's commitment to the environments in which it operates, the company signed a Framework Collaboration Agreement with Navia Town Council in 2017, which entails the endowment of 100,000 euros per year for sponsoring social activities and improving the environment, 50% of new hires from local residents each year, priority for contracting local suppliers, the development of professional skills through internships with university graduates, bachelor's and master's degrees and support for projects for improving and caring for the environment.

Within the framework of this agreement, in 2019 the company has promoted the sponsorship and patronage of many social, cultural and sporting events, as well as collaboration in the provision of equipment for local residents. In this last section, the highlight of 2019 has been the completion and implementation of the sports facilities located in the area of El Pardo, in Navia. These facilities have been substantially improved thanks to, in large part, the 55,000 euros contributed by Ence, in two years (2018-2019). They have become a benchmark for sports practice throughout Western Asturias, being one of the few facilities of its kind in the area.



In terms of sporting activities, one of the main actions has been the collaboration with the International Swimming Descent of the Navia estuary, an international benchmark event in open waters, in which Ence is a model for its support and contribution. In this 2019 edition, as a novelty, Ence has participated in related volunteer actions, such as the cleaning of the environment of the Navia estuary, in which about twenty employees of the Asturian biofactory participated. Other sports activities that have been mentioned are the fourth edition of the Navega Coastal Trail, the "Villa de Navia" Rowing Trophy, or the children's basketball tournament organised by the local club.

In the cultural aspect, in this 2019 what stands out is the support to the Book Fair of Navia, where Ence was present during the whole weekend in which the event was celebrated, or the audiovisual and photographic exhibition that gathers the 40 years of the Choir Villa de Navia, an organisation of great depth and tradition in the town. The company has also collaborated with the La Reina del Truébano Pipe Band and with theatre groups, among other cultural organisations.

Collaboration Agreement with the San Juan del Puerto City Council

Just like last year 2018, Ence ratified the agreement signed with the San Juan del Puerto City Council this 2019. The objective of this agreement is to promote social, cultural and sports initiatives that contribute to employment, environmental improvement and the quality and improvement of living conditions of the residents of this municipality. The agreement provides for an allocation of €100,000 + VAT, which was distributed among a total of 5,300 people belonging to twenty-one groups in San Juan del Puerto.

The amount of the aid and the projects benefiting from it were selected by the monitoring committee, formed by Ence and the San Juan del Puerto City Council, from all the initiatives submitted in accordance with the criteria published previously.

This agreement between Ence and San Juan del Puerto supports the following initiatives, among others:

- ✓ Financing of the purchase of pedal boats for the sports area of the local dock; support for the purchase of a vehicle for the municipal Civil Protection group; and for putting an ecological olive grove into production, among other initiatives whose benefits will be enjoyed by all the residents.
- ✓ Projects of a social nature, aimed at strengthening equality, such as the one from the local Housewives' Association, whose objective is to strengthen the role of women in society, or the personal growth and emotional intelligence of users, such as the one from the Arte y Comparte Association, which considers using drama as personal therapy.
- ✓ Recovery of popular activities in the natural environment of San Juan.
- ✓ The implementation of a school garden, support for social projects for vulnerable groups and the improvement of sports and school facilities, in addition to those aimed at financing sports, especially for children and young people, in the sports clubs of this town in Huelva.

Relations with the Administration and other institutions

In 2019, Ence has continued to promote the Group's institutional relations in order to listen first-hand to the expectations, opinions and demands of stakeholders and to publicise the company's positioning and strategy.

This communication is based on a regular, two-way and transparent dialogue that allows a solid relationship to be established with all the relevant stakeholders for Ence, such as administrations, civil society organisations, suppliers, value chain agents, etc., defining an open, stable and long-term planned communication framework.

In 2019, in order to centralise and boost the Group's institutional relationships, a digital reporting tool has been created to facilitate its management and control. This tool makes it possible to follow up on the institutional relationships carried out by Ence's managers from the company's different operations centres, helping to align and structure the institutional relationships of the six autonomous communities where the company is present, both at an institutional and social level, with local corporations and civil society organisations.

Relations with the Administrations

Ence maintains a direct relationship with the main public administrations of reference in its sector (**Vice-presidency for Ecological Transition and Demographic Challenges, Ministry of Industry, Trade and Tourism, Ministry of Agriculture, Fisheries and Food**), as well as the regional and local administrations of the regions in which it operates (**Regional Communities, Provincial Councils and City Councils**) to publicise the company's activity and participate in the platforms in which matters of relevance to the sector are addressed.

As an example of proactive and transparent communication with its stakeholders, it is worth highlighting the presentation made in 2019 by Ence to City Councils and different civil society actors such as business groups, environmental organisations or neighborhood associations in the area surrounding the Navia Biofactory, of the Navia 80 expansion project and the projects of the 2019-2023 Strategic Plan aimed at diversifying cellulose products.

Institutional relations in the forestry sector

The company proposes an open and constructive dialogue with relevant actors in the forestry world, such as environmental organisations, academic experts, sector associations and forest owner communities with whom it actively collaborates in promoting and improving active and sustainable forest management.

In the field of the **Galician forestry sector**, Ence works with owners' associations, associations of forestry and forestry service companies, auctioneers and sawmills associations, and forestry industry associations to advance in the **consolidation of the wood value chain** in Galicia, improving the value generation capacity of each of its links. Ence is a member of the Galician Wood and Design Cluster, the Forest-Industry Association and the Provincial Association of Businessmen of the First Transformation of Wood in Lugo, among others, through which it participates in the Galician Forestry Council. From these associations, Ence has also contributed to the constitution of the ARUME Foundation, for the improvement of the pine situation in Galicia.



monte industria
Iniciativa Forestal Galega



FUNDACIÓN
ARUME

Also in Galicia, Ence has participated in the definition and development of the Agenda for the Promotion of the Forestry Industry promoted by the XERA (Galician Agency for the Forestry Industry), focused on supporting the Galician forestry industry through competitiveness and innovation.



Ence also participates very actively in the ongoing debate within the forestry sector and with **numerous civil society organisations** related to the wood value chain, such as NGOs, professional associations, universities, forestry associations, foundations, political groups, etc. regarding the growing value that forests contribute and should contribute to society, with the aim of establishing a common long-term vision to overcome the structural problems of smallholdings and the abandonment of rural areas, and jointly develop the necessary efforts to enhance the value of the forest, making it competitive and socially, economically and environmentally sustainable. The conclusions of this debate have been used as a basis for discussion and contributions on the **Galician Forestry Plan**, which has yet to be finalised.

Ence also participates in the forestry sector in **Asturias**, maintaining a fluid and efficient relationship with associations, entities and administrations related to the sector. Thus, Ence has presided over **CETEMAS** (Forestry and Wood Technology Centre of Asturias) for five years and will become its vice-president in 2020, maintaining its commitment to the centre and the sector.



Ence has also been working intensely in Asturias to achieve a structuring of the sector similar to that of Galicia, intensifying the contact between the different forest associations of owners, service companies, and auctioneers and sawmills together with the industry, from the **Forestry Platform of Asturias and the Forestry Board of FADE** (Asturian Federation of Entrepreneurs).

In 2019, Ence also coordinated the first phase of the task force for the improvement of the sustainability and productivity of *Eucalyptus globulus* in Asturias, with all the members of the Forestry Committee of **FADE –PROFOAS** (Association of Forest Owners of Asturias), **ASMADERA** (Asturian Association of Forest, Wood and Furniture Entrepreneurs) and **ASYMAS** (Forestry and Environmental Business Association of Asturias)

Likewise, Ence has also participated for the second year in the supra-autonomous task force GOSSGE (Supra-Autonomous Health Task Force on Gonipterus in Eucalyptus) led by ASPAPAEI (Spanish Association of Manufacturers of Pulp, Paper and Cardboard), which aims to innovate in prospecting and controlling the eucalyptus pest *Gonipterus platensis*. In this same field, Ence has also maintained collaborations with different administrations and institutions such as the Galician Government, the Principality of Asturias, Phytopathological Station "Do Areeiro" and the Society of the Principality of Asturias, S.A to improve coordination and join forces in the biological control of the pest in Galicia and Asturias.



In the area of collaboration with academic institutions in the fight against pests and diseases of forest crops, Ence has also developed research in collaboration with the **Polytechnic University of Valencia** through the Centre for Chemical Ecology of the Mediterranean Agroforestry Institute and the Department of Agroforestry Sciences at **the University of Huelva**.



Ence has also collaborated and participated as a guest speaker at the IV Scientific Meeting of Forest Health of the Spanish Society of Forest Sciences with the paper "*Integrated Pest Control of Eucalyptus*" during the session of the meeting dedicated to alternative actions to the use of pesticides.



Among the universities and research centres with which Ence collaborates is also the **University of Santiago de Compostela**, with whom Ence signed a letter of support in 2018 for the development of the **BioReDes** (Biological Resources and Rural Development) project as an initiative to develop R&D&I activities, of an interdisciplinary nature in the field of primary production, agriculture, livestock and forestry.



Other key players with which Ence maintains close institutional relationships are the organisations dedicated to **promoting responsible forest management**, such as **FSC® y PEFC**.

Ence is a partner of FSC® Spain and FSC® International. Within the Spanish association, until June 2019 when its mandate expired, Ence has also served as a member of its Board of Directors. In December 2019, the work of almost four years of the Commission for the Elaboration of the national FSC® standard was definitively approved by FSC® International and coming into force on 15 January 2020, was also completed. This standard adapts the International Generic Indicators (IGI) to the Spanish forestry reality.

Institutional relations in the pulp and renewable energy sectors

Ence belongs to the **Spanish Association of Pulp, Paper and Cardboard Manufacturers (ASPAPPEL)**. As a member of ASPAPPEL, Ence participates in various committees of the European Association (CEPI), including the Forestry and Certification Network to promote competitive and sustainable development in the sector.



In collaboration with ASPAPPEL, Ence participates in the "Buenárbol" project, a social and educational initiative whose main objective is to spread and highlight the social, economic and environmental benefits of the sustainable and responsible forest management of eucalyptus.

Ence, in the field of renewable energy generation, is a member of various associations such as **ACOGEN** (Spanish Association of Cogeneration) or **APPA** (Association of Renewable Energy Companies).



Institutional representation in forums and congresses

En 2019, Ence has participated in many forums, conferences and congresses of national and international scope related to reindustrialization and digitalization, to the impact of climate change in our country, to the decarbonization of the Spanish energy system and to the role of renewable energies in the industry and the national economy.

Among other events, Ence's participation in the **COP25** that took place in Madrid between December 2 and 13, 2019 is worth mentioning. Company executives participated in several conferences that addressed topics such as the active management of forest areas as a strategic resource to achieve climate objectives, the importance of sustainable industries, and the role of women in the industry.



The Chairman of Ence also spoke at the **National Congress of Renewable Energies** organised by APPA (Association of Renewable Energy Companies). During his presentation, he highlighted the importance of using surplus biomass as a sustainable energy alternative that contributes to reducing emissions and to the transition towards a low-carbon energy model.

In this same area, Ence participated in the **IV Annual Business Forum** organised by **The Economist**, where the national energy strategy until 2050 was discussed.

Channels of dialogue and relationship with stakeholders

In addition to relations with the different actors in the environment of its activity centres, Ence maintains links with different interest groups through different communication and participation channels, which encourage the maintenance of relations of mutual information exchange and bilateral relations.

Digital channels

Ence has the websites www.ence.es, www.encepontevedra.com; www.plansocialence.es and www.compramosmadera.es, and is present on LinkedIn, Twitter, Facebook and YouTube. It also has a specific mailbox to receive queries on matters related to sustainability: sostenibilidad@ence.es through which Ence's stakeholders can contact the corporate sustainability area.

For internal communication Ence uses the corporate intranet, "Ence Today" e-newsletters, the "my Ence" App for employees, the multimedia screens in offices, biofactories and plants and the specific website for employee training.

Visits to the facilities

Other forms of relationship with stakeholders in Ence's environment are the visits to the operations centres organised by the company to its biofactories and renewable energy generation plants. The visits are aimed at representatives of the administration, students, residents' associations and other groups to learn about Ence's activities and the various environmental improvements made. In 2019, the biofactory in Pontevedra received more than 500 visits from different interest groups.



Ence's energy complex in Huelva also received visits from various groups throughout the year, including students of Energy and Thermal Engineering from the University of Huelva or the School of Integrated Sciences of the same university, and at the energy plants in the south, Ence has received visits at its plant in Villarta de San Juan (Ciudad Real) from students of the Master's Degree in Environmental Sustainability from the University of Castile-La Mancha, or from entities such as the National Reference Centre for Oils in Ciudad Real.

Media relations

Ence maintains a proactive relationship of collaboration and transparency with the local and national media, key players in the transmission of information to the rest of the company's stakeholders. To achieve this, Ence works continuously on several lines, including:

- ✓ Permanent spreading of information through press releases, announcements, etc. on operational, environmental and financial aspects. The Communication Room section of Ence's corporate website contains some of the press releases issued by the company (<https://ence.es/sala-de-comunicacion/>).
- ✓ Continuous communication and delivery of information requested by the media.
- ✓ Publication of contents in the main newspapers at national and local level about the environmental quality, controls and improvements made in the biofactory in Pontevedra.
- ✓ Open access for media to the company's facilities and main events (Shareholders' Meeting, annual technical stops, etc.).
- ✓ Participation in programmes and other spaces organised by the media to answer citizens' doubts and concerns.
- ✓ Launching of advertising and information campaigns on various aspects, such as the launch of the 3rd edition of the Pontevedra Social Plan and the Talent Programme 2019.
- ✓ Other initiatives, such as the recording of the radio programme La Linterna from the station COPE in the biofactory of Pontevedra, in relation to its defence as a centre of environmental excellence and the axis of development of the whole region.

Other relationship channels

In addition to the mechanisms mentioned above, Ence also establishes channels for dialogue and interaction with its stakeholders in the form of regular **meetings** with neighbourhood associations and representatives from each biofactory and from the energy complex of Huelva, attending to **calls from residents** who live near its factories, working meetings with specific groups to exchange information on matters of interest and sending **direct communications** to neighbours in the immediate vicinity of the facilities to inform them of operational aspects that may affect them.

Tax contribution

Ence's contribution through its activity to public administrations in tax matters amounted to 70.55 million euros. This contribution is broken down as follows:

- 36.6 million euros contributed through direct tax
- 33.9 million euros in managed tax

The direct tax paid by Ence during the period and the returns to the Public Administrations collected by Ence as a result of its activities, broken down by the Receiving Public Administration, are detailed below:

	Direct taxes - thousands of Euros						Total
	Galicia	Asturias	Andalusia	Castile La Mancha	Extremadura	Madrid and other	
Corporate Income Tax	-	-	79	1,345	-	-	1,424
Tax on electricity generation	1,111	2,660	5,600	2,210	995	-	12,576
Social security contribution	5,459	6,084	2,054	155	161	1,333	15,246
Fees	1,685	163	433	202	51	-	2,535
Environmental charges	718	449	190	1	-	-	1,357
IAE	314	244	588	59	29	2	1,236
Other	910	680	525	145	19	0	2,280
TOTAL	10,197	10,279	9,470	4,117	1,255	1,336	36,654

	Taxes managed - thousands of Euros						Total
	Galicia	Asturias	Andalusia	Castile La Mancha	Extremadura	Madrid and other	
Withholdings	6,058	5,860	4,225	164	135	2,921	19,362
VAT	-	-	8,455	1,231	1,534	189	11,409
Social security - worker	1,155	1,241	404	30	31	265	3,125
TOTAL	7,212	7,101	13,083	1,425	1,701	3,374	33,896

A lush forest scene with a stream flowing through moss-covered rocks and trees. The image is split into two horizontal panels. The top panel shows a close-up of moss-covered tree trunks and branches. The bottom panel shows a wider view of a stream flowing through a forest, with moss-covered rocks in the foreground and trees in the background.

5. Appendixes

- a. About this report
- b. GRI content index
- c. Law 11/2018 content index
- d. External assurance

Appendix I: About this report

Scope

The information included in this Sustainability Report 2019 refers to all the activities carried out by Grupo Ence Energía y Celulosa S.A. from 1 January 2019 to 31 December 2019. The scope of this report for the purposes of the *Global Reporting Initiative* is the same as with the Consolidated Financial Statements of Ence Energía y Celulosa, S.A. and its subsidiary companies. Any exceptions to this scope are detailed in the corresponding sections of this report and in the GRI indicators table (Appendix 2 of this report).

This Report constitutes the company's consolidated Non-Financial Information Statement and forms part of the consolidated Management Report of Ence Energía y Celulosa, S.A. and Subsidiary Companies. The content of the report has been defined in response to Law 11/2018 of 29 December, which amends the Commercial Code, the revised text of the Law on Capital Companies approved by Royal Legislative Decree 1/2010 of 2 July, and Law 22/2015 of 20 July, on Accounts Auditing in the area of non-financial information and diversity.

Appendix 3 of this report contains a table specifying the section of the report that responds to each specific requirement set out in that law or justifies a possible omission if applicable.

Reference standards

The Sustainability Report 2019 has been done in accordance with *Global Reporting Initiative* (GRI) standards, in the *GRI Standards* version, based on the *core* compliance option. A list of the GRI indicators and the section or sections of the report in which they are answered is included in Appendix 2 of this report.

The balanced, reasonable presentation of Ence's performance throughout 2019 required the application of the following principles:

- ✓ The principles for defining the content of the report, in terms of stakeholder inclusiveness, sustainability context, materiality, and completeness. These principles ensure that Ence has taken into account the company's activities and impacts as well as the expectations and substantial interests of stakeholders in defining the contents of the report.
- ✓ The principles for defining the quality of the report, in terms of accuracy, balance, clarity, comparability, reliability, and timeliness.

With reference to compliance with the principle of materiality, the process followed by Ence to identify and prioritise the material aspects for its stakeholders and for the company itself is detailed in the "Materiality Analysis" section (p. 21-22) of this report. With this materiality analysis, Ence ensures that both the priorities set out in its Sustainability Master Plan and the contents of this report are aligned with the expectations and information requirements of its stakeholders.

Contact information

For any query, clarification, or suggestion regarding the contents published in this report, please contact the following addresses:

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Appendix II: GRI Standards content index

GRI Standard	Indicator and description	Report section/direct response	Verification notes
FOUNDATION (GRI 101)			
101 Principles		Appendix I: About this report (p.)	
Organisational Profile			
102-1 Name of the organisation		Ence Energía y Celulosa S.A.	
102-2 Activities, brands, products, and services		Business model and performance (p. 7-18), Business lines (p. 26-41)	
102-3 Location of headquarters		C/ Beatriz de Bobadilla 14 28040 Madrid, Spain	
102-4 Location of operations		Business model and performance (p. 7-18), Business lines (p. 26-41)	
102-5 Ownership and legal form		Corporate Governance (p. 56)	
102-6 Markets served		Business model and performance (p. 7-18), Business lines (p. 26-41)	
102-7 Scale of the organisation		Performance, People (p. 9-12; 82-83)	
102-8 Information on employees and other workers		People (p. 81-101)	
102-9 Supply chain		Forest Management, Rural and Agroforestry Development (p. 40-41; 137- 162)	
102-10 Significant changes to the organisation and its supply chain		The most significant change in the reporting period has been the inclusion in the perimeter of the reported information of the Termollano plant, acquired by Ence in December 2018. For more information, see Annual Accounts.	
102-11 Precautionary Principle or approach		Risk management (p. 70-75)	
102-12 External Initiatives		Innovation and digitalisation, Rural and agroforestry development, Relations with administrations and institutions (p. 43-52; 137-162; 178-181)	
102-13 Membership of associations		Rural and Agroforestry Development, Relations with Administrations and Institutions (p.137-162;178-181)	
Strategy			
102-14 Statement from senior decision-makers		Chairman's letter (p. 3-5)	
102-15 Key impacts, risks, and opportunities		Risk Management, Strategic Plan (p. 70-75; 13-18)	
Ethics and integrity			
102-16 Values, principles, standards, and norms of behavior		Corporate Governance, Ethics and Compliance, Sustainability Commitment (p. 55-69; 76-79; 19-25)	
102-17 Mechanisms for advice and concerns about ethics		Corporate Governance, Ethics and Compliance (p. 55-69; 76-79)	
Governance			
102-18 Governance structure		Corporate Governance (p. 55-69)	
102-19 Delegating authority		Corporate Governance (p. 55-69)	
102-20 Executive-level responsibility for economic, environmental, and social topics		Corporate Governance (p. 55-69)	

102-21 Consulting stakeholders on economic, environmental, and social topics	Corporate Governance, Materiality Analysis, Appendix I: About this report (p. 55-69, 22; 185)	
102-22 Composition of the highest governance body and its committees	Corporate Governance (p. 55-69)	
102-23 Chair of the highest governance body	Corporate Governance (p. 55-69)	
102-24 Nominating and selecting the highest governance body	Corporate Governance (p. 55-69)	
102-25 Conflicts of interest	Corporate Governance (p. 55-69)	
102-26 Role of highest governance body in setting purpose, values, and strategy	Corporate Governance (p. 55-69)	
102-27 Collective knowledge of highest governance body	Corporate Governance (p. 55-69)	
102-28 Evaluating the highest governance body's performance	Corporate Governance (p. 55-69)	
102-29 Identifying and managing economic, environmental, and social impacts	Corporate Governance, Risk Management, Strategic Plan, Safe and Eco-efficient Operations (p.55-69; 70-75; 102-136)	
102-30 Effectiveness of risk management processes	Risk management (p. 70-75)	
102-31 Review of economic, environmental, and social topics	Corporate Governance, Risk Management, Strategic Plan, Safe and Eco-efficient Operations (p.55-69; 13-18; 102-136)	
102-32 Highest governance body's role in sustainability reporting	Corporate Governance (p. 55-69)	
102-33 Communicating critical concerns	Concerns recorded through the various channels of interaction with Ence's stakeholders, such as, for example, visits to customers, employee and local communities perception studies, contact with investors, and so on, are conveyed to the Board through the inclusion of specific items on the agendas of the regular meetings of the Board and its Delegated Committees.	
102-34 Nature and total number of critical concerns	The main concerns raised by the Board and its delegated committees regarding sustainability were related to health and safety of workers and contractors, the environmental performance of the facilities, and equality and diversity in the workforce. The Company has launched initiatives to address these concerns, as described in this document (Sections on People and Safe and Eco-efficient Operations) and in section 33 (Environment) of the Autonomous Regions.	
102-35 Remuneration policies	Corporate Governance (p. 55-69)	
102-36 Process for determining remuneration	Corporate Governance (p. 55-69)	
102-37 Stakeholders' involvement in remuneration	The Company holds meetings with <i>proxy advisors</i> to learn about investor expectations regarding remunerations, as well as their policies and recommendations in this regard. Likewise, the shareholders of the Company cast their vote at the Meeting for the approval or not of the Remuneration Policy, and their consultative vote on the Annual Report on the Remuneration of Directors.	

102-38 Annual total compensation ratio	The annual total compensation ratio of the highest-paid person with respect to the average for the workforce is detailed below:	<table border="1"> <thead> <tr> <th>2017</th> <th>2018</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>28.5</td> <td>24.4</td> <td>24.8</td> </tr> </tbody> </table>	2017	2018	2019	28.5	24.4	24.8
2017	2018	2019						
28.5	24.4	24.8						
102-39 Percentage increase in annual total compensation ratio	Annual total compensation in 2018 of the highest-paid person increased by 7% while the average annual total compensation for the workforce increased by 5.1%. <i>(In calculating the total annual compensation of the highest-paid person, only his/her compensation for executive functions is taken into account)</i>							
Stakeholder engagement								
102-40 List of stakeholder groups	Commitment to sustainability (p. 20)							
102-41 Collective bargaining agreements	People (p. 81-101)							
102-42 Identifying and selecting stakeholders	Commitment to sustainability (p. 20-22)							
102-43 Approach to stakeholder engagement	Commitment to sustainability, Ence with the community (p. 20-25; 168-183)							
102-44 Key topics and concerns raised	Commitment to sustainability, Rural and Agroforestry Development, Ence with the community (p. 22; 137-162; 168-183)							
Reporting practice								
102-45 Entities included in the consolidated financial statements	This information can be found in the Annual Accounts report, section 2.							
102-46 Defining report content and topic Boundaries	Appendix I: About this report (p. 185)							
102-47 List of material topics	Materiality analysis (p. 21-22)							
102-48 Restatements of information	The data contained in this report corresponding to previous years may imply restatements of the information contained in previous CSR/sustainability reports issued by the company. These changes may be due to rounding of decimals, differences in measurement methods, or post-report revisions. In the case of carbon footprint calculations, differences may also be due to the unavailability of emission factors and other parameters outside the company that have been updated by the relevant official bodies at the closing date of the report .							
102-49 Changes in reporting	No significant changes have been made with respect to the previous reporting cycle, only the structure of the report contents has been modified to align it with the pillars of Ence's 2019-2023 Sustainability Master Plan.							
102-50 Reporting period	2019							
102-51 Date of most recent report	2018							
102-52 Reporting cycle	Annual							

102-53 Contact point for questions regarding the report	Appendix I: About this report (p. 185)	
102-54 Claims of reporting in accordance with the GRI Standards	Appendix I: About this report (p. 185)	
102-55 GRI content index	Appendix II: GRI content index	
102-56 External assurance	Appendix IV: External assurance	

GRI Standard	Indicator and description	Report section/direct response	Verification notes
THEMATIC CONTENTS - ECONOMIC PERFORMANCE			
Economic performance			
103-1 Explanation of the material topic and its Boundary		Performance (p. 9-18). For further information, see the consolidated annual accounts	
103-2 The management approach and its components		Performance (p. 9-18). For further information, see the consolidated annual accounts	
103-3 Evaluation of the management approach		Performance (p. 9-18). For further information, see the consolidated annual accounts	
201-1 Direct economic value generated and distributed		Performance (p. 12)	
201-2 Financial implications and other risks and opportunities due to climate change		Risk Management, (p. 75-76), Strategic Plan (p. 13-18)	
201-3 Defined benefit plan obligations and other retirement plans		People (p. 96-97); Annual Accounts; Annual Corporate Governance Report, Annual Reports on Directors' Remuneration	
201-4 Financial assistance received from government		In 2019, Ence received a total of €390,118,89 in public subsidies from various bodies (CDTI, IDAE)	
Market presence			
103-1 Explanation of the material topic and its Boundary		Strategic Plan, Performance, Business lines (p. 13-18;26-41)	
103-2 The management approach and its components		Strategic Plan, Performance, Business lines (p. 13-18;26-41)	
103-3 Evaluation of the management approach		Strategic Plan, Performance, Business lines (p. 13-18;26-41)	
202-1 Ratios of standard entry level wage by gender compared to local minimum wage		People (p. 96)	
202-2 Proportion of senior management hired from the local community		100%. All the members of the Management Committee are from Spain, the country in which Ence's relevant operations sites are located.	
Indirect economic impacts			
103-1 Explanation of the material topic and its Boundary		Strategic Plan, Performance, Business lines (p. 13-18;26-41)	
103-2 The management approach and its components		Strategic Plan, Performance, Business lines (p. 13-18;26-41)	
103-3 Evaluation of the management approach		Strategic Plan, Performance, Business lines (p. 13-18;26-41)	
203-1 Infrastructure investments and services supported		Strategic Plan, Performance, Business lines (p. 13-18;26-41)	
203-2 Significant indirect economic impacts		Business lines, Rural and Agroforestry Development (p. 26-41; 137-162)	
Procurement practices			
103-1 Explanation of the material topic and its Boundary		Rural and Agroforestry Development (p. 137-162)	
103-2 The management approach and its components			

103-3 Evaluation of the management approach		
204-1 Proportion of spending on local suppliers		
Anti-corruption		
103-1 Explanation of the material topic and its Boundary		
103-2 The management approach and its components	Ethics and Compliance (p. 76-79)	
103-3 Evaluation of the management approach		
205-1 Operations assessed for risks related to corruption	Ethics and Compliance (p. 76-79)	
205-2 Communication and training about anti-corruption policies and procedures	Ethics and Compliance (p. 76-79). In 2019, 407 employees received training on <i>compliance</i> issues, including training on Ence's Code of Conduct and Criminal Compliance Policy.	
205-3 Confirmed incidents of corruption and actions taken	Ethics and Compliance (p. 76-79)	
Anti-competitive behaviour		
103-1 Explanation of the material topic and its Boundary		
103-2 The management approach and its components	Ethics and Compliance (p. 76-79)	
103-3 Evaluation of the management approach		
206-1 Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	No legal actions have been brought against Ence in relation to unfair competition, monopolistic practices, or free competition during the reporting period.	

GRI Standard	Indicator and description	Report section/direct response	Verification notes
THEMATIC CONTENTS - ENVIRONMENT			
Materials			
103-1 Explanation of the material topic and its Boundary		Environmental commitment (p. 109-113)	
103-2 The management approach and its components		Environmental commitment (p. 109-113)	
103-3 Evaluation of the management approach		Environmental commitment (p. 109-113)	
301-1 Materials used by weight or volume		Environmental commitment (p. 113-115)	
301-2 Recycled input materials used		Environmental commitment (p. 113-115)	
301-3 Reclaimed products and their packaging materials		Environmental commitment (p. 113-115)	
Energy			
103-1 Explanation of the material topic and its Boundary		Environmental commitment (p. 109-113)	
103-2 The management approach and its components		Environmental commitment (p. 109-113)	
103-3 Evaluation of the management approach		Environmental commitment (p. 109-113)	
302-1 Energy consumption within the organisation		Environmental commitment (p. 116-119)	
302-3 Energy intensity		Environmental commitment (p. 116-119)	
302-4 Reduction of energy consumption		Environmental commitment (p. 116-119)	
302-5 Reductions in energy requirements of products and services		Environmental commitment (p. 116-119)	

Water		
103-1 Explanation of the material topic and its Boundary	Environmental commitment (p. 109-113)	
103-2 The management approach and its components	Environmental commitment (p. 109-113)	
103-3 Evaluation of the management approach	Environmental commitment (p. 109-113)	
303-1 Water withdrawal by source	Environmental commitment (p. 120-122)	
Biodiversity		
103-1 Explanation of the material topic and its Boundary	Rural and Agroforestry Development (p. 137-155)	
103-2 The management approach and its components	Rural and Agroforestry Development (p. 137-155)	
103-3 Evaluation of the management approach	Rural and Agroforestry Development (p. 137-155)	
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	The nearest protected areas (<5 km) to Ence's operations sites are the Pontevedra estuary (declared a sensitive area), the Peñarronda-Barayo SAC (Navia), the Nicoba and Santa Ribera Marshes SCIs (Huelva), the Guadiana River SCI and the Sierra de las Cabrerizas SBPA (Mérida), and the Guadalimar River and Guadalquivir River SCIs (Lucena).	
304-2 Significant impacts of activities, products, and services on biodiversity	Rural and Agroforestry Development (p. 147-152)	
304-3 Habitats protected or restored	Rural and Agroforestry Development (p. 147-152)	
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Rural and Agroforestry Development (p. 147-152)	
Emissions		
103-1 Explanation of the material topic and its Boundary	Environmental commitment (p. 109-113)	
103-2 The management approach and its components	Environmental commitment (p. 109-113)	
103-3 Evaluation of the management approach	Environmental commitment (p. 109-113)	
305-1 Direct GHG emissions (Scope 1)	Environmental commitment (p. 124-128)	
305-2 Indirect GHG emissions (Scope 2) from the generation of energy	Environmental commitment (p. 124-128)	
305-4 GHG emissions intensity	Environmental commitment (p. 124-128)	
305-7 Nitrogen oxides (NO_x), sulphur oxides (SO_x), and other significant air emissions	Environmental commitment (p. 122-124)	
Effluents and waste		
103-1 Explanation of the material topic and its Boundary	Environmental commitment (p. 109-113)	
103-2 The management approach and its components	Environmental commitment (p. 109-113)	
103-3 Evaluation of the management approach	Environmental commitment (p. 109-113)	
306-1 Water discharge by quality and destination	Environmental commitment (p. 128-131)	
306-2 Waste by type and disposal method	Environmental commitment (p. 131-135)	
306-3 Significant spills	There were no significant spills in the reporting period	

Environmental compliance			
103-1 Explanation of the material topic and its Boundary		Environmental commitment (p. 109-113)	
103-2 The management approach and its components		Environmental commitment (p. 109-113)	
103-3 Evaluation of the management approach		Environmental commitment (p. 109-113)	
307-1 Non-compliance with environmental laws and regulations		There were no significant breaches of environmental laws and regulations during the reporting period.	
Supplier environmental assessment			
103-1 Explanation of the material topic and its Boundary		Rural and Agroforestry Development, Environmental commitment (p. 160-162; 109-113)	
103-2 The management approach and its components		Rural and Agroforestry Development, Environmental commitment (p. 160-162; 109-113)	
103-3 Evaluation of the management approach		Rural and Agroforestry Development, Environmental commitment (p. 160-162; 109-113)	
308-1 New suppliers that were screened using environmental criteria		Rural and Agroforestry Development, Environmental commitment (p. 160-162; 109-113)	
308-2 Negative environmental impacts in the supply chain and actions taken		Rural and Agroforestry Development, Environmental commitment (p. 137-162; 109-113)	

GRI Standard	Indicator and description	Report section/direct response	Verification notes
THEMATIC CONTENTS - SOCIAL			
Employment			
103-1 Explanation of the material topic and its Boundary		People (p. 81-101)	
103-2 The management approach and its components		People (p. 81-101)	
103-3 Evaluation of the management approach		People (p. 81-101)	
401-1 New employee hires and employee turnover		People (p. 82)	
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees		People (p. 96-97)	
401-3 Parental leave		People (p. 87-89)	
Labour/management relations			
103-1 Explanation of the material topic and its Boundary		People (p. 97)	
103-2 The management approach and its components		People (p. 97)	
103-3 Evaluation of the management approach		People (p. 97)	
402-1 Minimum notice periods regarding operational changes		Minimum notice periods comply with current legislation (Collective Bargaining Agreements signed and applied at each site and the Workers' Statute).	
Occupational health and safety			
103-1 Explanation of the material topic and its Boundary		Occupational health and safety (p. 103-108)	
103-2 The management approach and its components		Occupational health and safety (p. 103-108)	
103-3 Evaluation of the management approach		Occupational health and safety (p. 103-108)	
403-1 Workers representation in formal joint management-worker health and safety committees		Occupational health and safety (p. 103-108)	

403-2 Types of accidents and rates of accidents, occupational diseases, lost days, and absenteeism, and number of work-related fatalities or work-related illnesses	Occupational health and safety (p. 103-108); absenteeism (p. 83)	
403-3 Workers with high incidence or high risk of diseases related to their occupation	Occupational health and safety (p. 103-108)	
403-4 Health and safety topics covered in formal agreements with trade unions	Occupational health and safety (p. 103-108)	
Training and education		
103-1 Explanation of the material topic and its Boundary	People (p. 89-91)	
103-2 The management approach and its components	People (p. 89-91)	
103-3 Evaluation of the management approach	People (p. 89-91)	
404-1 Average hours of training per year per employee	People (p. 89-91)	
404-2 Programmes for upgrading employee skills and transition assistance programmes	People (p. 89-91)	
404-3 Percentage of employees receiving regular performance and career development reviews	People (p. 93)	
Diversity and equal opportunities		
103-1 Explanation of the material topic and its Boundary	People (p. 87-89)	
103-2 The management approach and its components	People (p. 87-89)	
103-3 Evaluation of the management approach	People (p. 87-89)	
405-1 Diversity of governing bodies and employees	People (p. 82); Corporate Governance (p. 55-69)	
405-2 Ratio of basic salary and remuneration of women to men	People (p. 95-96)	
Non-discrimination		
103-1 Explanation of the material topic and its Boundary	People, Ethics and Compliance (p. 81-101; 76-79)	
103-2 The management approach and its components	People, Ethics and Compliance (p. 81-101; 76-79)	
103-3 Evaluation of the management approach	People, Ethics and Compliance (p. 81-101; 76-79)	
406-1 Incidents of discrimination and corrective actions taken	No cases of discrimination were recorded in the reporting period	
Freedom of association and collective bargaining		
103-1 Explanation of the material topic and its Boundary	People, Ethics and Compliance (p. 81-101; 76-79)	
103-2 The management approach and its components	People, Ethics and Compliance (p. 81-101; 76-79)	
103-3 Evaluation of the management approach	People, Ethics and Compliance (p. 81-101; 76-79)	
407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	No operations or suppliers were identified in which the right to freedom of association and collective bargaining could have been at risk during the reporting period	
Child labour		
103-1 Explanation of the material topic and its Boundary	Ence's Sustainability Policy states the company's public commitment to Human Rights even though the company carries out its operations (including its supply chain) in European Union countries in which there are robust regulatory frameworks and control systems that make this risk not deemed significant. Even so, Ence includes human rights compliance clauses in its contracts with agroforestry suppliers.	
103-2 The management approach and its components		
103-3 Evaluation of the management approach		
408-1 Operations and suppliers at significant risk for incidents of child labor		

Forced or compulsory labour		
103-1 Explanation of the material topic and its Boundary	Ethics and Compliance, People, Rural and Agroforestry Development (p. p.81-101; 76-79; 137-162)	
103-2 The management approach and its components	Ethics and Compliance, People, Rural and Agroforestry Development (p. p.81-101; 76-79; 137-162)	
103-3 Evaluation of the management approach	Ethics and Compliance, People, Rural and Agroforestry Development (p. p.81-101; 76-79; 137-162)	
409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	No operations or suppliers with significant risk of forced or compulsory labour were detected during the reporting period.	
Security practices		
103-1 Explanation of the material topic and its Boundary	Ence's Sustainability Policy states the company's public commitment to Human Rights even though the company carries out its operations (including its supply chain) in European Union countries in which there are robust regulatory frameworks and control systems that make this risk not deemed significant. However, Ence has worked with its contractors responsible for facility security to include human rights training in the training programmes of its staff and the first programmes have been delivered in 2019.	
103-2 The management approach and its components		
103-3 Evaluation of the management approach		
410-1 Security personnel trained in human rights policies or procedures		
Rights of indigenous peoples		
103-1 Explanation of the material topic and its Boundary	Ence does not operate in countries or territories inhabited by indigenous peoples. Therefore, this aspect is not considered material.	
103-2 The management approach and its components		
103-3 Evaluation of the management approach		
411-1 Incidents of violations involving rights of indigenous peoples		
Human rights assessment		
103-1 Explanation of the material topic and its Boundary	Ence carries out its operations in European Union countries where the risk of Human Rights violations is not deemed significant. However, the company includes human rights compliance clauses in contracts with wood and biomass suppliers and certification systems for the wood suppliers Ence works with, such as the FSC® chain of custody certification that includes the declaration of compliance with current labour regulations. Even so, Ence includes human rights compliance clauses in contracts with agroforestry suppliers In 2019, a total of 407 employees received compliance training, including training on Ence's code of conduct, which includes the company's business principles on, among other things, the protection of workers' rights and the assessment of human rights compliance in supplier evaluation processes.	
103-2 The management approach and its components		
103-3 Evaluation of the management approach		
412-1 Operations that have been subject to human rights reviews or impact assessments		
412-2 Employee training on human rights policies or procedures		
412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights assessment	Significant investment contracts are entered into with companies located in countries where the risk of human rights violations is not deemed significant.	

Local communities		
103-1 Explanation of the material topic and its Boundary	Rural and Agroforestry Development, Ence and communities (p. 137-162; 168-183)	
103-2 The management approach and its components	Rural and Agroforestry Development, Ence and communities (p. 137-162; 168-183)	
103-3 Evaluation of the management approach	Rural and Agroforestry Development, Ence and communities (p. 137-162; 168-183)	
413-1 Operations with local community engagement, impact assessments, and development programmes	Rural and Agroforestry Development, Ence and communities (p. 137-162; 168-183)	
413-2 Operations with significant actual and potential negative impacts on local communities	Rural and Agroforestry Development, Ence and communities (p. 137-162; 168-183)	
Supplier social assessment		
103-1 Explanation of the material topic and its Boundary	Rural and Agroforestry Development (p. 160-162)	
103-2 The management approach and its components	Rural and Agroforestry Development (p. 160-162)	
103-3 Evaluation of the management approach	Rural and Agroforestry Development (p. 160-162)	
414-1 New suppliers that were screened using social criteria	Rural and Agroforestry Development (p. 160-162)	
414-2 Negative social impacts in the supply chain and actions taken	Rural and Agroforestry Development (p. 137-162)	
Public policy		
103-1 Explanation of the material topic and its Boundary	Ethics and Compliance, Relations with Administrations and Institutions (p. 76-79; 178-181)	
103-2 The management approach and its components	Ethics and Compliance, Relations with Administrations and Institutions (p. 76-79; 178-181)	
103-3 Evaluation of the management approach	Ethics and Compliance, Relations with Administrations and Institutions (p. 76-79; 178-181)	
415-1 Contributions to political representatives and/or political parties	No contributions were made to political parties and/or representatives during the year.	
Customer health and safety		
103-1 Explanation of the material topic and its Boundary	Cellulose, Excellence in management (p. 27-33; 52-53)	
103-2 The management approach and its components	Cellulose, Excellence in management (p. 27-33; 52-53)	
103-3 Evaluation of the management approach	Cellulose, Excellence in management (p. 27-33; 52-53)	
416-1 Assessment of the health and safety impacts of product and service categories	The cellulose produced by Ence has certificates that prove its safety for customers and end consumers, both the MSDS (<i>Material Safety Data Sheet</i>) and the ISEGA certification of suitability for food contact.	
416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	There were no cases of non-compliance related to health and safety impacts for Ence's product and service categories during the reporting period.	
Marketing and labelling		
103-1 Explanation of the material topic and its Boundary	Sustainable products, Cellulose (p. 163-167; 27-33)	

103-2 The management approach and its components	Sustainable products, Cellulose (p. 163-167; 27-33)	
103-3 Evaluation of the management approach	Sustainable products, Cellulose (p. 163-167; 27-33)	
417-1 Requirements for product and service information and labelling	Ence includes a label on its cellulose products that allows traceability and provides customers with all relevant information about its production, such as the production date, the product code, the name of the biofactory in which it was produced, or the lot number.	
417-2 Incidents of non-compliance concerning product and service information and labelling	No cases of non-compliance related to product information and labelling were recorded in the reporting period.	
417-3 Incidents of non-compliance concerning marketing communications	No instances of non-compliance related to marketing communications were recorded in the reporting period.	
Customer privacy		
103-1 Explanation of the material topic and its Boundary	Ence's information security procedure includes the requirement to sign confidentiality clauses or agreements with customers and suppliers.	
103-2 The management approach and its components		
103-3 Evaluation of the management approach		
418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	No complaints were registered regarding breaches of customer privacy and losses of customer data during the reporting period.	
Socioeconomic compliance		
103-1 Explanation of the material topic and its Boundary	Strategy, Performance, Business model (p. 10-13; 83-85)	
103-2 The management approach and its components	Strategy, Performance, Business model (p. 10-13; 83-85)	
103-3 Evaluation of the management approach	Strategy, Performance, Business model (p. 10-13; 83-85)	
419-1 Non-compliance with laws and regulations in the social and economic area	There were no significant breaches of social and economic laws and regulations during the reporting period.	

Appendix III: Law 11/2018 Non-financial information (NFI) content index

Contents of the Non-Financial Information Statement					
Contents of Law 11/2018 NFI		Standard used	P. Report		
Business model	Description of the group's business model	A brief description of the group's business model, including its business environment, organisation and structure, the markets in which it operates, its objectives and strategies, and the main factors and trends that may affect its future evolution.	GRI 102-2 Activities, brands, products, and services GRI 102-4 Location of operations GRI 102-6 Markets served GRI 102-15 Key impacts, risks, and opportunities GRI 102-7 Scale of the organisation	P. 7-18; 26-41 P. 7-18; 26-41 P. 7-18; 26-41 P. 70-75; 13-18 P. 9-12; 82-83	
		Policies	Policies applied by the group, including the due diligence procedures applied to identify, assess, prevent, and mitigate significant risks and impacts, and to verify and control, as well as the measures that have been adopted.	GRI 103-2 The management approach and its components GRI 103-3 Evaluation of the management approach	P. 109-113 P. 109-113
			Main risks	Main risks related to issues associated with the group's activities, including, where relevant and proportionate, its commercial relations, products or services that may have negative effects in those areas, and how the group manages those risks, explaining the procedures used to identify and evaluate them pursuant to the national, European, or international reference frameworks for each subject. This should include information on the impacts that have been identified, giving a breakdown of these impacts, in particular on the main risks in the short, medium, and long term.	GRI 102-15 Key impacts, risks, and opportunities GRI 102-11 Precautionary principle or approach GRI 102-30 Effectiveness of risk management processes GRI 201-2 Financial implications and other risks and opportunities due to climate change

General	Current and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety.	GRI 102-15 Key impacts, risks, and opportunities	P. 70-75; 13-18
		GRI 102-29 Identifying and managing economic, environmental, and social impacts	P. 55-69; 70-75; 102-136
		GRI 102-31 Review of economic, environmental, and social topics	P. 55-69; 13-18; 102-136
	Environmental assessment or certification procedures	GRI 102-11 Precautionary principle or approach	P. 70-75
		GRI 102-29 Identifying and managing economic, environmental, and social impacts	P. 55-69; 70-75; 102-136
		GRI 102-30 Effectiveness of risk management processes	P. 70-75
	Resources dedicated to the prevention of environmental risks	GRI 102-29 Identifying and managing economic, environmental, and social impacts	P. 55-69; 13-18; 102-136
Application of the precautionary principle	GRI 102-11 Precautionary principle or approach	P. 70-75	
Provisions and guarantees for environmental risks	GRI 307-1 Non-compliance with environmental laws and regulations (Autonomous Communities)	P. 192	
Contamination	Measures to prevent, reduce, or remedy carbon emissions that seriously affect the environment, taking into account any form of air pollution specific to an activity, including noise and light pollution.	GRI 103-2 Management Approach (with a view to GRIs 302 and 305)	P. 109-113; 116-119; 124-128
		GRI 302-4 Reduction of energy consumption	P. 116-119
		GRI 302-5 Reductions in energy requirements of products and services	P. 116-119
		GRI 305-7 NO _x , SO _x , and other significant air emissions	P. 122-124
Circular Economy and waste prevention and management	Measures for prevention, recycling, reusing, and other forms of waste recovery and disposal. Actions to combat food waste	GRI 103-2 Management Approach (Effluents and waste)	P. 109-113; 113-115; 128-131
		GRI 301-1 Materials used by weight or volume	
		GRI 301-2 Recycled input materials used	
		GRI 301-3 Reclaimed products and their packaging materials	
		GRI 306-1 Water discharge by quality and destination	
		GRI 306-2 Waste by type and disposal method	
		GRI 306-3 Significant spills	

Sustainable use of resources	Water consumption and water supply according to local constraints	GRI 303-1 Water withdrawal by source	P. 109-113; 120-122
	Consumption of raw materials and measures taken to improve the efficiency of their use	GRI 103-2 Management Approach (Environment)	P. 109-113; 27-33
		GRI 301-1 Materials used by weight or volume	P. 113-115
		GRI 301-2 Recycled input materials used	P. 113-115
		GRI 301-3 Reclaimed products and their packaging materials	P. 113-115
	Energy: Consumption, direct and indirect; measures taken to improve energy efficiency, use of renewable energies	GRI 102-2 Management Approach (Energy)	P. 26-41; 116-119
		GRI 302-1 Energy consumption within the organisation (energy from renewable and non-renewable sources)	P. 116-119
		GRI 302-3 Energy intensity	P. 116-119
		GRI 302-4 Reduction of energy consumption	P. 116-119
		GRI 302-5 Reduction in energy requirements of products and services	P. 116-119; 26-41; 163-167
Climate Change	Greenhouse Gas Emissions	GRI 305-1 Direct GHG emissions (Scope 1)	P. 124-128
		GRI 305-2 Indirect energy generation GHG emissions (Scope 2)	P. 124-128
		GRI 305-4 GHG emissions intensity	P. 124-128
	Measures taken to adapt to the consequences of climate change	GRI 102-15 Key impacts, risks, and opportunities	P. 3-5; 8-9; 13-18;34-39; 48-49
		GRI 103-2 The management approach and its components	P. 3-5; 8-9; 13-18;34-39; 48-49
		GRI 201-2 Financial implications and other risks and opportunities due to climate change	P. 75-76
	Reduction targets voluntarily set in the medium and long term to reduce GHG emissions and resources implemented to that end.	GRI 103-2 Management Approach (GHG emission reduction)	P. 24-25; 52-53

	Protection of biodiversity	Measures taken to preserve and restore biodiversity	GRI 103-2 Management Approach (Biodiversity)	P. 147-152
			GRI 304-3 Habitats protected or restored	P. 147-152
		Impacts caused by activities or operations in protected areas	GRI 304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	P. 191
			GRI 304-2 Significant impacts of activities, products, and services on biodiversity	P. 147-152
		GRI 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	P. 147-152	
Information on social and personnel issues	Policies	Policies applied by the group, including the due diligence procedures applied to identify, assess, prevent, and mitigate significant risks and impacts, and to verify and control, as well as the measures that have been adopted.	GRI 103-2 The management approach and its components	P. 81-101
			GRI 103-3 Evaluation of the management approach	P. 81-101
			GRI 102-35 Remuneration policies	P. 55-69
	Main risks	Main risks related to issues associated with the group's activities, including, where relevant and proportionate, its commercial relations, products or services that may have negative effects in those areas, and how the group manages those risks, explaining the procedures used to identify and evaluate them pursuant to the national, European, or international reference frameworks for each subject. This should include information on the impacts that have been identified, giving a breakdown of these impacts, in particular on the main risks in the short, medium, and long term.	GRI 102-15 Key impacts, risks, and opportunities	P. 70-75
			GRI 102-30 Effectiveness of risk management processes	P. 70-75

Employment	Total number and distribution of employees by gender, age, country and professional classification	GRI 102-7 Scale of the organisation	P. 82-83																																							
		GRI 102-8 Information on employees and other workers	P. 82-83																																							
		GRI 405-1. b) The percentage of employees by job category for each of the following diversity categories: gender and age group	P. 82-83																																							
	Total number and distribution of employment contract modalities	GRI 102-8 Information on employees and other workers	P.82																																							
	Average annual number of permanent, temporary and part-time contracts by gender, age and professional classification	GRI 102-8 Information on employees and other workers	P.82-83																																							
	Number of redundancies by gender, age and occupational classification	GRI 401-1.b) Total number and turnover rate of staff during the reporting period, by age group, gender and region (for dismissals)	P., the number of dismissals is detailed below:																																							
		<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">DESPIDOS 2019</th> <th style="text-align: center;">H</th> <th style="text-align: center;">M</th> <th style="text-align: center;">Total</th> </tr> </thead> <tbody> <tr> <td>Directivos</td> <td style="text-align: center;">1</td> <td style="text-align: center;">-</td> <td style="text-align: center;">1</td> </tr> <tr> <td>De 31 a 50 años</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Más de 50 años</td> <td style="text-align: center;">1</td> <td style="text-align: center;">-</td> <td style="text-align: center;">1</td> </tr> <tr> <td>Más de 50 años</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Técnicos</td> <td style="text-align: center;">1</td> <td style="text-align: center;">-</td> <td style="text-align: center;">1</td> </tr> <tr> <td>De 31 a 50 años</td> <td style="text-align: center;">1</td> <td style="text-align: center;">-</td> <td style="text-align: center;">1</td> </tr> <tr> <td>Hasta 30 años</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Más de 50 años</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>Total general</td> <td style="text-align: center;">2</td> <td style="text-align: center;">-</td> <td style="text-align: center;">2</td> </tr> </tbody> </table>		DESPIDOS 2019	H	M	Total	Directivos	1	-	1	De 31 a 50 años	-	-	-	Más de 50 años	1	-	1	Más de 50 años	-	-	-	Técnicos	1	-	1	De 31 a 50 años	1	-	1	Hasta 30 años	-	-	-	Más de 50 años	-	-	-	Total general	2	-
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Total general	2	-	2																																							
Average salaries and their evolution disaggregated by gender, age and professional classification or equal value	GRI 405-2: Ratio of basic salary and remuneration of women to men for each category of work	P. 95-96																																								
Pay Gap	GRI 405-2: Ratio of basic salary and remuneration of women to men for each job category.	P. 95-96																																								
Remuneration of equal or average jobs in the company	GRI 405-2 Ratios of standard entry level wage by gender compared to local minimum wage	P. 95-96																																								
The average remuneration of directors and executives, including variable remuneration, meal allowances, indemnities, payment to long-term savings pension systems and any other payments disaggregated by gender	GRI 102-35 Remuneration policies	P. 95-96																																								
	GRI 102-36 Process for determining remuneration (for the management approach)	P. 55-69																																								
	GRI 201-3 Obligations under employee welfare plans and other retirement plans	P. 96-97																																								

		Implementation of labour disconnection measures	GRI 103-2 Management Approach (labour disconnection)	P. 89
		Employees with disabilities	GRI 405-1. b) Percentage of employees by job category for each of the following diversity categories (iii. Vulnerable groups).	P. 89
	Organisation of work	Organisation of working time	GRI 102-8. c) The total number of employees by type of employment contract (full-time or part-time) and by gender.	P. 82-83
			GRI 103-2 Management Approach (Organisation of work)	P. 81-101
		Number of absentee hours	GRI 403-2 Types of accidents and ratios of occupational accidents, occupational illnesses, lost days and absenteeism, and number of related deaths (section a)	P. 103-108; 83
		Measures aimed at facilitating the enjoyment of work/life balance and encouraging co-responsibility for it by both parents.	GRI 401-3 Parental leave	P. 87-89
	GRI 103-2 Management approach		P. 91-101	
	Health and Safety	Occupational health and safety conditions	GRI 103-2 Management Approach (Health and Safety)	P. 103-108
		Accidents at work (frequency and severity) disaggregated by gender	GRI 403-2 Types of accidents and ratios of occupational accidents, occupational illness, lost days and absenteeism, and number of related deaths	P. 103-108
		Occupational illness (frequency and severity) disaggregated by gender	GRI 403-2 Types of accidents and ratios of occupational accidents, occupational illness, lost days and absenteeism, and number of related deaths	P. 103-108
GRI 403-3 Workers with high incidence or high risk of diseases related to their occupation	P. 103-108			

	Social Relations	Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff	GRI 102-43 Approach to stakeholder engagement (trade union and collective bargaining) GRI 402-1 Minimum notice periods regarding operational changes GRI 403-1 Representation of workers on joint health and safety committees	P. 97 P.192 P. 103-108
		Percentage of employees covered by collective bargaining agreements by country	GRI 102-41 Collective bargaining agreements	P. 82
		Assessment of collective agreements, particularly in the field of health and safety at work	GRI 403-1 Representation of workers on joint health and safety committees GRI 403-4 Occupational health and safety issues addressed in formal agreements with workers' legal representation	P. 103-108 P. 103-108
Training	Policies implemented in the field of training	GRI 103-2 Management Approach (Training and education) GRI 404-2 Programmes for upgrading employee skills and programmes	P. 89-91 P. 89-91	
	Total number of training hours by professional category	GRI 404-1 Average annual training hours per employee	P. 89-91	
Accessibility	Universal accessibility for people with disabilities	GRI 103-2 Management Approach (Diversity and Equality of Opportunities and Non-Discrimination)	P. 89	
Equality	Measures taken to promote equal treatment and opportunities for men and women	GRI 103-2 Management Approach (Diversity and Equality of Opportunities)	P. 87-89	
	Equality plans	GRI 103-2 Management Approach (Diversity and Equality of Opportunities and Non-Discrimination)	P. 87-89	
	Measures taken to promote employment	GRI 103-2 Management Approach (Employment) GRI 404-2 Programmes for upgrading employee skills and transition assistance programmes	P. 81-101; 137-162; 31-32 P. 89-91	
	Protocols against sexual and gender-based harassment	GRI 103-2 Management Approach (Diversity and Equality of Opportunities and Non-Discrimination)	P. 87-89	
	The integration and universal accessibility of persons with disabilities	GRI 103-2 Management Approach (Diversity and Equality of Opportunities and Non-Discrimination)	P. 87-89	
	Anti-discrimination and, where appropriate, diversity management policy	GRI 103-2 Management Approach (Diversity and Equality of Opportunities and Non-Discrimination) GRI 406-1 Incidents of discrimination and corrective actions taken	P. 87-89 P. 193	

Information on respect for human rights	Policies	Policies applied by the group, including the due diligence procedures applied to identify, assess, prevent, and mitigate significant risks and impacts, and to verify and control, as well as the measures that have been adopted.	GRI 103-2 The management approach and its components	P.193-195
			GRI 103-3 Evaluation of the management approach	P.193-195
			GRI 410-1 Security personnel trained in human rights policies or procedures	P. 193-195
			GRI 412-2 Employee training on human rights policies or procedures	P. 193-195
	Main risks	Main risks related to issues associated with the group's activities, including, where relevant and proportionate, its commercial relations, products or services that may have negative effects in those areas, and how the group manages those risks, explaining the procedures used to identify and evaluate them pursuant to the national, European, or international reference frameworks for each subject. This should include information on the impacts that have been identified, giving a breakdown of these impacts, in particular on the main risks in the short, medium, and long term.	GRI 102-15 Key impacts, risks, and opportunities	P. 70-75
			GRI 102-30 Effectiveness of risk management processes	P. 70-75
	Human Rights	Application of human rights due diligence procedures	GRI 103-2 Management Approach (Human Rights Assessment)	P. 70-75; 193-195
			GRI 414-2 Negative social impacts in the supply chain and actions taken	P. 137-162
		Prevention of risks of human rights violations and, where appropriate, measures to mitigate, manage and redress any abuses committed	GRI 103-2 Management Approach (Human Rights Assessment)	P. 70-75; 193-195
			GRI 412-1 Operations that have been subject to human rights reviews or impact assessments	P. 70-75; 193-195
			GRI 410-1 Security personnel trained in human rights policies or procedures	P. 194
		Complaints about human rights violations	GRI 102-17 Mechanisms for advice and concerns about ethics	P. 70-75; 193-195
GRI 103-2 Management Approach (Human Rights Assessment)			P. 70-75; 193-195	
GRI 411-1 Rights of indigenous people			P. 194	
	GRI 419-1 Non-compliance with laws and regulations in	P. 196		

			the social and economic area	
		Promotion of and compliance with the provisions of the fundamental ILO conventions relating to respect for freedom of association and the right to collective bargaining, the elimination of discrimination in employment and occupation, the elimination of forced or compulsory labour and the effective abolition of child labour.	GRI 103-2 Management Approach (Non-discrimination; Freedom of Association and Collective Bargaining; Child Labour; Forced or Compulsory Labour and Human Rights)	P. 19-25; 70-75; 193-195
Information relating to the fight against corruption and bribery	Policies	Policies applied by the group, including the due diligence procedures applied to identify, assess, prevent, and mitigate significant risks and impacts, and to verify and control, as well as the measures that have been adopted.	GRI 103-2 The management approach and its components	P. 76-79
			GRI 103-3 Evaluation of the management approach	P. 76-79
			GRI 205-2 Communication and training about anti-corruption policies and procedures	P. 76-79; 190
	Main risks	Main risks related to issues associated with the group's activities, including, where relevant and proportionate, its commercial relations, products or services that may have negative effects in those areas, and how the group manages those risks, explaining the procedures used to identify and evaluate them pursuant to the national, European, or international reference frameworks for each subject. This should include information on the impacts that have been identified, giving a breakdown of these impacts, in particular on the main risks in the short, medium, and long term.	GRI 102-15 Key impacts, risks, and opportunities	P. 70-75
			GRI 102-30 Effectiveness of risk management processes	P. 70-75
			GRI 205-1 Operations assessed for corruption-related risks	P. 70-75

	Corruption and bribery	Measures taken to prevent corruption and bribery	GRI 103-2 Management Approach (with a view to GRI 205 Anticorruption) - If the entity submits the 205-2, it also covers this requirement of the law with this indicator	P. 76-79; 188
		Measures to fight against money laundering	GRI 103-2 Management Approach (Anticorruption)	P. 76-79; 188
		Contributions to foundations and non-profit entities	GRI 103-2 Management Approach (Anticorruption)	P. 76-79; 188
			GRI 201-1 Direct economic value generated and distributed (Investments in the Community)	P. 12; 189
			GRI 203-2 Significant indirect economic impacts	P. 26-41; 137-162
		GRI 415-1 Political representatives and party contributions	P. 195	
Information about the company	Policies	Policies applied by the group, including the due diligence procedures applied to identify, assess, prevent, and mitigate significant risks and impacts, and to verify and control, as well as the measures that have been adopted.	GRI 103-2 The management approach and its components	P. 168-183
			GRI 103-3 Evaluation of the management approach	P. 168-183
	Main risks	Main risks related to issues associated with the group's activities, including, where relevant and proportionate, its commercial relations, products or services that may have negative effects in those areas, and how the group manages those risks, explaining the procedures used to identify and evaluate them pursuant to the national, European, or international reference frameworks for each subject. This should include information on the impacts that have been identified, giving a breakdown of these impacts, in particular on the main risks in the short, medium, and long term.	GRI 102-15 Key impacts, risks, and opportunities	P. 70-75
GRI 102-30 Effectiveness of risk management processes	P. 70-75			

The company's commitments to sustainable development	Impact of the company's activity on employment and local development	GRI 203-1 Infrastructure investments and services supported	P. 13-18; 26-41
		GRI 203-2 Significant indirect economic impacts	P. 26-41; 137-162
		GRI 204-1 Proportion of spending on local suppliers	P. 137-162
		GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	P. 137-162; 168-183
		GRI 413-2 Operations with significant actual and potential negative impacts on local communities	P. 137-162; 168-183
	Impact of the company's activity on local populations and territory	GRI 203-1 Infrastructure investments and services supported	P. 13-18; 26-41
		GRI 203-2 Significant indirect economic impacts	P. 26-41; 137-162
		GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	P. 137-162; 168-183
		GRI 413-2 Operations with significant actual and potential negative impacts on local communities	P. 137-162; 168-183
	Relations maintained with local community stakeholders and the methods of dialogue with them	GRI 102-43 Approach to Stakeholder Engagement (community-related)	P. 20-25; 168-183
		GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	P. 137-162; 168-183
	Association or sponsorship actions	GRI 102-13 Membership of associations	P. 137-162; 178-181
		GRI 203-1 Investment into infrastructure and support services	P. 13-18; 26-41
GRI 201-1 Direct economic value generated and distributed (Investments in the Community)		P. 12	

		Inclusion of social, gender equality and environmental issues in procurement policy	GRI 103-3 Management Approach (Environmental and Social Assessment of Suppliers)	P. 160-162	
		Consideration in relations with suppliers and subcontractors of their social and environmental responsibility	GRI 102-9 Supply Chain	P. 160-162	
			GRI 103-3 Management Approach (Environmental and Social Assessment of Suppliers)	P. 160-162	
			GRI 308-1 New suppliers that were screened using environmental criteria	P. 160-162; 109-113	
			GRI 308-2 Negative environmental impacts in the supply chain and actions taken	P. 137-162; 109-113	
			GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	P. 193	
			GRI 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	P. 194	
			GRI 414-1 New suppliers that were screened using social criteria	P. 160-162	
			GRI 414-2 Negative social impacts in the supply chain and actions taken	P. 137-162	
			Supervision and audit systems and results thereof	GRI 308-1 New suppliers assessed according to environmental criteria	P. 160-162; 109-113
				GRI 308-2 Negative environmental impacts on the value chain and actions taken	P. 137-162; 109-113
		GRI 414-2 Negative social impacts on the value chain and actions taken		P. 137-162	
		Consumers	Measures for the health and safety of consumers	GRI 103-2 Management Approach (Customer Health and Safety)	P. 27-33; 52-53
				GRI 416-1 Assessment of the health and safety impacts of product and service categories	P. 195
				GRI 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	P. 195
GRI 417-1 Requirements for product and service information and labelling	P. 196				

		Complaint systems, complaints received and their resolution	GRI 102-17 Mechanisms for advice and concerns about ethics (complaints received and resolutions received)	P. 55-69; 76-79	
			GRI 103-2 Management Approach (Customer Health and Safety)	P. 27-33; 52-53	
			GRI 418-1 Substantial complaints related to customer privacy breaches and loss of customer data.	P. 196	
	Tax information	Profits obtained by country	Income taxes paid	GRI 201-1 for payments to public administrations pursuant to OECD guidelines http://www.oecd.org/tax/beps/country-by-country-reporting.htm	P. 12; 183
				GRI 201-1 for payments to public administrations pursuant to OECD guidelines http://www.oecd.org/tax/beps/country-by-country-reporting.htm	P. 12; 183
		Public subsidies received	GRI 201-4 Financial assistance received from government	P. 189	

Appendix IV: Independent Assurance report



INDEPENDENT ASSURANCE REPORT ON THE NON-FINANCIAL INFORMATION STATEMENT

(Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.)

To the shareholders of Ence Energía y Celulosa, S.A.:

According to article 49 of the Commercial Code, modified by Law 11/2018, of December 28, we have carried out an order for a verification, with a limited assurance scope, of the *2019 Sustainability Report* which are the Non-Financial Information Statement (hereinafter NFIS) for the year ended 31 December 2019 of Ence Energía y Celulosa, S.A. and subsidiaries (hereinafter, the Group).

The *2019 Sustainability Report* is part of the management report, including additional information to that required by current commercial regulations on non-financial information and by the Global Reporting Initiative standards for the preparation of sustainability reports, which have not been the object of our verification work, limited only to the verification of the information identified in Appendix II "Index of GRI Standard Contents" and in Appendix III "Index of Law 11/2018 NFIS Contents".

Responsibility of the Board of Directors and the Management

The Ence's Board of Directors is responsible for the approval and content of *2019 Sustainability Report*. The *2019 Sustainability Report* has been prepared in accordance with the GRI standards, in its Core option; the NFIS has been prepared in accordance with the prevailing mercantile regulations, these having been evaluated within the framework of the verification process.

The Board of Directors are also responsible of the mechanisms and processes for obtaining information and preparing the *2019 Sustainability Report*, and includes the design, implementation and maintenance of such internal control as they determine is necessary to enable the preparation of a NFIS that is free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed, on the information collected exclusively in the *2019 Sustainability Report* and corresponding to the financial year 2019.

We have conducted our review work taking into consideration the requirements set out in the current International Standard on Assurance Engagements 3000, "Assurance

Engagements other than Audits or Reviews of Historical Financial Information” (ISAE 3000), issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC)

As established by the aforementioned standards, the procedures performed in a limited assurance engagement are smaller in scope and extent and, therefore, the safety provided is also lower than that provided by a reasonable assurance work and the present assurance report can only be understood in these terms.

The procedures we perform in the assurance work, are based on our professional judgement, and included making inquiries of management, the review of the processes for compiling and validating the information, the application of analytical procedures and sample review testing of the information included in the NFIS, as is described below.

- Meetings with Group personnel to know the business model, policies and management approaches applied, the main risks related to these issues and obtain the necessary information for the external review
- Analysis of the scope, relevance and integrity of the content included in the *2019 Sustainability Report* according to their importance, as expressed in prevailing mercantile regulations.
- Analysis of the processes for compiling and validating the data presented in the *2019 Sustainability Report*.
- Review of information regarding the risks, policies and management approaches applied in relation to the material aspects presented in the *2019 Sustainability Report*.
- Checking, through tests, based on a selection of a sample, of the information related to the content of the *2019 Sustainability Report* and its correct compilation from the data provided.

Our independence and quality control

We have complied with the independence and other ethical requirements of our Code of Ethics for Professional Services for the Assurance of Non-financial Information, which is based on the fundamental principles of integrity, objectivity, professional competence, diligence, confidentiality and professionalism.

Our firm applies a comprehensive quality control system that includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our firm applies international standard ISO 14001 to minimise the environmental impact of our services.

VALORA Consultores de Gestión, S.L. – CIF: B-15829-H3
HQ: Paseo de la Castellana, 43, 28046. Madrid
Reg. Merc. A Coruña. Tomo 2583. Sección General. Folio 165. Hoja nº C-28656. Inscripción 1ª



The engagement team was comprised of professional specialised in reviews of non-financial information and, specifically, in information on environmental, social and human resources issues, human rights, anti-corruption and bribery measures and the relationship between companies and society.

Conclusion

Based on the assurance procedures performed and the evidences obtained, nothing has come to our attention that cause us to believe that the:

- *2019 Sustainability Report* has not been prepared, in all significant aspects, in accordance with the GRI standards in its Core option.
- NFIS of the Group for the year ended 31 December 2019 has not been prepared, in all material respects, in accordance with prevailing mercantile regulations regarding non-financial information and the criteria of the selected GRI standards, as well as other criteria described in the NFIS.

Use and Distribution

This report has been prepared in response to the requirement established in the prevailing mercantile regulations in Spain at the date of its issuance, and may not be suitable for other purposes and jurisdictions.

On 26 February 2020

VALORA CONSULTORES DE GESTIÓN, S.L.



Fernando Liz Díaz