ence
ENERGÍA & CELULOSA

SUSTAINABILITY REPORT 2021

Non-Financial Information
Consolidated Statement

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INTERVIEW WITH THE CHAIRMAN

GRI 102-14

Ignacio de Colmenares Brunet - Ence Chairman

The year 2021 has continued to be marked by the pandemic but also by important changes in the international environment. What is your assessment of the financial year for Ence?

The year 2021 has been a complicated year for Ence that brought with it important challenges for the company, such as the unfavourable ruling of the National Court on the extension of the Pontevedra biofactory, the rise in the price of wood due to the strong demand for pine (due to the undesired effects of the moratorium on planting eucalyptus and its high demand for furniture manufacturing) and the rise in raw material prices, which has been particularly noticeable in the last months of the year. In addition to all this, Ence, like the rest of the world, has had to continue to live with the COVID-19 pandemic, so we have had to maintain the health protocols and prevention measures that we had been implementing since the beginning of 2020.

However, 2021 has also had very positive aspects for Ence, such as the strong recovery in pulp prices, which has boosted operating margins in this business line throughout the year, or the increase in production and efficiency improvements, which have offset the escalating costs of raw materials. In the pulp business, there was also a significant progress in special products, which already account for 16% of our sales and contribute to improving our differential positioning and competitiveness.

In the energy area, despite the unforeseen events that have affected the operation of the Huelva 50 plant during the first few months of the year, we have managed to increase energy sales and we have carried out the rotation of five solar assets that we had been developing in Huelva, Sevilla, Jaén and Granada.

We have also strengthened our portfolio of new biomass projects to continue growing in this segment.

In this scenario, Ence has been able to meet the challenges and we have achieved important milestones, such as the excellent safety results and the success of our protocols against COVID-19, which have enabled us to close the year with no outbreaks at our facilities.

The year 2021 has also seen the consolidation of Europe's commitment to orienting recovery towards a more sustainable future, while at the same time we have seen significant legislative developments in many areas related to sustainability. What role will Ence play in the Europe that will emerge after these years of transition?

Europe continues to send a clear message: we must accelerate the transition to a more sustainable and fairer production model and society. The NextGenerationEU plan. It is designed not only to facilitate the recovery from the pandemic, but to transform our economy and build a greener, more digital and resilient Europe. The EU's legislative initiatives are also aimed at accelerating this transition, and the package of measures published in July to achieve the 2030 greenhouse gas emissions reduction target (fit for 55) or the regulatory development of the taxonomy of sustainable activities are examples of this.

That is why organisations must focus on sustainability and adapt our business models to this paradigm shift. Sustainability is no longer a business add-on that improves the image of companies, it is a driver for change and organisations that do not understand that they must also create value for society have no long-term future.

At Ence, we see this European commitment as a great opportunity and our business model is fully aligned with the European Union's objectives. By sustainably harnessing natural resources to produce renewable

energy and bio-based products, we are contributing to the decarbonisation and circularisation of the economy and are a key player in this transition.

Our commitment to biomass as an energy source contributes to providing stability and manageability to an electricity system that must be adapted to the increasing presence of energy generation sources subject to meteorological factors such as wind or sun. Furthermore, by recovering this biomass, we are addressing the serious waste management problem facing the Spanish countryside, which is currently causing environmental and health impacts. At Ence, we are also working to diversify our capacity to make use of this biomass, which will play a fundamental role in the decarbonisation of industrial sectors such as petrochemicals, as it will serve as the basis for the production of green hydrogen, biofuels or chemical precursors that will displace fossil hydrocarbons.

Similarly, our growth and diversification strategy in pulp allows us to offer sustainable products, which serve as an alternative to plastic in numerous applications and which not only contribute to promoting a more sustainable consumption model, but also generate employment and are a beacon of hope for the future for so many rural communities in Spain that depend on the forestry and paper sector for their livelihoods.

In short, at Ence, we are aligned with this vision, which is why any new project we develop must not only contribute to improving our profitability, but also to reducing our emissions.

Specifically in the area of sustainability, what milestones would you highlight for Ence in 2021?

In 2021, Ence continued to make progress on the roadmap set out in its 2019-2023 Sustainability Master Plan. Starting with people, we ended the year meeting our equality objectives and having achieved the highest representation of women in our workforce and on our Board of Directors in Ence's history. We also ended the year with a substantial improvement in safety indicators and reached the milestone of not having recorded a single lost time accident in our energy division.

In terms of environmental performance, we have continued to make progress in the circularity of our operations, certifying five more plants with the AENOR "Zero Waste" seal and we have managed, for yet another year, to maintain our environmental parameters well below the established limits. We have also made significant improvements in terms of the odour impact of our facilities, in line with our commitment to operate without causing nuisance to our neighbours.

We have also made progress in the decarbonisation and energy efficiency of our facilities, replacing fossil fuels in Pontevedra and consolidating the photovoltaic facilities for self-consumption in Huelva and Mérida.

But, undoubtedly, one of the major milestones of the year has been the certification of all our facilities under the SURE biomass sustainable resources verification scheme. Building on the foundation of our voluntary code that we have been applying since 2018, we have anticipated the regulatory requirements to come and were the first company in Europe to be certified according to this scheme. This seal demonstrates Ence's commitment to the use of biomass from sustainable sources.

In 2021, Ence also reaffirmed its commitment to the United Nations Global Compact. At Ence, we support and promote the 10 principles established by the Global Compact relating to human rights, the environment, labour practices and anti-corruption, both in our own organisation and in our sphere of influence, and we report our progress openly and transparently in our annual sustainability reports.

In doing so, we continue to promote not only the sustainability of our company, but also contribute towards achieving the Sustainable Development Goals of the 2030 Agenda and towards building a better future for all.

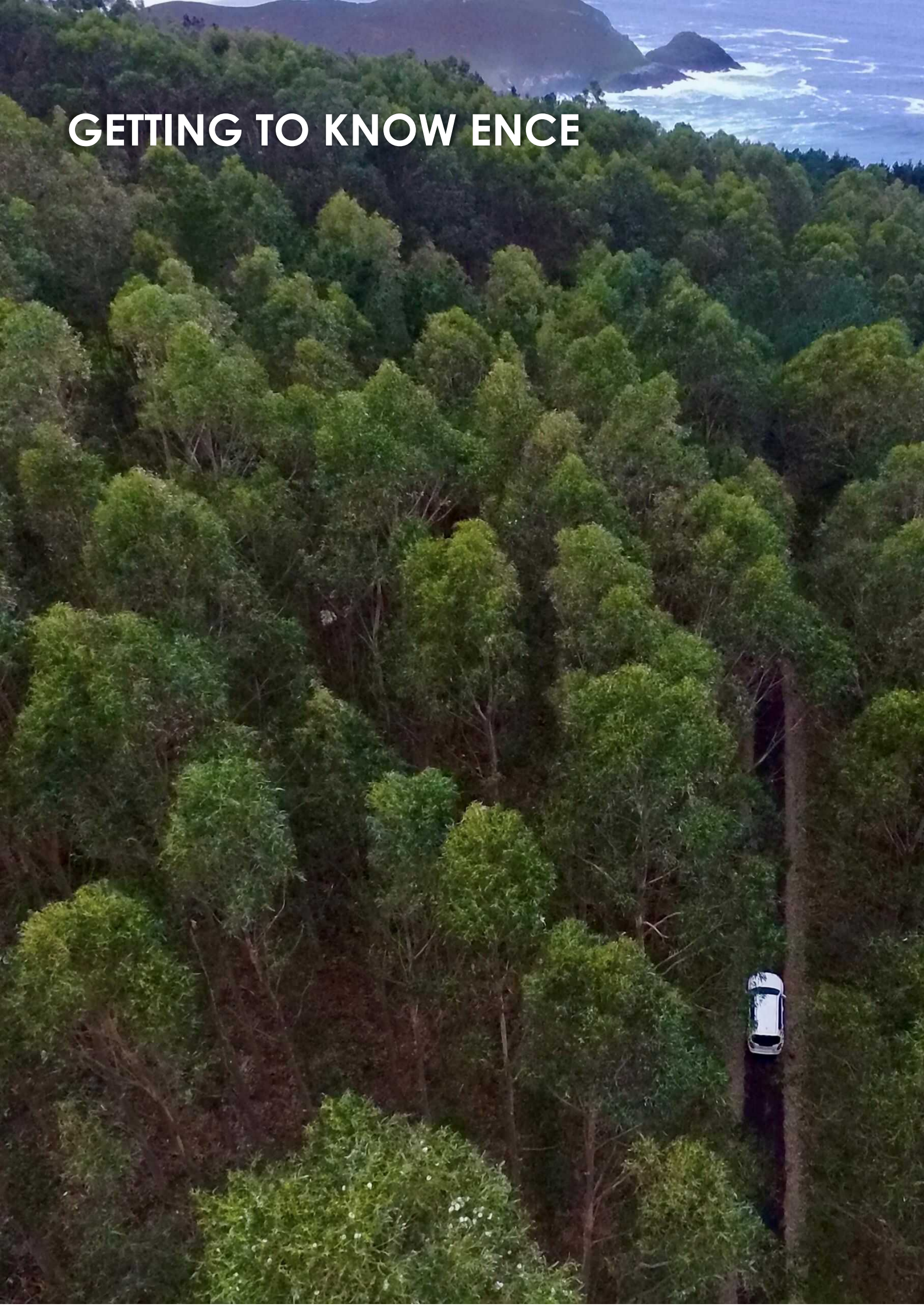
This year also saw the publication of the rulings of the National Court regarding the extension of the concession of the Pontevedra biofactory. What is Ence's position on this issue?

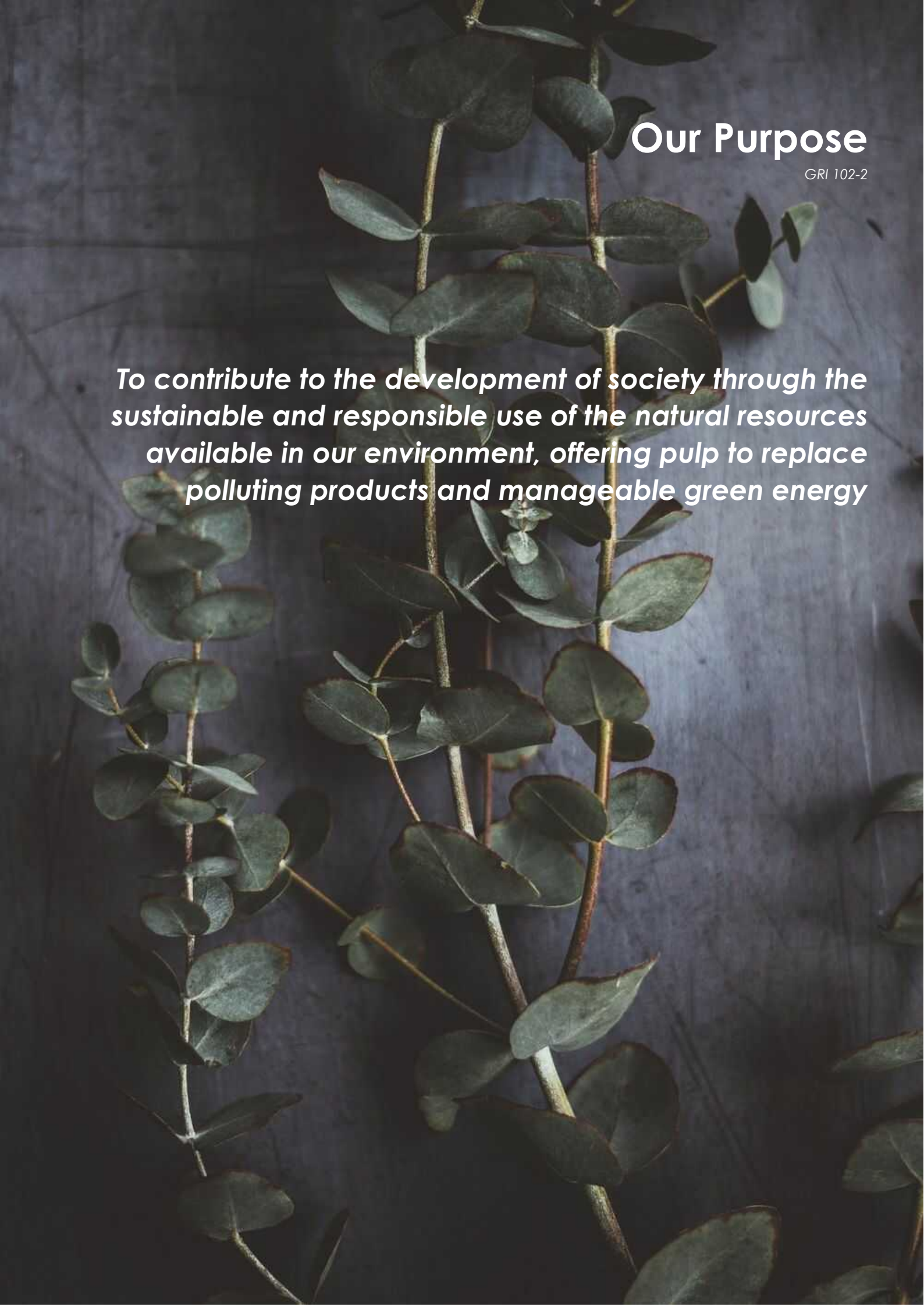
Another of the challenges that 2021 has brought has been the decision of the National Court in three rulings where it allowed the appeals against the resolution to extend the concession on the maritime-terrestrial public domain land on which the Pontevedra biofactory is located.

Ence is taking all legal action to defend the legality of the extension, as it has been doing since the Directorate-General for Coastal and Marine Sustainability suddenly changed its mind and gave up the defence of their own decision. In this regard, in 2021 Ence has filed appeals of reversal before the Supreme Court against these three rulings of the National Court and we are awaiting its decision on whether our appeals are allowed.

In any case, Ence will exhaust all legal avenues available to us to continue defending our biofactory and the more than five thousand families who depend directly or indirectly on it.

GETTING TO KNOW ENCE





Our Purpose

GRI 102-2

To contribute to the development of society through the sustainable and responsible use of the natural resources available in our environment, offering pulp to replace polluting products and manageable green energy

Offering nature-based solutions

GRI 102-2

Ence's business model is based on the use of renewable natural resources to generate bioenergy and bioproducts, offering society natural, low-carbon alternatives and promoting the development of the rural environment.

This model is articulated in three independent but complementary business lines:

FOREST MANAGEMENT

Forest management at Ence's estate provides raw material for the other two business lines and **serves as a benchmark of best sustainable forestry practices** for the sector. Ence is the leading private forest manager in Spain, with more than 65,000 hectares of managed forest area in the Peninsula, distributed between the south (mainly in the province of Huelva) and the northwest of Spain (Galicia, Asturias and Cantabria). Most of the woodlands we manage are owned by the company, while the rest are part of different types of contracts that Ence signed with private owners, communities of neighbouring woodlands or local councils.

To improve the productive capacity of its forests, Ence applies an integrated forest management system and is committed to research, development and innovation (R&D&I), focusing on genetic and silvicultural improvement and pest and disease control. Ence is also committed to the production of improved plants in its nurseries.

To protect its environmental values and ensure the sustainability of its plantations, Ence applies and promotes sustainable forestry certification through internationally recognised schemes.

PULP

With an installed capacity of 1.2 million tonnes per year, Ence is the leading European company **in the production of eucalyptus pulp and** is one of the main players in the short-fibre BHKP pulp market.

The company carries out its activities in its two biofactories applying the best available techniques and pursuing excellence in environmental performance. As a result, the pulp they produce carries the most demanding sustainability labels, such as Nordic Swan and EU Ecolabel.

In this line, Ence is committed to the development of special products, with improved environmental profiles and high added value for its customers in different applications, such as the replacement of plastic materials.

For its pulp production, Ence relies on a local supply chain, thus contributing to the economic and social development of local communities and generating wealth for owners, suppliers, transporters, forestry and harvesting companies.

RENEWABLE ENERGY

The renewable energy line provides the stability of a regulated business to compensate for the cyclical nature of the pulp market and has been developed by applying Ence's experience in forestry logistics to **take advantage of the potential of agroforestry resources** offered by the rural environment in the Iberian Peninsula.

Ence's generation facilities are concentrated in regions with abundant agroforestry resources, such as Andalucía, Castilla-La Mancha and Extremadura, following the strategy of using local biomass. Ence also produces renewable energy in its biofactories, thus recovering the wood components that cannot be used for pulp production.

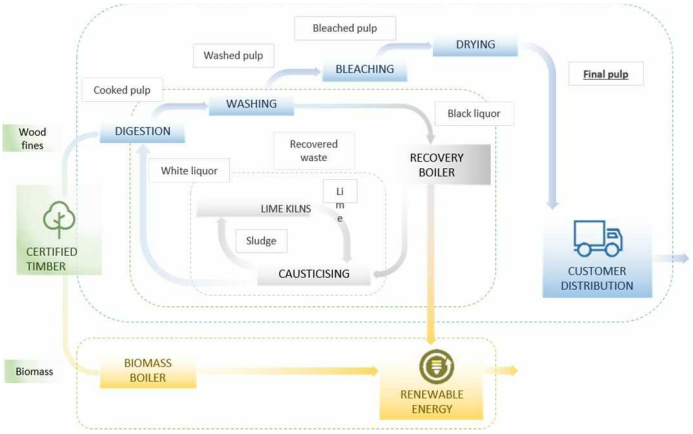
In terms of generation technologies, currently most of its 378 MW of installed capacity corresponds to biomass, but Ence also has a natural gas cogeneration facility and is developing several photovoltaic projects in different parts of the southern peninsula region.

A circular bioeconomy model

Ence's business model is based on circular production processes, in which all raw materials are used and waste generation is minimised. They are thus examples of a **circular bioeconomy** that contribute to the transition towards a more sustainable and responsible production and consumption model.

For the **production of pulp**, Ence uses wood as a natural and renewable raw material and transforms it into a biodegradable and recyclable material.

In the production process, the components of the wood that cannot be used to obtain pulp, such as bark and lignin, are used as a source of renewable energy, generating not only enough energy to cover the plant's needs, but also to export to the grid and thus contribute to the decarbonisation of the electricity mix.



The main chemicals used in the process are also recovered and reused in a closed cycle, thus reducing the consumption of raw materials.

As for the waste generated in the process, the vast majority (over 95%) is recovered or reclaimed, which has earned Ence the AENOR "Zero Waste" certification at its two biofactories.

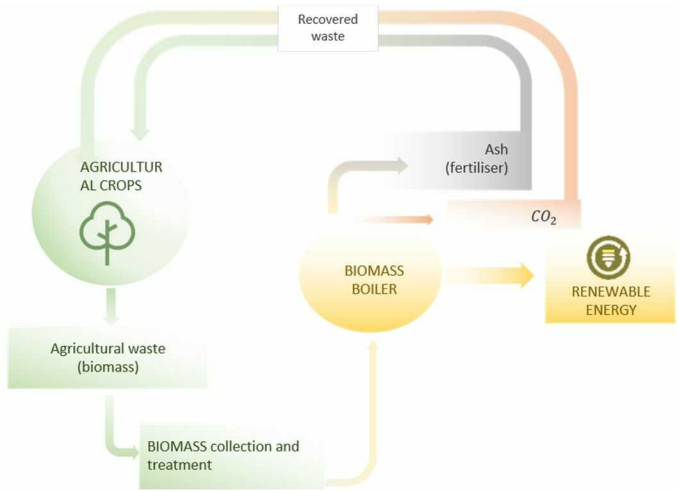
In addition, the forest plantations from which the wood used in the process originates are important CO_2 sinks, thus contributing to progress towards climate neutrality in line with EU objectives. According to ASPAPEL (Spanish Association of Pulp, Paper and Cardboard Manufacturers) data, the forest plantations used for the paper industry store some 47 million tonnes of CO_2.

Ence's cellulose products are biodegradable, recyclable and offer alternatives to plastic products in various uses, such as food packaging. Ence is also working on the eco-design of products with improved sustainability attributes and a greater capacity to substitute other non-renewable materials (see section *Offering sustainable solutions*).

In terms of **energy generation**, Ence also uses agroforestry biomass, which is a natural and renewable product used as a raw material. This biomass is generated in agricultural and forest management work around the plants.

By using this biomass, Ence not only contributes to decarbonising the electricity mix and meeting European renewable generation targets, but also plays a very important role in the circularisation of the agricultural and forestry sectors.

By reclaiming agroforestry waste such as prunings or biomass from forest clearing and fire prevention work, Ence provides farmers and forest owners with a sustainable alternative for the management of their waste, thereby reducing uncontrolled burning and the environmental and public health problems that this generates.



The energy recovered from this biomass is also carried out in a circular process, in which the vast majority of the waste generated (ash) is recovered for use as fertiliser and other applications (manufacture of construction materials, technosols, etc.). Most of Ence's independent power plants have also obtained AENOR's "Zero Waste" certification and the last two will be certified shortly.

The Group in Spain

GRI 102-4

Ence produces more than 1 million tonnes of high quality pulp per year at its biofactories in Navia (Asturias) and Pontevedra (Galicia) and has an installed capacity of 266 MW of agroforestry biomass generation through eight independent power plants: three in Huelva, two in Ciudad Real, one in Córdoba, one in Mérida and one in Jaén. In addition to these 266 MW of generation at the independent plants, there are also 112 MW of cogeneration associated with the pulp production process at the Navia and Pontevedra biofactories.

Biofactories

The **Navia biofactory** is the centre with the largest production capacity in Ence, with 685,000 tonnes per year. At its Asturian plant, the company produces ECF (Elementary Chlorine Free) eucalyptus cellulose pulp, which is particularly valued in the specialty market. Most of Ence Navia's production is destined for the European market.

The biofactory has the most relevant environmental and quality certifications, and in 2021 it also obtained the SURE certification for biomass sustainability. In recent years, projects have been carried out to increase the plant's capacity and improve its environmental performance, applying the best technologies available in the sector. In this regard, new gas treatment equipment has been installed in 2021 that will significantly reduce NOx emissions into the atmosphere. In addition, we continue working on the continuous improvement of other priority environmental aspects, such as the reduction of odour impact.

In 2021, Ence received the **Award for Energy Diversification** from the Association of Control and Related Bodies of the Principado de Asturias (ASOCAS), which recognises the company's links with Western Asturias through the Navia biofactory, as well as its growth and diversification plans.

The biofactory employs more than 400 people and generates around 7,000 direct, indirect and induced jobs.

The **Pontevedra biofactory** has a production capacity of 515,000 tonnes per year of totally chlorine-free (TCF) pulp and is one of only two factories in Europe that produces TCF pulp from eucalyptus wood.

In addition to standard pulp, the biofactory produces some of Ence's special products with enhanced sustainability attributes, such as Naturcell.

Ence Pontevedra is a benchmark in environmental performance. In addition to having the most relevant international certifications such as Nordic Swan or EU Ecolabel, in 2021 it has received a new recognition for its environmental excellence, framed within the **Environmental Awards** granted by the Professional Association of Environmental Companies of Galicia (APROEMA) to those organisations that adopt environmental and economic measures that promote the sustainable development of Galicia.

The plant continues to improve its environmental parameters, with reductions in water consumption and greenhouse gas emissions in 2021.

The biofactory employs more than 400 people and generates more than 5,000 direct, indirect and induced jobs.

Power plants

The **energy complex in Huelva** (Andalucía) is made up of three biomass electricity generation plants with a total capacity of 137 MW that produce over 800 million kWh per year, equivalent to the average consumption of more than 229,000 households in Spain. The complex consists of a plant with an installed capacity of 50 MW, a 41 MW plant and, since 2020, a third 46 MW plant that can produce more than 300 MkWh. The complex applies EU Best Available Techniques and uses local agroforestry biomass as raw material, making it one of the largest facilities of its kind in Europe

The **La Loma- Jaén (Andalucía) power plant** was acquired by Ence at the end of 2016 and has an installed capacity of 16 MW, capable of producing over 90 GWh. For its operation, the plant uses agroforestry biomass, mostly derived from olive groves in the region.

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The **Enemansa-Ciudad Real (Castilla-La Mancha) power plant** was also acquired by Ence in 2016. It is a sister facility to the La Loma plant and has the same installed capacity (16 MW). This plant also mainly uses olive waste pomace, a biomass derived from the treatment of olives for oil extraction, which is very abundant in the area surrounding the facility.

The **power plant in Mérida** (Extremadura) consists of a 20 MW vibrating grate boiler that allows it to achieve an annual production of 160 MkWh. It has been built in accordance with the Best Available Techniques for the transport, storage and production of energy from biomass. To improve its energy efficiency, Ence has built a photovoltaic generation facility attached to the plant that provides solar energy to reduce self-consumption. In 2021, Ence Mérida became the first facility in Europe to achieve SURE certification for biomass sustainability

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The **Lucena-Córdoba power plant** (Andalucía) was acquired by Ence in 2017. This facility combines a biomass boiler with a natural gas CHP installation. The heat produced in cogeneration is used in the drying of the pomace in the olive waste plant annexed to the facility. It has a combined capacity (cogeneration + biomass) of 27 MW. The plant uses pomace as its main fuel, mainly from the adjacent plant, as well as olive prunings.

The **power plant in Biollano**-Puertollano, Ciudad Real (Castilla-La Mancha), 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 the implementation of this project in 2020, Ence contributes to maintaining quality industrial employment and boosting the region's economy. The new plant uses agroforestry biomass as fuel, including the remains of prunings from the vineyard crops in the region, providing an alternative to the uncontrolled burning of said prunings in the countryside.

Overall, Ence's independent power plants generate almost 7,000 direct and indirect jobs in rural Spain, thanks to its local and very capillary supply chain, which ranges from the use of agricultural waste to transporters, in addition to industrial jobs at the plants themselves.

Ence at a glance

EBITDA BEFORE HEDGING

GROUP €213MM	CELLULOSE €142MM	ENERGY €71MM
+157% vs. 2021	x 6 vs. 2021	+68% vs. comparable 2021

€76MM OF FREE CASH FLOW

43% REDUCTION IN NET DEBT, TO €102MM

LIQUIDITY OF **€397MM**

PULP

Pulp produced **>1M tAD**

>3.1 MM Timber (m3)

88% Sales to Europe

16% Sales in sustainable products

ENERGY

Energy sales **>2.2M MWh**

>3.4M Biomass (t)

373 MW PV asset turnover

140 MW Project portfolio

LEADERS IN SUSTAINABILITY

Managed area (Ha) **>65,000** | Protection and conservation of ecosystems **>21%** | PEFC/FSC® certified asset area **85%**

99% Recovered waste | **Zero Waste** 7 certified plants | **1st** Pulp environmental statement | **>74%** Certified timber | **>73%** Certified biomass

Emissions Scope 1 vs 2020 **-9%** | Emissions avoided (tCO2) from self-consumption and sale of renewable energy **+0.5MM** | tCO2 removed from the atmosphere by heritage forests **+0.6MM**

0 Accidents with leave | **+3%** Women in the workforce | **90%** Permanent contracts | Great Place To Work. Great Place To Work Certification

Earmarked for suppliers (MM€) **>820** | Local suppliers **>95%** | Approved suppliers **99%** | Jobs created **19,000**

Performance in 2021

Financial result statements

The 2021 financial year is characterised by a strong free cash flow generation of €76 million at the consolidated level, even after the payment of negative hedge settlements amounting to €106 million, the €21 million reduction in the use of factoring lines and payments for investments made in previous years amounting to €56 million.

Ence exceptionally entered into pulp and electricity price hedging contracts in 2020, in a context of minimum prices and high uncertainty caused by the spread of COVID-19, in order to ensure minimum cash generation. These hedges ended at the close of 2021 and there are no further pulp or electricity price hedging contracts for future years, so the company will benefit entirely in 2022 from the current context of strong pulp and electricity prices.

The pulp price recovered sharply in 2021 from USD 680 gross per tonne throughout 2020 to USD 1,140 gross per tonne since July 2021. The strength of the pulp price more than offset temporary inflation in the cost of raw materials and logistics during the second half of the year, boosting the operating margin of the pulp business from €27 per tonne in 2020 to €155 per tonne in 2021. The EBITDA before hedging contracts in the pulp business amounted to €142 million for the full year, compared to €23 million in 2020.

The EBITDA before hedges of the Renewable Energy business reached €71 million in 2021, compared to €42 million in the previous year.

From a cash point of view, to the consolidated EBITDA before hedges of €79 million in the fourth quarter and €213 million in the full year, the €60 million and €89 million corresponding to the difference between the market price and the regulated electricity price (regulatory collar) in the same periods are added. This difference is not reflected in the income statement but in the cash flow.

The Group's net debt was reduced by €76 million in 2021, closing the year at €102 million, with net debt of €122 million in the Renewable Energy business and a net cash position of €19 million in the Pulp business.

The cash in hand balance at year-end amounted to €397 million, of which €72 million corresponded to the Energy business and another €325 million to the Pulp business, even after the early repayment of bilateral loans amounting to €115 million, the repurchase of €31 million of convertible bonds and the reduction of the factoring draw down by €12 million. In addition, the credit line (RCF) of this business was also refinanced in 2021, increasing its available balance to €130 million and bilateral loans were refinanced with a combined balance of €80 million, extending their maturities to 2026.

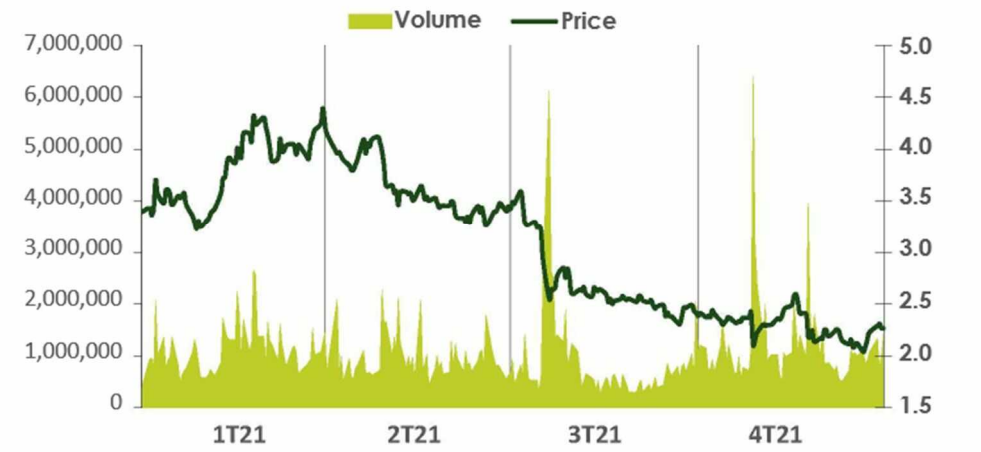
Three rulings by the National Court in July and October 2021 annulled the extension of the concession for the public domain land on which ENCE's pulp mill in Pontevedra is located. Ence has appealed these rulings to the Supreme Court and is awaiting a First-Instance Court decision from the High Court on the admissibility of the appeals filed. As a result of these rulings and in accordance with the applicable accounting regulations, Ence recognised asset impairment losses and provisions for expenses in the financial statements for the year for a net amount of €200 million. Without the accounting impact of the judgments, the Group would have returned to profit in 2021 with a net attributable profit of €10 million.

In December 2021, Ence reached an agreement for the rotation of five photovoltaic projects with a combined capacity of 373 MW for up to €62 million, which will be materialised as the administrative processing of the projects is completed, expected between the fourth quarter of 2022 and the first quarter of 2024. Ence also has a portfolio of three biomass plants with a combined capacity of 140 MW with which it will be able to participate in upcoming auctions and will continue to develop new projects, both biomass and photovoltaic, to continue growing in renewable energies.

Share price

Ence's share capital is made up of 246,272,500 shares with a par value of €0.90 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 is part of the Ibex Medium Cap.

Ence's share price at 31 December 2021 was €2.26 per share; this represents a decrease of 33.3% compared to the share price at 31 December 2020, mainly due to the publication in July of the rulings of the National Court annulling the extension of the concession of the Pontevedra biofactory. Over the same period, the sector's share prices rose by an average of 0.8%.



Source: Bloomberg

SHARE	4Q20	1Q21	2Q21	3Q21	4Q21
Share price at close of the period	3.40	4.26	3.43	2.38	2.26
Capitalisation at close of the period	836.1	1,047.9	843.7	587.1	557.6
Ence quarterly evolution	54.9%	25.3%	(19.5%)	(30.4%)	(5.0%)
Average daily volume (shares)	1,272,577	1,145,084	960,860	862,883	1,220,887
Sector quarterly evolution*	34.4%	18.5%	(11.3%)	(8.5%)	4.1%

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

Generated and distributed economic value

GRI 201-1

Ence's activity represents an important source of value generation for society in general and for the company's stakeholders in particular. In 2021, the value generated by Ence amounted to 841.2 million euros, an increase of 17% over the previous year.

Most of the direct economic value generated by the company is distributed among its stakeholders, such as the company's employees (€67 million) including suppliers and other Ence supply chain components (€33 million approx.).

The figures below show the economic value generated, distributed and retained by the company in the last three financial years:

Direct economic value generated and distributed			
Thousands of €	2019	2020	2021
Direct economic value generated	737,281	718,866	841,241
Economic value distributed	690,309	713,777	777,546
Operating costs	536,941	563,808	642,836
Salaries and welfare plans for employees	75,844	75,253	67,070
Payments to capital providers and shareholders	44,549	23,416	32,565
Payments to governments (taxes, fees, fines)	32,360	47,601	34,780
Investments in the community	615	3,699	294
Retained economic value	46,972	5,089	63,695

Facilitating the transition to a more sustainable Europe

The European Union has set as one of its priority objectives the transition to a more sustainable and resilient economic model, with a special emphasis on transforming the economy to achieve its ambitious decarbonisation and neutrality goals.

This transition will affect the vast majority of economic sectors and production models, which means that a huge amount of resources will have to be mobilised if it is to be realised within the timeframe set by Europe. Recognising this, the EU published an **Action Plan on Sustainable Finance** in 2018, setting out guidelines to encourage the mobilisation of the capital needed to make this transition.

One of the most relevant measures described in the Plan is the creation of a **unified classification system** of activities that can be considered sustainable (taxonomy of sustainable activities), ensuring a clear, common and objective interpretation of the sustainable character of investments.

Thus, in 2020 the EU published Regulation (EU) 2020/852 that sets out the criteria for determining whether an economic activity is considered environmentally sustainable. This Regulation also establishes guidelines for large companies to provide information on the extent to which their activities can be considered sustainable according to this classification system.

In 2021, delegated regulations implementing Regulation 2020/852 were published, both at the level of reporting obligations and technical selection criteria for economic activities from the point of view of their contribution to climate change mitigation and adaptation. In the course of next year, selection criteria will be published in line with the rest of the EU environmental objectives.

In this context, in 2021, Ence carried out an eligibility analysis of its activities in accordance with the aforementioned Regulation and the delegated regulations that implement it.

Eligible activities and analysis process

Among the activities carried out by Ence, **renewable energy generation** (Art. 10.1.a) and **forestry activities** (Art.10.1.f: strengthening land carbon sinks) are considered eligible under Regulation 2020/852, due to their substantial contribution to climate change mitigation and adaptation. A conservative approach has been applied in the eligibility analysis, analysing the degree to which Ence's activity is associated with economic activities that fit the taxonomy.

In the case of renewable energy generation, Ence's activities are considered eligible as they meet the definitions of "generation of electricity from bioenergy" in the case of biomass-fired power plants and "cogeneration of heat/cool and electricity with bioenergy" in the case of biomass-fired cogeneration in biofactories.

In the case of forestry, the nature of Ence's activities (management of forest areas for wood harvesting in private-owned forests) falls under the eligible category "Silviculture" and specifically under the subcategory "Forest management". According to DR 2021/2139, this includes forestry and other forestry activities, logging, harvesting of wild products, except wood, and forestry support services. Ence's sales of wood to third parties are therefore also considered eligible, as they fall under the heading "wood exploitation".

Pulp production is not considered eligible for the time being, as it is not included among the activities mentioned in the Regulation, even though the TEG (Technical Expert Group) in its report published in 2020 acknowledges that the section on manufacturing industries should be extended to cover other activities in the short term, such as pulp and paper production.

Perimeter and calculation methodology

The analysis includes all Group companies (pulp, energy and forestry business lines) included in the consolidation perimeter. The process has aimed at calculating the proportion of taxonomically eligible activities in terms of turnover, capital expenditure (CapEx) and operating expenses (OpEx).

For this purpose, the proportion of Ence's sales, OpEx and CapEx from eligible activities (numerator) to total sales, total Capex and the share of OpEx specified in Regulation 2021/2178[1] for the financial year 2021 (denominator) has been determined. When performing these calculations, Ence has applied the necessary supervision and control measures to ensure the consistency of the process and the traceability of the information, and to avoid double counting of any item.[2] The currency used throughout has been the Euro (the

Group's functional currency) and the information has been reviewed and reconciled with the annual financial statements.

In the case of **sales**, sales of renewable energy (item "Energy Sales") of companies whose activity coincides with the activities included in Annex 1 of Regulation 2021/2139 have been taken into account as eligible (*4.8 Electricity generation from bioenergy*), as well as sales of renewable energy from bioenergy generated by companies engaged in both cellulose production and cogeneration (Ence and CEASA), as the latter activity is also considered eligible under Annex 1 of Regulation 2021/219 (*4.20 Cogeneration of heat/cool and power from bioenergy*).

Sales from companies involved in forestry activities (item "Forestry Sales", including wood sales, biomass sales and other forestry sales), also eligible under point 1.3 (*Forest Management*) of the above-mentioned Annex, have also been taken into account, considering the criteria set out in the section "Eligible activities and analysis process". However, sales of electricity produced in the natural gas cogeneration plant of the company Bioenergía Santamaría (ineligible activity) have been excluded.

In the case of **OpEx**, and as specified in Delegated Regulation 2021/2178, the costs relating to research and development (*R&D expenditure items and R&D project staff*), maintenance (*repairs and conservation item*) and leasing (*items leases and royalties, forest rent, transport rent, other leases and intangible assets concession fee) have been taken into account and* the indicated OpEx expenses of the Group companies engaged in eligible activities (as described above) have been considered as eligible.

Ence and CEASA have been excluded, after applying a conservative criterion as their main activity is the production of cellulose (ineligible activity). OpEx items corresponding to the natural gas cogeneration activity in the company Bioenergía Santamaría have also been excluded.

In the case of **CapEx**, to analyse the nature of asset additions, the list of projects (analysed individually according to their eligibility) has been used as a basis and reconciled with accounting after adjustments to avoid double counting. Those corresponding to renewable energy generation activities have been considered eligible, both in companies whose activity coincides with the activities included in Annex 1 of Regulation 2021/2139 (*4.8 Electricity generation from bioenergy*) and in companies dedicated to the production of pulp: Ence and CEASA.

In the latter case and following a conservative criterion, only those projects unequivocally related to the cogeneration activity (eligible as it is framed in activity *4.20 Cogeneration of heat/cool and power from bioenergy*) will be considered eligible and not those that can also serve the pulp production activity.

Projects related to forestry activities have also been taken into account (as they fall under eligible activity *1.3 Forestry management*) and those related to cogeneration with natural gas of the company Bioenergía Santamaría have been excluded.

For reporting OpEx and Capex ratios, purchases of assets and processes or services have been assessed and considered eligible if essential to carry out a particular eligible activity.

Notes:

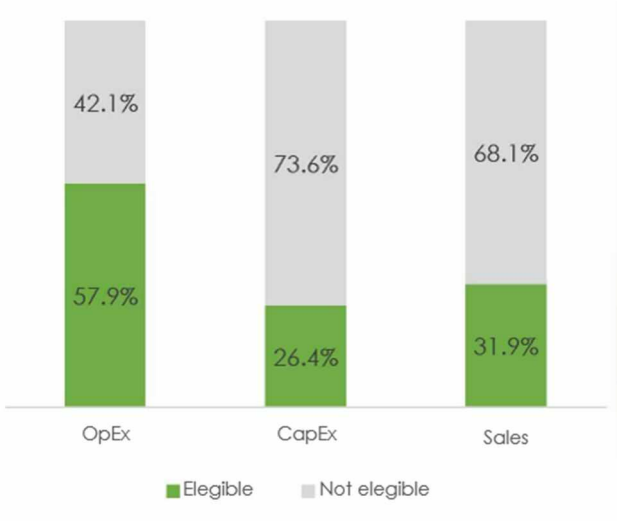
(1): In the case of Opex, the denominator includes non-capitalised direct costs that relate to research and development, building renovation measures, short-term leases, maintenance and repairs, as well as other direct expenses related to the day-to-day maintenance of property, plant and equipment assets by the company or a third party to whom activities are outsourced and that are necessary to ensure the continued efficient operation of these assets.

(2): Supervision and control measures implemented to avoid double counting and ensure consistency and traceability of the process include the elimination of intercompany balances, disaggregated analysis by company and project in the case of CapEx, reconciliation of the cost accounting with the consolidated information in the Financial Statements and review of calculations by independent areas (planning and control, consolidation and sustainability) in accordance with the Corporate Procedure established for this purpose.

Results 2021

Ence's activities can make a significant contribution to climate change mitigation and adaptation, as highlighted in the description of Ence's business model (section "Getting to know Ence") and in the section "Eligible activities and analysis process", which provides a qualitative explanation of the disaggregated activities considered.

Thus, in 2021, 57.9% of its OpEX, 26.4% of its CapEx and 31.9% of its sales are eligible under the current version of the taxonomy (including only the environmental objectives of climate change mitigation and adaptation):



% of eligibility referring to climate change mitigation and adaptation objectives

As Regulation 2020/852 establishes the requirement to disclose this information for the first time for the financial year 2021, and the Delegated Regulations were not published in the Official Journal of the EU until December 2021, comparative information for previous years is not included in this Statement of Non-Financial Information.

Building a better future

Through its activities, Ence contributes to the sustainable development objectives established in the framework of the 2030 Agenda, especially those focused on the production of clean, non-polluting energy, climate action and a change in the production model and, in the social sphere, the generation of quality employment and the promotion of equal opportunities.

Ence contributes to the decarbonisation of the electricity sector, by generating renewable energy in its biofactories and independent energy plants. In addition, biomass generation is a key element in the green transition, as it is one of the few manageable renewable technologies

Impact indicators

- ✓ Thanks to the renewable energy generated by Ence in 2021, the emission of some 543,000 tonnes of CO_2 has been avoided.

The forests managed by Ence are important carbon sinks that contribute to progress towards climate neutrality objectives.

Ence also promotes resilience to the effects of climate change in the forestry sector, working on R&D&I to produce plants that are better adapted to the new climatic conditions and to the pests and diseases that climate change will exacerbate.

Impact indicators

- ✓ Company-owned forest plantations have absorbed more than 92,000 tonnes of carbon dioxide equivalent (CO2eq).
- ✓ Eight new clones at different stages of development

Ence contributes to the transition towards a circular consumption model, offering alternatives to products such as plastic, and in its production processes it recovers practically all waste. Ence also contributes to the circularisation of other value chains, using agroforestry waste to generate energy.

Impact indicators

- ✓ A total of 85% of facilities are certified as Zero Waste/Towards Zero Waste.
- ✓ Over 99% waste recovery.
- ✓ Over 1.9 Mt of biomass reclaimed and used in its plants.

Ence contributes to the fight against depopulation and deindustrialisation of Spain's rural world, and with its business activities it promotes job creation and development opportunities in the communities where it operates.

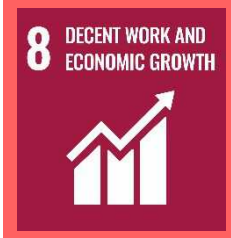
Impact indicators

- ✓ €226 million in purchases from more than 2,000 forestry suppliers.
- ✓ €77 million in purchases from nearly 700 biomass suppliers.
- ✓ 88% of suppliers are small-scale agroforestry suppliers.

Ence is committed to the development of special products with high added value and improved environmental profiles, in order to offer more sustainable solutions to its customers. Ence also innovates in the field of genetic and silvicultural improvement to promote the efficiency and productivity of forests. Ence also promotes digital transformation in all management, supply and industrial processes.

Impact indicators

- ✓ 16% sales of special products.
- ✓ 17 trials within genetic and silvicultural improvement.



Ence is committed to quality employment, with a special focus on people's health and safety, talent development and training. Ence is also an important driver of job creation along its value chain for contractors, suppliers and agricultural and forestry owners in Spain.

Impact indicators

- ✓ 90% permanent employees.
- ✓ 0 lost-time accidents in the energy sector.
- ✓ Approx. 19,000 jobs created as a result of its activity.

Ence works for the active conservation and sustainable use of forest resources, committing to sustainable forestry certification and dedicating large areas of its assets to the protection of ecosystems.

Impact indicators

- ✓ 74% of certified wood.
- ✓ 85% of certified privately-owned surface.
- ✓ 22% of its privately-owned area (more than 14,800 ha) dedicated to conservation.

Ence actively promotes the incorporation of women into its workforce, as well as their professional development and access to management positions. The company has developed an ambitious equality plan with specific objectives for the period 2021-2023 in various areas, from recruitment processes to work-life balance.

Impact indicators

- ✓ Increased female presence by 3% in the workforce in comparison to 2020.
- ✓ Women accounted for 80% of new hires under 30 years of age with a university degree.

LOOKING INTO THE FUTURE

Strategy

Market context and strategic plan for 2019-2023

GRI 102-15, GRI 203-1

Ence performs its activity around two main businesses: the production of special pulp and the generation of renewable energy. They are two separate but complementary businesses. While pulp production is a cyclical business, renewable energy generation is a regulated business that provides stability and visibility of revenues. Both businesses have good long-term growth prospects.

Pulp business strategy

Global pulp demand is growing steadily, driven by positive developments in segments such as tissue paper and hygiene products, especially in developing countries, where per capita consumption of these products is still well below the average in regions such as Europe and North America.

Added to this trend is the ability of pulp, which is a natural, sustainable, renewable and biodegradable raw material, to replace other highly polluting materials such as plastics or synthetic fibres.

In this context, Ence's strategy in the pulp business involves **growth and diversification** into new types of pulp and special products to respond to these growing demands, making the most of its competitive advantages in the European market.

Europe is the second largest market for pulp after China. It represents approximately 25% of the world's pulp demand, equivalent to approximately 16 million tonnes per year, of which 5 million tonnes are imported from Latin America.

Ence's access to eucalyptus wood grown responsibly in the vicinity of its biofactories is a significant competitive advantage over other pulp producers located in northern Europe that use other wood species such as pine or birch, which have lower yields.

On the other hand, Ence's proximity to its European customers gives it an important competitive advantage over other eucalyptus pulp producers located in Latin America, offering its customers a "just in time" service, with delivery times of less than one week, compared to more than five weeks from Latin America, thus helping them to reduce the environmental footprint of their products.

In recent years, Ence has developed a range of **differentiated products**, such as its Powercell or Naturcell pulp, with better technical properties and a smaller environmental footprint, aimed at replacing long fibre and offering an alternative to the use of plastic in applications such as bags, trays, flexible packaging, etc. These higher value-added and higher margin products accounted for 16% of pulp sales revenues in 2021, up from 9% in the previous year.

To further diversify its products, Ence's Strategic Plan until 2023 includes a project to adapt the Navia biofactory for the manufacture of absorbent hygiene products ("fluff") and another to build a new "swing" line at the same plant, with the capacity to manufacture up to 340,000 tonnes of pulp for paper or, alternatively, up to 200,000 tonnes of pulp for viscose ("dissolving" pulp).

The latter project is currently suspended pending the Supreme Court's decision on the extension of the concession for the use of the public land on which Ence's biofactory is located in Pontevedra.

Under the scope of the Strategic Plan, Ence carried out the 20,000 ton capacity expansion at the Pontevedra biofactory and the 80,000 ton capacity expansion at the

Navia biofactory during the 2019 fiscal year, which represented a 9% increase in pulp production capacity.

Renewable Energy Business Strategy

As it is a regulated activity, the Renewable Energy business provides stability to the Group, offsetting the cyclical nature of the pulp business. In addition, the global challenge of the energy transition and the decarbonisation targets set at both European and national level represent a great opportunity for growth for this business.

The European Union, in its climate and energy policy framework up to 2030, aims to achieve at least 32% of energy consumption from renewable sources. To achieve this goal, Spain will double its renewable energy generation capacity in the 2020-2030 period. 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 order to continue growing in renewable energies, Ence has a **portfolio of 3 biomass projects** with a combined capacity of 140 MW with which it will be able to participate in upcoming specific capacity auctions scheduled for 2022, 2023 and 2025.

However, Ence's commitment to growth in the renewable energy sector not only involves the development of new biomass plants, but also the development of projects in other renewable energy technologies, such as photovoltaics, storage and biofuels.

In this regard, in recent years Ence has promoted 5 **photovoltaic projects** in Andalucía with a combined capacity of 373 MW, demonstrating its ability to develop and generate value with this type of project. In December 2021, Ence agreed to rotate these projects as their processing is completed, between the fourth quarter of 2022 and the first quarter of 2024, for an amount of up to €62 million.

Sustainability at the centre

Commitment to sustainability

As a company that bases its value creation model on natural capital, Ence is aware of the importance of sustainability. It has therefore integrated it into its purpose and recognised it as one of the pillars of its Strategic Plan 2019-2023.

This commitment to sustainability is demonstrated through a solid governance system, a firm commitment to the integration of sustainability into the company's culture and strategic planning of actions in this area.

Policies and governance bodies

Ence's principles of action are set out in its Sustainability Policy, approved by the Board of Directors in 2018. It also sets out the commitments that the company makes to its stakeholders and the channels for relations with each of them.

In addition to the general policy, Ence has approved specific regulations that develop different aspects of sustainable management, such as the Diversity and Equal Opportunities Policy, the Procurement Policy and the Health and Safety Policy.

Given the importance of sustainability for the company, in 2018 Ence created a specific commission on the Board of Directors, chaired by an independent director with extensive experience in the management of ESG aspects in industrial companies. The main functions of this commission are to monitor Ence's sustainability strategy and supervise relations with its stakeholders, among others (for further details, see the Ence Board of Directors' Operating Regulations). The commission meets at least once every quarter and in 2021 it has held a total of 5 meetings.

At the executive level, Ence has a General Sustainability Department, to which the sustainability managers of the business lines report. There is also a Sustainability Committee, chaired by the Chairman and comprising the heads of the business and corporate areas.

Integrating sustainability into Ence's culture

The integration of sustainability into the culture and daily activities of all members of the company is a priority for Ence. To achieve this goal, the company is working in several areas:

- ✓ Committing to the **training** of the entire team in the field of sustainability. In 2021, a total of 725 people (64% of the workforce) have participated in sustainability training activities
- ✓ Ongoing **monitoring** of the targets set: the Management Committee and the Board of Directors review the monitoring indicators of Ence's Sustainability Master Plan on a monthly basis.
- ✓ Incorporating sustainability objectives into the variable **remuneration** schemes of management teams. A 25% of the Long Term Incentive (LTI) of Ence's managers depends on ESG variables linked to environmental, safety, equality, community relations or sustainability aspects in the supply chain

Relationship with stakeholders

GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44

Ence seeks to maintain a relationship of trust based on the creation of shared value with all its stakeholders. To this end, the company is committed to maintaining an open and fluid dialogue with stakeholders so it can learn first-hand about their expectations, concerns and points of view and incorporate them into its strategic planning. The main stakeholders included in Ence's Sustainability Policy and the channels used by the company to engage in dialogue with them are summarised below:

Stakeholder	Main channels of dialogue
Shareholders and investors	Specific meetings, roadshows, presentations of results, dedicated space on Ence website.
Contributors	Web, internal channels and applications, monthly surveys, annual climate survey, breakfasts with the Chairman, internal presentations of results.
Customers	Customer portal, targeted meetings, regular visits, satisfaction surveys.
Partners and suppliers	Supplier portal, meetings, training sessions, interviews, focus groups, etc.
Forest owners	Specific website, meetings, interviews, focus groups.
Public administrations and regulatory bodies	Participation in sectoral associations, meetings, participation in events, visits.
Community and environment	Site visits, meetings with local associations, focus groups.
Groups of influence (analysts, media, NGOs, etc.)	Meetings, interviews, focus groups.

In addition to these specific dialogue channels, Ence provides information to all its stakeholders through the company's website, annual reports, the environmental declarations of its facilities, etc. Ence also has a whistle-blowing channel, through which any stakeholder can contact the company to report possible breaches of its Code of Conduct.

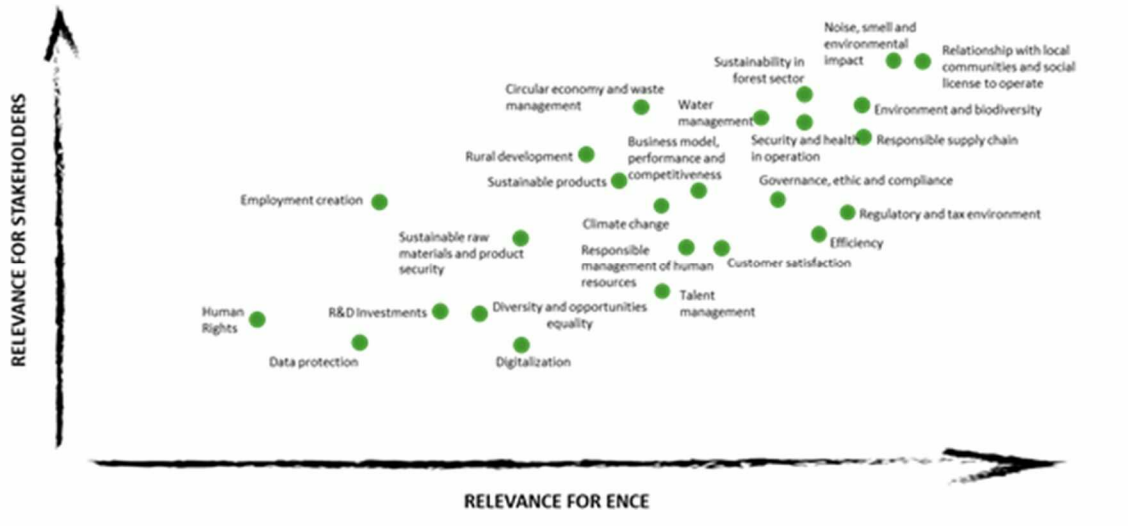
Materiality analysis and Sustainability Master Plan

GRI 102-47

Ence's sustainability strategy focuses on the aspects that are most relevant to its stakeholders and to the company itself. To identify them, in 2019, Ence conducted a materiality analysis with a long-term focus (until 2023), the same time horizon as the strategic plan.

This analysis is reviewed and updated annually based on the results of dialogue with stakeholders. In this regard, in 2021, it is worth highlighting the perception studies that have been carried out with actors in the forestry sector (owners, administrations, sectoral associations, academics, NGOs, etc.) and the meetings with customers, neighbourhood associations and other groups in the vicinity of the plants.

The main aspects mentioned include the environmental performance of the Ence plants (especially in those vectors that can have the greatest impact on neighbours, such as odour, noise and air quality). In the case of forest stakeholders, the main aspects addressed are Ence's role in building a modern and robust sector, the extension of good practices and R&D and the work to promote sustainable forest management certification. The update of the analysis is completed by reviewing the requirements and priorities of analysts, investors and customers and by examining the benchmark sustainability targets of benchmark companies in the forestry, paper and energy sectors.



The following are the priority material aspects identified:

- ✓ The relationship with local communities and the social licence to operate.
- ✓ Reduction of noise, odour and other impacts.
- ✓ Protection of the environment and of biodiversity
- ✓ Sustainability of the forestry sector
- ✓ Occupational health and safety
- ✓ Responsible supply chain.

The material aspects identified mark the content of this report in order to respond to the main concerns of stakeholders (*see Annex I*).

Based on these material aspects, and in line with the Sustainable Development Goals and Targets of the United Nations 2030 Agenda, Ence defined its **Sustainability Master Plan for 2019-2023**. Organised into 7 lines of action, this Plan establishes the company's sustainability priorities and objectives. This plan was approved by Ence's Board of Directors in 2019.

For each of the axes, lines of action are deployed and specific annual objectives are set, so as to ensure the achievement of the long-term objectives set out in the plan.

Objectives are monitored on a monthly basis at the level of the Management Committee and reported to the Board. In addition, the Sustainability Commission conducts a detailed analysis of progress against objectives at its quarterly meetings.

The level of compliance with the main objectives set for 2021 is summarised below (including those objectives which are considered to be strategic or to have the greatest impact on stakeholders):

Line of action	Objective 2021	Performance in 2021
Area 1: Safe and eco-efficient operations		
Reduction of particulate matter emissions	Values depending on the installation	☺
Reduction of water consumption	Reaching 28.2 m3/tAD in Navia and 28 in Pontevedra	😐
0 Waste certification	La Loma, Enemansa, Huelva and Mérida	☺
Reducing the odour impact of biofactories	-20% in Pontevedra and -5% in Navia	😐
Reduce the accident rate (frequency index and severity index) of internal staff and subcontractors	Objectives depending on the area (energy, pulp, forestry)	😐
Area 2: Climate action		
GHG emission reduction	15% reduction in scope 1 and 2 vs. base year in pulp unit	☺
Area 3: Rural and agroforestry development		
Timber with sustainability certification	75% of double FSC® and PEFC certification wood entries	☹
Compliance (regulatory compliance) in terms of timber	100%	☺
FSC® certified asset area	90%	☹
Biomass with sustainability certificate	75% compliance with the Ence Sustainability Code	☺
Approval of suppliers	100% wood and biomass suppliers and service companies	😐
Area 4: Sustainable products		
Updating the sustainability attributes of pulp products	Update Pontevedra DAP products and extend to Encell ECF (Navia)	☹
Development of products with improved environmental footprint	Naturcell Zero	☺
Promotion of products with plastic substitution potential	40% sales to customers in the plastic substitution cluster	☺
Area 5: Community engagement		
Visits to biofactories and independent power plants	600 visits	☺
No. of beneficiaries of Social Plan and Navia and Huelva agreements	16,000 beneficial recipients	☺
Reducing the number of complaints	-10% vs. reference period	☺
Area 6: People and values		
Training in sustainability and equality	Programme 2021 delivered	☺
Fulfilment of equality objectives	10 objectives in 2021	☺
Improvement of the organisational climate	Improvement of trust index	☹
Area 7: Good corporate governance		
Drafting and approval of new corporate policies	3 Policies	☺

ESG assessments

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:

The agency Sustainalytics, one of the leading ESG analysts, has awarded Ence a total ESG score of 91 out of 100 points in 2021. This represents an improvement of 9 points compared to the previous assessment and places Ence as the sector leader. Out of all the aspects assessed, Ence stands out in the social dimension in particular, with a total score of 96 points.

Ence has also received the ESG Rating assessment from MSCI, another major international rating agency. In the 2021 financial year, the rating remains at the "AA" level.

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Moreover, Ence's good performance in sustainability has enabled the company to enter the FTSE4Good index. In this way, FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Ence Energía y Celulosa S.A. has been independently assessed against the FTSE4Good criteria and has met the requirements to become a constituent of the FTSE4Good Index Series. Created by global index provider FTSE Russell, the FTSE4Good index series is designed to measure the performance of companies that demonstrate strong environmental, social and governance (ESG) practices. The FTSE4Good indices are used by a wide range of investors and other financial actors to create and evaluate responsible investment funds and other products.

Risk and opportunity management

Management approach

GRI 102-8

As the main tool for managing risks at corporate level, Ence has a Risk Management System (RMS). The RMS is an integrated process involving all areas of the organisation, focused on identifying, assessing, prioritising, responding to and monitoring all risks that may pose a threat to the company. This RMS has been defined pursuant to the guidelines of international reference frameworks, in particular, the *Enterprise Risk Management Integrated Framework* of COSO (Committee of Sponsoring Organizations of the Treadway Commission) and is periodically reviewed to incorporate the best practices in this area.

The scope of the RMS covers all Ence Group companies, including the three business lines (pulp, energy and forestry) and the activities of its corporate areas. Its operation is defined and regulated in the Risk Management and Control Policy and the Risk Management Procedure, which have been approved by the company's Board of Directors of the company. The RMS covers risks for the different objectives established by Ence, distinguishing between strategic, operational, reporting, and regulatory compliance objectives. The RMS also establishes different categories of risks to be analysed depending on their nature, including financial risks and risks related to non-financial issues, including risks arising from climate change, which were integrated into Ence's RMS in 2020:

- Environmental risks
- Risks associated with information for decision-making
- Financial and fiscal risks
- Operational risks
- Organisational risks
- Legal risks
- Climate risks

Roles and responsibilities

The different governance bodies and functional areas of the company have been assigned the following responsibilities in the RMS:

- The **Board of Directors** is ultimately responsible for identifying risks and implementing the appropriate internal control systems. With the help of the Management Committee, the Board of Directors defines the principles of risk management and establishes the internal control systems that enable the impact and probability of occurrence of such risks to be maintained within the levels of risk appetite determined and accepted by the company.
- The **Audit Committee** assists the Board of Directors in supervising the internal control and risk management systems, including the internal control systems for financial reporting (ICFR) and the ones for non-financial reporting (ICNFR), environmental, safety and health 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 supervising the RMS in the company's day-to-day operations, establishing criteria and drawing up procedures for risk management and reporting regularly to the Board through the Audit Committee. The Internal Audit Department also verifies the proper implementation of defined risk management and control principles and policies, and monitors compliance with internal control systems.
- The CEOs, directors and managers of Ence's **business areas** are responsible for their respective risks and play an ongoing risk management role at the most operational level.

Risk analysis and management process

Ence's risk management process is a continuous process. Within this framework, every six months, Ence identifies and assesses any new risks that may have arisen, monitors the risks identified in previous periods and eliminates those that are no longer applicable. In that same process, it also updates the information relating to the controls and action plans associated with identified risks.

The main tools used in the management process are the **risk register** and the **risk map**. 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**, the people in charge of the areas responsible for the risks assess the potential seriousness of the risk from different perspectives: 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 assessed on a percentage scale of probability of five levels as well, from the "rare" to "almost certain". Once the most relevant risks have been determined, in terms of impact and probability, two factors are analysed: speed (time between the occurrence of the risk and its expected impact) and vulnerability (indicative of the effectiveness of the control actions implemented). After assessing the impact and likelihood of occurrence of each assigned risk, the area heads establish the appropriate **action and control plans** to mitigate, reduce or transfer the risk in question. Once updated with the

assessments of the business area leads, the risk map is reviewed by the Management Committee to make the final prioritisation of critical risks and then submitted to the Audit Committee and the Board of Directors for final approval.

Depending on the results of the risk map, the Internal Audit Department prepares the **Internal Audit Plan** for the following financial year, which establishes the measures to check that the risks are well assessed and that the actions envisaged in the mitigation plans are being carried out.

In the risk category identification exercise conducted during 2021, which will serve as the basis for management during 2022, 51% of the risks are Operational, 21% Environmental, 11% Organisational, 7% Legal, 7% Financial and 3% Associated with Decision-Making.

Crisis management

In addition to the risk management process, Ence also has a **Crisis Management protocol**, which defines a common methodology for managing crises arising from Ence's main risks, which are included in the company's Global Risk Map. This protocol also defines the composition of the crisis committees, the responsibilities of the committee members, crisis response times, communication actions with stakeholders and crisis monitoring and assessment actions.

Main risks and mitigation measures

Below is a breakdown of some of the main risks that may have an impact on Ence's activity, grouped into the categories defined in the company's RMS. For each risk, the mitigation strategies and actions defined by the company are also detailed:

Environmental risks	
Risk	Mitigation strategy
Unfavourable outcome in the legal proceedings concerning the extension of the **concession of the Pontevedra biofactory** (and posterior reduction of the useful life of the facility).	To mitigate this risk, Ence has taken the available legal measures, appearing in the proceedings and taking the necessary legal action to defend the company's interests. Ence has also analysed the different possible scenarios for the resolution of the procedure in order to assess the impacts they would have on the company and to develop action plans for each of them.
Volatility in the **price of pulp**	As a response to this risk, Ence works hand in hand 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 pulp, both in the short and the medium term.
Changes in **the regulation of the energy market**	Ence is working to optimise the production levels necessary to achieve the initially estimated profitability despite possible changes in the regulation of the energy market.
Market share loss, with respect to contracting demand for products and possible changes in market preferences.	Ence has strengthened its presence in the European market and continuously monitors trends in the pulp market. In addition, the company has designed a growth strategy in high value-added niche markets focused on the development of special products with differential characteristics (*Ence Advanced*).
Fiscal risk, arising from the fiscal policy of Public Administrations.	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. In addition, Ence has dedicated internal resources which, together with a team of expert advisors, have established internal fiscal compliance guidelines and lowered the risk assumed in this area.
Legal risks	
Risk	Mitigation strategy
Potential **non-compliance with regulations**, including risk of non-compliance in relation to integrated pollution prevention and control regulations	In response to this risk, Ence defines and implements the investments and projects necessary to adapt its facilities to the regulations and actively participates in the decision-making forums on the newly-applied BREF regulations. 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.

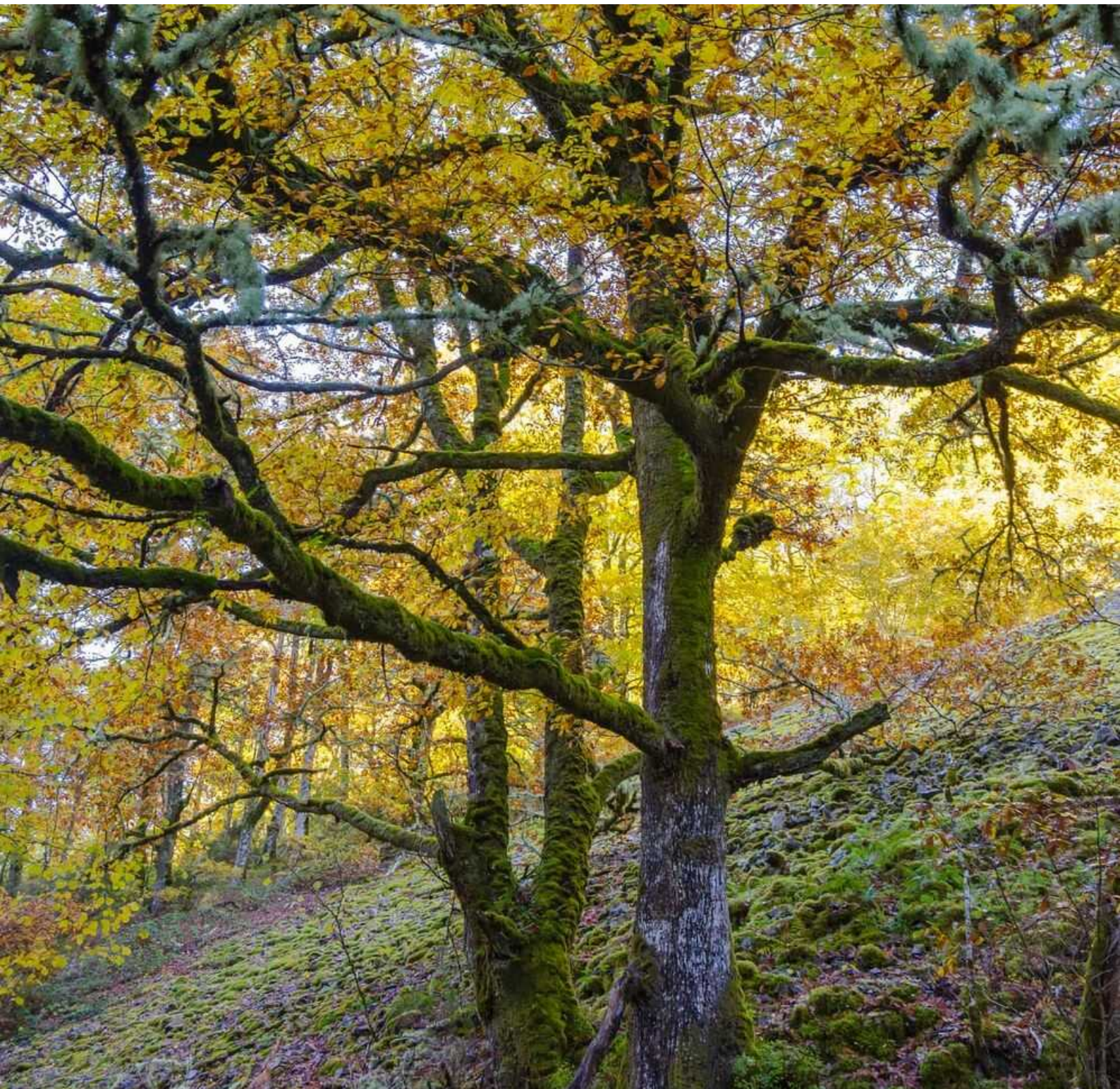
Financial risks	
Risk	Mitigation strategy
Exchange rate and **interest rate** volatility.	Ence monitors the foreign exchange market and the evolution of the US dollar and the euro, and links the most important financing operations to fixed interest rates.
Trade credit risk in pulp customers.	In order to mitigate such risk, Ence has taken out insurance that assigns credit limits based on the customer's credit quality and provides coverage for almost all of the Group's pulp sales. Moreover, there is also a Commercial Credit Risk Committee in which the evolution of customers is analysed in detail periodically.

Organisational risks	
Risk	Mitigation strategy
The risks inherent to Ence's **social and personnel-related issues** are potential damage to workers' health, accidents and injuries at work, strikes, staff dissatisfaction and talent management and retention.	In health and safety, Ence develops occupational risk prevention plans within the framework of integrated management systems in accordance with the ISO 45001 standard, including training and awareness-raising activities and the development of pioneering tools in the industry, such as Particularly Hazardous Work (PHW) and Preventive Safety Observations (PSO). External audits are also carried out to verify compliance with the applicable occupational health and safety legislation. In relation to the health risk arising from the COVID-19 pandemic, Ence has been a pioneer in the implementation of prevention protocols to prevent contagion in the workplaces of its employees, auxiliary companies and contractors. Compliance with these protocols is internally audited and regularly monitored in the framework of the COVID-19 Committee, created for this purpose in 2020.

Operational risks	
Risk	Mitigation strategy
Risk of loss of competitiveness due to increased operating costs resulting from higher prices of raw materials (wood and biomass), consumables (chemicals, fuel, gas), other industrial supplies and spare parts, logistics and transport, subcontracting costs and/or wage costs.	To mitigate this risk, with the advice of external experts, Ence has implemented a plan to optimise its production costs (cash cost) throughout its value chain.
Risk of **wood supply** shortfall	The moratorium imposed in Galicia on the planting of eucalyptus has led to a temporary reduction in the availability of wood in this Community. The risk arising from an insufficient supply of wood has been managed by increasing Ence's presence in the standing timber market and by defining contingency plans that have included the shipment of wood from Ence's southern assets or the import of wood not originating in the Iberian Peninsula.

Risk of negative **environmental impacts** arising from company activities	Ence's integrated management system ensures continuous improvement in the company's environmental performance, which, together with investments in pollution prevention and control facilities, mitigates the risk of negative environmental impacts. In addition, every year, Ence defines fundamental improvement objectives (FIOs) at its industrial facilities for those priority environmental vectors: reduction of odour and noise impact, improvement of air quality, improvement of effluent quality and reduction of the carbon footprint and water consumption. In the forestry area, to mitigate the risks of possible negative impacts of its activity, Ence applies and promotes sustainable forest management systems such as PEFC and FSC® in its supply chain.

Further information on the main risks identified during the financial years can be found in the corporate governance reports published annually by Ence.



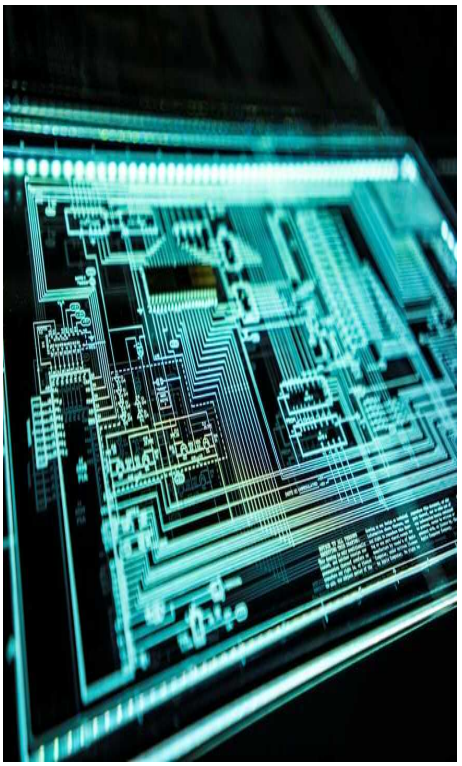
Transforming ENCE

Focusing on innovation

For Ence, innovation and digitalisation are fundamental elements to guarantee its present and future competitiveness and are the levers that will allow the company to take advantage of new opportunities throughout its value chain: from forestry operations to the development of bioproducts and bioenergy. Ence is therefore firmly committed to research, development and innovation in all areas of its activity in order to improve processes and diversify products.

In this respect, Ence's efforts are focused on three areas:

- ✓ **R&D** in business lines (forestry, pulp and biomass)
- ✓ Process **digitalisation and innovation**
- ✓ **Cybersecurity**



R&D

Forestry

Ence's forestry R&D&I activities follow the lines established in the company's **Forestry Improvement Plan**, which is structured around three programmes: the genetic improvement programme (development of improved plant material), the silvicultural improvement programme (development of forest management practices aimed at improving forest productivity) and the biological pest and disease control programme (aimed at ensuring the optimum phytosanitary condition of the forests). With these programmes, Ence also responds to the **risks derived from climate change** as it seeks to improve the resilience of plant material to the new environmental conditions and to a higher incidence of pests and diseases caused by new rainfall and temperature patterns.

Within the framework of the **genetic improvement programme**, one of the main lines of work consists of obtaining plants resistant to pests and diseases. In this area, during the year 2021, the evaluation, selection and in-vivo mobilisation of a new *E. globulus* plus tree for its resistance to the fungus *Teratosphaeria nubilosa* has been achieved, as well as the mobilisation of a progeny from a field selection for this same trait. This line of work is complemented by the assessment of the rooting of several improved seed collections selected for resistance to this disease.

For the evaluation of genetic resistance to this fungus, Ence collaborates with CLONAR Resistência a Doenças Florestais®, a spin-off of the Federal University of Visoça located at the Technological Centre for Regional Development (CENTEV-UFV) in the state of Minas Gerais, Brazil.

Disease resistance test of Ence clones at CLONAR® facilities

As part of this collaboration, CLONAR® will evaluate a selection of *E. globulus* seeds from the original CSIRO (Commonwealth Scientific and Industrial Research

Organisation) collection, with the aim of identifying individuals with the best genetic response to the disease.

Finally, to broaden the genetic base of the breeding programme, Ence has acquired a total of 390 seed families including hybrids of the species *Eucalyptus urophylla*, hybrids of the genus *Corymbia*, hybrids of the genus *Eucalyptus* and the species *E. dorrigoensis* and *E. viminalis*. This collection has been germinated for integration into the breeding programme both as a test plant and as a plant for new crosses.

Germination of the family collection acquired in 2021

The **experimental developments** on genetic and silvicultural improvement of both programmes during 2021 have led to the installation of 17 new field trials, thus bringing the experimental network to a total of 171 hectares.

Re-fertilisation trial of E. globulus *at Cerdido*

In addition to these developments, **research activity in nurseries** has promoted the installation, monitoring and evaluation of more than 17 experimental trials. The focus of this deployment has been on improving the efficiency of production processes, propagation procedures, the use of growth controllers, naturally occurring fertilisers, biofertilisers and beneficial organisms for the production of quality plants. In the framework of these trials, the following progress has been achieved:

- ✓ Use of growth controllers to improve nursery plant production management.
- ✓ Improvement of *in-vivo* cutting procedures for the propagation of *E. globulus* clones.
- ✓ Development of fertilisation procedures in implantation and re-fertilisation of *E. globulus* and *E. nitens*.
- ✓ Evaluation and pre-selection of 2 new *E. globulus* clones.
- ✓ Evaluation and pre-selection of a hybrid clone of *E. nitens* x *globulus*.
- ✓ Evaluation and characterisation of the pulpability properties of *E. saligna* x *maidenii* hybrid wood

Experimental plot for implantation fertilisation on Lamas woodland. Progress at 4 months of age

As part of the **phytosanitary improvement programme**, the R&D&I Forestry area has undertaken the biological control campaign against the gonipteran pest (*Gonipterus platensis*), which has involved the biological treatment of a total of 2,915 hectares.

Other actions

In addition to the initiatives included in its improvement programmes, in 2021 Ence participated in the on-line seminar "*Technologies for CO_2 capture, transport, storage and uses*" organised by the University of Almería and the Spanish CO_2 Technology Platform and in the 22nd edition of the University of Almería Summer Courses, specifically in the course: *Contribution of CO_2 capture, storage and use technologies to the bioeconomy*.

Biomass

Ence's R&D efforts in the biomass area focus on identifying and quantifying untapped biomass resources and organising their technical and logistical recovery. With this line of work, Ence not only helps to ensure that the energy potential of these resources is not wasted, but also prevents serious environmental impacts from their irregular disposal, such as the diffuse emissions and air quality problems caused when this biomass is burnt in the field. In 2021, efforts have been focused on the following projects:

Sarmiento Project: Ence has been developing pioneering methods and logistics networks for the use of vine prunings in the centre of the Iberian Peninsula for the last three years. Thus, in 2021, more than 53,000 t of pruning and vine uprooting in Castilla-La Mancha have been reclaimed. By reclaiming this biomass at its Puertollano plant, Ence avoids uncontrolled burning in the field, with the consequent emission of particulate matter and other pollutants. In addition, the deployment of the project has managed to involve 45 companies in the rural areas where this biomass is produced, creating 150 direct jobs throughout the year.

Marisma Project: focused on solving the uncontrolled burning of crop residues (rice straw) over an area of 40,000 hectares approx. in the Guadalquivir marshes, the project seeks to organise the collection and recovery of this biomass in the Ence energy complex in Huelva. In this project, Ence is collaborating with IFAPA, the Andalusian Rice Growers' Federation and other interested entities to harness this energy source and improve the environmental quality of at least 9 municipalities between Sevilla and Huelva, as well as the Doñana area.

Other projects

In the Sevilla countryside, Ence has also begun work in 2021 on an R&D project focused on the recovery and use of cotton plants, which will be developed throughout 2022. In Castilla-La Mancha, Ence has launched a collaboration project in 2021 with GEACAM (Castilla-La Mancha Public Environmental Management Company) to research methodologies and machinery suitable for the use of the remains of conservation forestry actions and the prevention of forest fires.

Finally, Ence has also launched a project for the development and implementation of technology for the cleaning of fine material (inert material that accompanies the biomass) in the shredding process in the field. This project aims to reduce dust emissions in wind farms and biomass plants.

Pulp

In the pulp business, the R&D work focuses mainly on the design of special pulp products with improved properties and on the development of advanced biomaterials, mainly from lignin.

Special products

In the field of pulp products, Ence has continued to develop new product categories within the framework of **Ence Advanced**. These include new products with the capacity to replace long fibres and products that replace plastic materials in different applications, offering sustainable alternatives to various industries. New developments are detailed in the chapter "Delivering Sustainable Solutions".

made to fit ence ADVANCED

Biomaterials research

Aware of the potential of wood-derived resources to produce sustainable materials with high added value, Ence has been working for several years on research projects focused on the use of lignin, one of the polymers naturally present in wood with the most promising applications. Lignin can thus be used as a basis for the production of the following materials, among others:

- ✓ Phenolic resins free of petrochemicals and free of toxic components such as formaldehyde.
- ✓ Polyurethanes for various applications (foams, insulation, coatings, adhesives).
- ✓ Carbon fibres for aerospace, wind turbines, automotive or medical applications.
- ✓ Activated carbon for the treatment of water, food and beverages, pharmaceutical and medical applications.
- ✓ Advanced low-emission biofuels

Ence's projects in 2021 in this area include the following:

LIGNOPRIZED Project: 2016-2020. Lignin extraction, separation and transformation methods have been studied, providing materials for the production of bio-oil, polyamides, plasticisers, textile additives and polyolefin processing additives.

DICKENS Project: 2020-2024. Comprehensive research and optimisation of composite materials from natural sources. ENCE will develop polyurethane (PU) foams, non-isocyanate PU (NIPUs) and thermoplastic polyurethanes (TPUs) for additive manufacturing. The project will also investigate the application of lignins in the production of epoxy bio-resins, epoxy/polyurethane coatings, encapsulated bio-additives (microlignin and nanocellulose), polyester bio-filler, PU bio-composites.

Figure 4 Diagram of the DICKENS project

OXILIN Project: 2021-2022. Aimed at reducing the odour in the black liquor and the lignin obtained, in order to enable its use in various industrial applications requiring odourless products.

NOVACELL Project: Work on the project continued in 2021 and will be completed in the first quarter of 2022. This project intends to achieve the development of micro and nanocellulosic materials from cellulose pulp and its suitability for applications of interest in the chemical sectors, the production of plastic-composites, paper, packaging, cosmetics and water treatment. This project is supported by the CDTI through a CIEN grant.

Ence has continued with the engineering projects necessary to start up cellulose production facilities for **textile applications**, which can replace synthetic fibres derived from petroleum, as well as for the production of **absorbent products**.

The **measurement of wood** is another field of interest for Ence. In this sense, it is collaborating with the company Dunakontroll on the development of a measurement arc by 3D laser cubing coupled to a microwave absorption system. This system would allow the quantification of wood inputs in anhydrous weight, which is a more relevant indicator than the measurement of net green weight or volume measurement, as it has a more direct relationship with the process yield.

Work is also being carried out on the possibility of using **fibres of different origins** in the process and on **improving cooking performance**.

Digital transformation

For yet another year, Ence has continued to promote a digitalisation process focused on continuous improvement and maximising the creation of value in all of the company's industrial and management processes.

With this vision, the management approach that Ence applies to advance the company's digital transformation is based on the following principles:

- ✓ Business orientation, understanding digitalisation as a means to boost the company's competitiveness.
- ✓ Digital management system structured in governance bodies, plans and projects, and multidisciplinary work teams, with clear planning and objectives. This management system and the digitalisation strategy is led by the **Transformation Committee**, presided by the Chairman and CEO and responsible for setting priorities, approving initiatives and overseeing their implementation.
- ✓ Partnerships with collaborators and technology partners to complement internal capabilities and know-how.
- ✓ Agile methodologies applied in the implementation of projects.
- ✓ Enhance the digital culture to involve the entire organisation in the digital transformation.

Digitisation of management processes

Ence is working on the digitalisation of all its management processes through a model that combines the contributions of technological partners with the ideas and proposals for improvement that arise from the areas themselves. In this area, in 2021, more than a hundred consolidated improvements were implemented in five major areas of transformation:

- ✓ **Digitalisation of purchasing processes** through the SAP Ariba platform, which facilitates interaction with suppliers through a B2B portal. This also facilitates the traceability of the process and makes it possible to incorporate compliance and sustainability criteria for the digital approval of suppliers.

- ✓ **Digitalisation of administration processes** through our own developments in SAP or the use of new technologies such as Robotic Process Automation (RPA), which allow for more efficient management and greater control.

- ✓ **Digitalisation of purchasing and logistics processes** in the forestry and biomass area through developments in SAP and the Control Tower platform, which has made it possible to automate, simplify, unify and control processes that were carried out manually or on paper.

- ✓ **Digitalisation of planning and control processes** through developments in SAP, BW/BPC, BI/SAC that have enabled the simplification and automation of recurring processes, ensuring greater quality of information and providing the area with greater analytical potential.

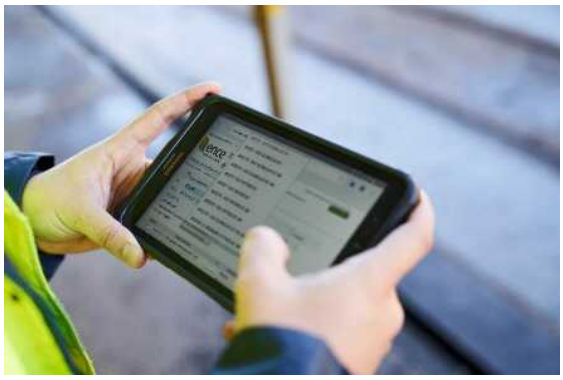
- ✓ **Digitalisation of Health and Safety tools** to optimise the management of PHW and Particularly Environmental Hazardous Work (PEHW) accidents/incidents and work permits. Improvements also continue to be made in the implementation of intelligent distance meters for chainsaw operators to monitor safety distances in forestry operations.

Digitisation of industrial processes

Ence is aware that the digital transformation must also extend to industrial processes, in order to protect the Group's industrial assets, improve their performance and efficiency and anticipate and avoid abnormal situations, thereby increasing industrial reliability.

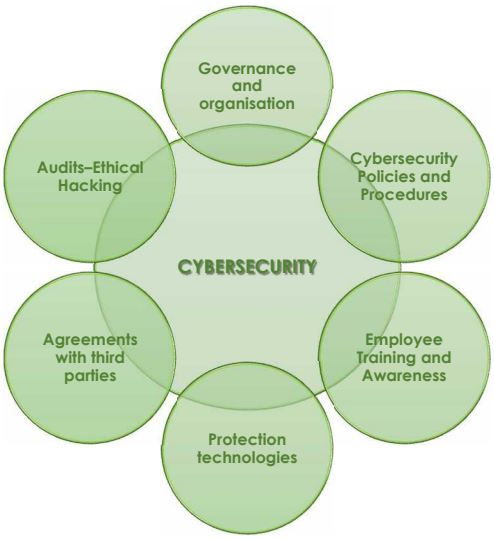
In the industrial context, the following have been the main lines of action in 2021:

- ✓ **Operation and maintenance**: work has continued on the sensorisation of critical equipment and the analysis of maintenance data with a focus on the early detection of faults and the optimisation of maintenance schedules.
- ✓ **Evolution of PI ProcessBook to PI VISION**, facilitating user access to operation and maintenance information and developing new value-added applications such as the generation of automatic maintenance warnings in SAP, the monitoring of critical instrumentation, the management of environmental warnings and the construction of centralised dashboards that facilitate decision-making.
- ✓ Evolution of the **anti-accidents project**, a pioneering system to improve safety in Ence plant environments where machinery is moved.



Cybersecurity

For yet another year, Ence has continued to focus on cybersecurity through a management approach in 6 areas:



Governance and Organisation

Ence has a Cybersecurity Committee, which is the body responsible for defining and supervising the company's cybersecurity strategy and promoting training and awareness among the entire workforce.

Ence continues to implement its Cybersecurity Plan (2020-2023) and in 2021 it developed the Operational Technology (OT) Cybersecurity Plan for the coming years. Both plans have been defined jointly with IBM and tested against the NIST (National Institute of Standards and Technology) Cybersecurity Framework.

Cybersecurity Policies and Procedures

Ence has an **Information Systems Security Policy**, which establishes the principles governing information security management in the company, and a **Privacy Policy**, the aim of which is to ensure the protection of confidentiality, integrity and availability of information, so as to guarantee business continuity and minimise cybersecurity risks. During 2021, a number of IT and OT compliance protocols have also been developed.

Training and Awareness

The company, aware of the cyber security threats faced by all employees, strives to train and raise awareness among the entire workforce. Thus, in 2021, training, protocols and cyber-attack simulations were continued to improve secure practices. As a result, there were no security incidents that compromised the company or its employees in 2021.

Protection Technologies

In addition to awareness-raising activities, Ence has also continued to implement technologies to reinforce protection, such as new e-mail protection platforms,

improved device and server protection systems, a unified cybersecurity alarm monitoring system (SIEM), migration to secure clouds and cybersecure connection systems from outside the company's OT environments.

Agreements with third parties

Ence has strengthened its collaboration agreement with the National Cybersecurity Institute (INCIBE), under which the company receives 24/7 incident support, monitors IT assets, receives early warnings about threats, exchanges information and uses the training and awareness-raising material that INCIBE makes available to us.

Ence also continues to work and develop cybersecurity services with its most important technology partners in this area (Telefónica and IBM).

Audits – Ethical Hacking

Ence regularly carries out cybersecurity audits and ethical hacking initiatives to identify IT security vulnerabilities and establish work plans to correct them. During 2021, security audits have focused on the following areas:

- Vulnerability analysis of IT assets exposed on the Internet.
- Vulnerability analysis of the internal IT infrastructure.
- Analysis of Active Directory vulnerabilities.
- Audit of the OT infrastructure at all Ence factories. As a result of this audit, a multi-year roadmap for OT cybersecurity has been drawn up.
- OT

GENERATING A POSITIVE IMPACT

Focusing on people

Strategy and areas of action

Ence's commitment to the people who work at the company takes the form of a firm commitment to the generation and maintenance of stable, quality employment, the development and promotion of talent and the promotion of equality and diversity in the human team. Ence thus seeks to create an attractive and motivating organisational environment for all the people who form part of the company.

Ence also seeks to strengthen the commitment of the entire team to sustainability and its alignment with the company's values, improving the climate and their sense of belonging and pride.

Objective	Lines of action	Objective 2021	Performance in 2021
100% compliance with equality plans	Equality training and outreach	Quarterly programmes and communications	✓
	equality and diversity objectives in 2021	10 objectives	✓
100% of the target workforce trained in sustainability	Promote the attraction of female talent	3 career guidance days	✓
	Sustainability training and awareness-raising	3 actions and training programme	✓
Achieve the average organisational climate score of the industrial sector	Improvement of the organisational climate	71 points in Trust Index[1)]	✗
Fulfilment of the development and talent recruitment objectives of the Strategic People Plan	Dissemination and environmental education activities in educational centres	3 activities	✓

1) The internal target proposed by ENCE has not been reached, but the GPTW certification has been maintained after obtaining the necessary score in the Trust Index.

Strategic People Plan

GRI 102-8

Ence, aware of the importance of people in achieving its challenges and objectives, has defined **its ambition** for the human team, based on the fact that all employees:

- ✓ are committed to Ence's values,
- ✓ have high levels of professional competence,
- ✓ are self-sufficient and "feel ownership of their work",
- ✓ cooperate cross-sectorally.

In addition, the company has defined a **leadership model** based on four core competencies:

- ✓ Inspiring the achievement of objectives.
- ✓ Sharing by promoting a cross-sectoral approach and a shared vision.
- ✓ Conveying Ence's values and generating confidence.
- ✓ Caring by acting as a mentor to their staff.

With this vision, Ence's priority **objectives** in people management are to attract and retain the talent necessary to make its strategic plan a reality, manage performance to guide efforts towards objectives, ensure attractive and equitable remuneration, invest in development and training and promote transparent and fluid communication. In addition, the company seeks to promote equality and work-life balance.

To achieve these objectives, Ence has established a **Strategic People Plan** for the period 2019-2023, which is structured around 9 areas of action, for which annual objectives are defined.

Leadership of managers and middle management

In order to consolidate leadership of managers and support leadership development of middle managers, the 360° and 180° evaluation has been launched and the coach leader training for the chain of command has been performed.

Empowerment and autonomy

In order to increase empowerment and a sense of ownership and management autonomy, RACI responsibility matrices have been drawn up in the pulp area and a quarterly self-assessment/assessment routine has been established for decision-making with monitoring of the evolution of results and the associated action plan, and empowerment workshops have been held in the Energy area.

Cross-sectoral approach and shared vision

In order to promote a cross-sectoral approach and the collaboration, participation and a shared vision, the implementation of partnerships between different areas and the dynamics of monitoring, efficiency and results of the partnerships have been consolidated

Internal communication

In order to boost internal communication, a new boost plan for the Ence App and Beekeeper was performed and the Management Committee's Annual Internal Communication Plan was monitored.

Talent attraction and development

In the area of talent development and recruitment, we have continued to develop the Talent Programme, which is committed to promoting professional development and access to employment for young people in the areas in which we operate. We have also continued with the actions to make ourselves known in universities and educational centres in the area and the plan to position Ence as an employer, and we have continued with the triennial programmes for the development of high potential and key people, encouraging the participation of women, with a commitment to Mentoring Programmes led by internal mentors. In order to closely monitor the management of people and promote their development, the People Committees have been set up in the different departments.

Industrial relations management

In order to move forward in the proactive management of labour relations, the protocol for the management of labour relations has been consolidated to integrate labour relations into the management of all the company's executives, developing habits and policies to maintain a transparent and high-quality dialogue.

Commitment to values

To strengthen the commitment to Ence values, the "one month, one value" values campaign was launched, in which Ence employees took part in environmental education and training days at schools near the plants and biofactories, communication and dissemination campaigns on the values and principles of equality were organised for Ence contractors, and employees were encouraged to take part in volunteering activities linked to the environment in which we operate.

Equality and work-life balance

To promote equality, we have continued with training and awareness-raising in equality and joint responsibility, and we have participated in professional orientation days in educational centres in the area of the equality plan and Ence equality objectives. In addition, the equality objectives approved for the period 2021-2023 are regularly monitored, focusing on five areas: selection and recruitment processes, professional development, pay equity, work-life balance and visibility, and in December the Board of Directors approved the equality objectives for management positions.

Skill improvement

In order to increase the skills of our human resources, we have continued to develop training actions in the 7 areas, aligned with Ence's strategic priorities:

- ✓ Environmental awareness
- ✓ Regulatory compliance
- ✓ Leadership development
- ✓ Health and safety
- ✓ Sustainability
- ✓ Operation and maintenance technique
- ✓ Digital transformation

Generating quality employment

GRI 401-1

With this vision, Ence continues to make progress in the generation of stable, quality employment, as reflected in the profile of its workforce. In this way, by the end of 2021, among Ence's employees, 90% have a permanent contract and 98% work full time. It should also be noted that, throughout the years of the pandemic and despite the complicated situation that the company has gone through, Ence has opted to maintain employment and has not resorted to employment regulation measures, either temporary or permanent.

During 2021, the average headcount was 1,162 people, ending the year with 1,133 people on the payroll, 1,131 in Spain and 2 in Portugal. 60% of the workforce is covered by a collective bargaining agreement. Annex II of this report provides further details on the composition of Ence's workforce, such as the breakdown by age, professional group, type of contract and working day.

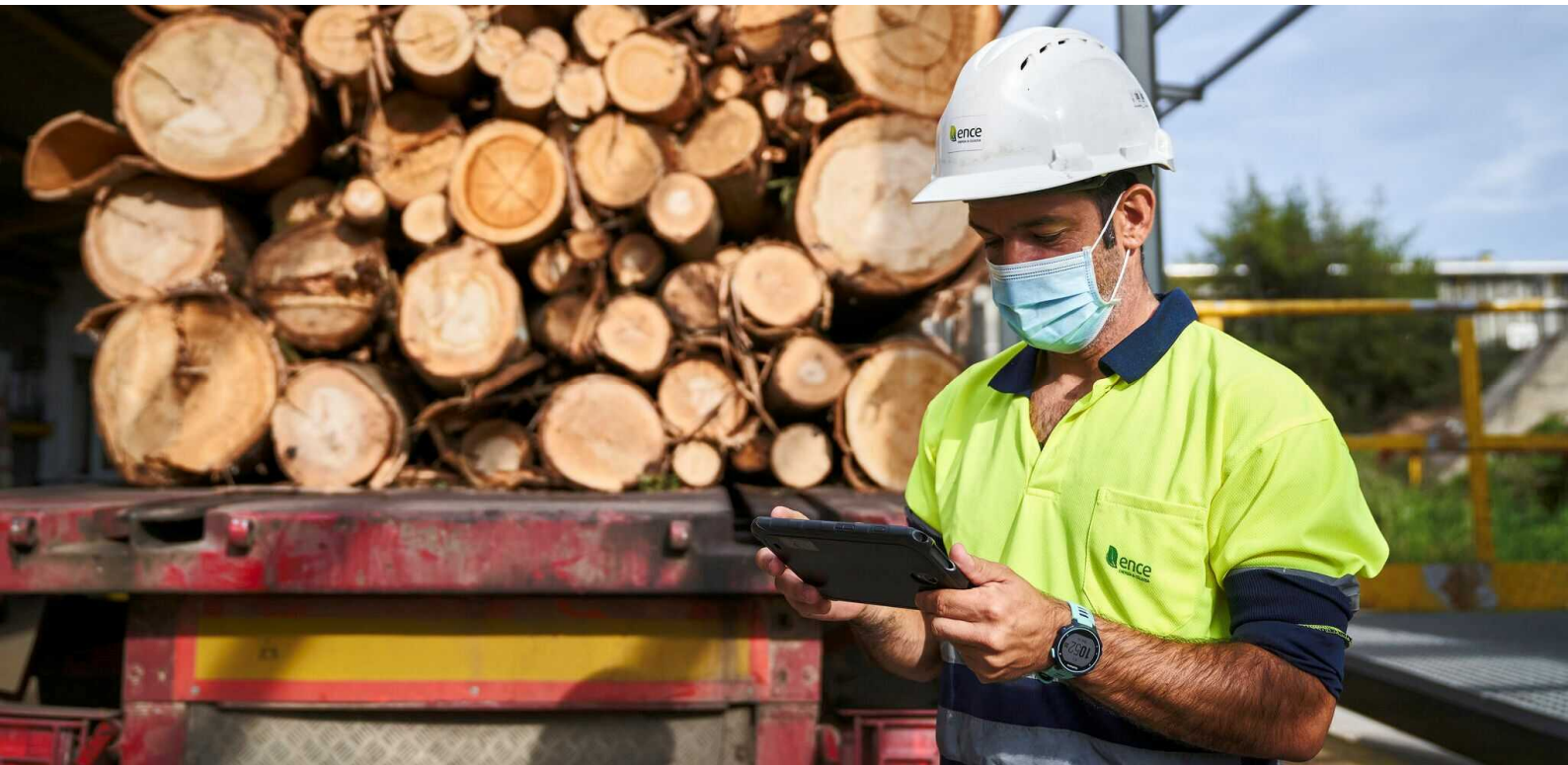
Ence's commitment to generating stable quality employment translates into low staff turnover:

Turnover rate	2019		2020		2021		
	M	F	M	F	M	F	Total
Up to 30 years old	0.4	0.3	0.3	0.3	1.0	0.8	1.0
From 31 to 50 years old	0.9	1.7	0.6	0.5	0.3	0.5	0.4
Over 50 years old	0.2	0.3	0.3	0.1	0.1	0.2	0.1
Overall total	1.5	1.3	1.2	0.9	0.4	0.5	0.4

Absenteeism in 2021 was 5.80% (116,848 hours), including sickness, occupational injury, maternity/paternity, paid and union leave.

Talent management

The first objective of human capital management at Ence is to ensure that the company is able to attract, develop and promote the loyalty of the talent necessary to achieve its goals. With this in mind, Ence has designed a value offer for individual contract staff in terms of remuneration, development and active work-life balance and equality policies aimed at accompanying people in their professional and personal project linked to the company from the moment they join.



Talent attraction

To drive growth and diversification, which are Ence's strategic objectives, the company must be able to attract and retain the best talent. Thus, Ence identifies profile needs in both the short and medium term, in line with its strategy and, in line with its commitment to the development of the communities where it operates, prioritising the attraction of local talent.

In this regard, it is worth highlighting the ongoing commitment that Ence has been making since 2015 to promote the professional development and access to employment of young people in the areas where it operates through the **Talent Programme**. With this programme, Ence offers scholarships for recent graduates from towns near its facilities, so that they can start their professional careers in various areas of the company. In 2021, with the necessary adaptations as established by Ence's COVID-19 protocols, these programmes were launched for the Huelva and Mérida operations centres and for the forestry area, in the areas of Pontevedra, A Coruña, Lugo and Asturias. Ence assigns a tutor to each participant in the programme, who is responsible for facilitating their integration into the teams and supervising their learning, and their performance is evaluated periodically.

In 2021, a total of 66 interns participated in this programme, and 11 joined Ence's workforce at the end of the internship period.

This programme not only contributes to fostering the employability of young people in the communities where Ence is present, but also strengthens the company's ties with the universities and other academic institutions from which the grants holders come, favouring the construction of a solid brand as a quality employer.

In its commitment to attracting talent, Ence also incorporates **equality and diversity criteria**, with the aim of balancing its workforce and offering opportunities to female talent. Thus, Ence has set itself the following objectives:

- ✓ Have at least one woman in all shortlists in the selection process.
- ✓ At least 25% women as new permanent employees in biofactories and independent power plants.
- ✓ At least 50% women in the new hiring of managers and individual contract personnel.

(For more details on Ence's equality objectives, see the Diversity and Equal Opportunities section)

Once they have joined the workforce, Ence has a virtual **Welcome Plan** through the AUNA platform, which includes different training modules, to accompany newly arrived employees in their first days at work. To ensure that new employees are aware of and adopt the company's internal rules of conduct and values from their first day, Ence also makes its code of conduct and other corporate policies available for new hires to read and sign.

Professional development

To manage the development of its human resources, Ence uses two fundamental tools: the **Career Plan** (medium-term oriented) and the **Individual Development Plan or IDP** (annual), which is established and monitored annually by means of development interviews between each employee and his or her supervisor.

In the annual interviews in which career and individual development plans are reviewed, the **annual performance evaluation** that supervisors make of their employees is also shared, the achievement of individual objectives is reviewed, the alignment with corporate values is analysed and the necessary reinforcements or training actions are proposed. In addition to the evaluation by supervisors, the performance management model is supplemented by feedback from peers and employees (360° feedback).

In 2021, a total of 514 people participated in these performance evaluations, representing 45% of the total workforce and 100% of the management and individual contract staff. For contract staff, development interviews are conducted to identify their career plan and IDP. In 2021, 212 development interviews were conducted.

GRI 404-3

Performance evaluations conducted			
Professional group	M	F	Total
Clerical workers	4	6	10
Support and improvement		3	3
General management	49	14	63
Managers	63	21	84
Operators	3	1	4
Team Leaders	61	1	62
Technicians	174	114	288
Overall total	354	160	514

Targets set			
Professional group	M	F	Total
Clerical workers	5	7	12
Support and improvement	2	2	4
General management	49	14	63
Managers	63	21	84
Operators	3	-	3
Team Leaders	30	-	30
Technicians	182	115	297
Overall total	334	159	493

Target compensation			
Professional group	M	F	Total
Clerical workers	3	6	9
Support and improvement	3	2	5
General management	49	16	65
Managers	64	22	86
Operators	3	2	5
Team Leaders	30		30
Technicians	184	109	293
Overall total	336	157	493

In addition to using these tools, Ence supports the development of its team through corporate leadership, coaching and mentoring and management development programmes. **Equality criteria** have also been included in these programmes in order to enhance the representation of women, establishing as a target for 2021 that the percentage of women participating in these programmes should always be equal to or higher than the percentage of women in the workforce, thus avoiding under-representation. Ence also wants to avoid bias in promotion processes, and has therefore set a target for 2021 that the percentage of women promoted should be equal to or higher than the percentage of women in the area.

In addition, Ence actively manages the organisation's talent needs, annually reviewing the positions considered critical, identifying key personnel and defining succession plans for them.

Focusing on internal promotion

The commitment to talent and internal promotion is one of the pillars of Ence's human resources development strategy. By generating growth opportunities for the professionals that are part of the workforce, Ence not only honours its values, but also promotes motivation, pride in belonging and a sense of commitment to the company. In line with this commitment, 56 internal promotions took place in 2021.

For Ence, it is important not only to encourage these internal promotions, but also to highlight them by communicating them to the entire organisation through channels such as internal social networks.

Remuneration and welfare plans

Ence's talent management and retention strategy also includes the definition of **attractive and competitive remuneration policies** for employees outside the collective bargaining agreement, which take into account the responsibilities of each position and the value contribution of each person, within the framework of a structure of salary levels and bands that is transparent and communicated to the workforce. Collective bargaining pay ensures a guaranteed minimum for individual contract staff as a whole and on an annual basis.

A salary review is carried out annually on the basis of a merit matrix, the employee's status in the relevant salary band and performance in the job. In this respect, Ence also applies equality and non-discrimination criteria, setting itself the objective of ensuring internal equality and a zero pay gap for equivalent positions.

Variable remuneration is linked to the achievement of personal, organisational and business objectives, including ESG aspects.

For employees subject to collective bargaining agreements, the agreed remuneration and pay structures are set out in the respective agreements.

In 2021, the average effective remuneration of Ence Energía y Celulosa, excluding the Management Committee, was €54,789 per year, including fixed and variable remuneration. The Management Committee remuneration can be consulted in Ence's Corporate Governance Report.

GRI 405-2

Average remuneration 2021	Ence Energía y Celulosa		
Age:	M	F	Total
Up to 30 years old	41,560	39,593	40,860
From 31 to 50 years old	53,395	54,856	53,727
Over 50 years old	75,581	68,108	74,359
Total average remuneration	55,404	52,808	54,789

Average remuneration 2021	Norfor		
Age:	M	F	Total
Up to 30 years old	0	0	0
From 31 to 50 years old	20,440	21,919	21,672
Over 50 years old	21,260	23,065	22,901
Total average remuneration	20,713	22,492	22,260

Note: The Ence Energía y Celulosa group and the Norte Forestal area are presented separately, as they are covered by different agreements and their conditions are not considered comparable for this reason. Employees based in Portugal are included in the Ence Energía y Celulosa section.

Taking into account the starting salary of the lowest category applied in Ence and the inter-professional minimum wage (IMW) in Spain, the proportionality is as follows.

GRI 202-1

Proportionality between the IMW and the lower-level salary at Ence Energía y Celulosa Group			
Gender	2019	2020	2021
Men	1.05	1.41	1.39
Women	1.09	1.58	1.38

Pay gap

One of Ence's equality objectives is to eliminate the gender pay gap. Thus, the company monitors the gap between comparable positions to ensure that there is no bias linked to the employee's gender.

For the measurement of the pay gap, Ence uses the methodology based on hourly pay rate, as it is described by the "*Methodological guide for the assessment of the gender pay gap in the company*", published by the Club de Excelencia en Sostenibilidad. In 2021, the average pay gap was at 4.7% in Ence Energía y Celulosa.

Pay gap 2021				
	ENCE Group		Norte Forestal	
Types	Mean	Median	Mean	Mean
Gender pay gap	4.7%	14.2%	-8.6%	2.4%
Gender pay gap in terms of bonus*	14.1%	23.0%	10.7%	6.6%

This gap is the result of the fact that Ence is recruiting more women than men in junior positions, and these recruitments are taking place in different professional groups. The gap has increased slightly (less than one percentage point) compared to last year as a result of the new recruits in 2021, but has narrowed among people who have already been with the company for two years.

For the **Management Committee**, the average gender pay gap is 3.2%

Pay gap for the Management Committee in 2021		
Types	Mean	Median
Gender pay gap	3.2%	14.2%
Gender pay gap in terms of bonus*	-16.4%	-33.6%

Regarding members of the **Board of Directors,** their salary is regulated by the criteria established in Ence's Policy on the Remuneration of Directors, which apply equally to all members of the Board, regardless of their gender or any other personal circumstance. Therefore, the only differences in remuneration received in a specific financial year are solely determined by the objective aspects set out in the Policy, such as the member's participation in the different Board Committees or their status as Chairman of any of them.

Total Average for Financial Year 2021	
Gender	€MM
Men	95.1
Women	111.8

Note: For the calculation of the mean remuneration, fixed remuneration, allowances and indemnities and the payment of long-term savings schemes have been taken into account, but variable remuneration has not been taken into account, as it is only received by the Chairman for his executive duties and not for his status as a director.

The individual remuneration of each Board member can be consulted in Ence's Annual Remuneration Report.

Welfare plans

GRI 401-2

In addition to an attractive remuneration policy, Ence includes in its value proposition for its employees a social benefits scheme that helps to retain talent and generate pride of belonging and commitment to the company. These benefits include:

- ✓ Pension Plan, so that employees have a source of income in addition to retirement.
- ✓ Flexible Remuneration Plan, to contract products or services with tax advantages such as medical insurance, child care, transport card, training, etc.
- ✓ Health insurance (payment of 50% of the insurance premium), to protect the health of employees and their families.
- ✓ Life and accident insurance (payment of 50% of the insurance premium), to protect the employee and his/her family in all circumstances.
- ✓ 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.
- ✓ Restaurant/factory dining room card (subsidised by the company through a restaurant card).

Training and development

GRI 404-1, GRI 404-2

Developing talent and improving the skills of all the people who work at Ence is another of the strategic priorities in human capital management. To make progress in this area, Ence designs annual training plans, in which needs are analysed and the necessary training activities are proposed. Total training hours delivered in 2021 reached 20,269 in the Group, i.e. 18 hours of training per employee.

Average hours of training

Professional group	M	F	Total
Managers	22.52	29.60	24.21
Technicians	14.85	17.30	15.78
Team Leaders	21.08	16.08	20.81
Support and improvement	15.05	18.65	15.10
Clerical workers	7.23	6.40	6.61
Maintenance	12.31	37.70	12.65
Operators	20.32	26.13	20.84
General management	17.38	28.72	19.64
Total	17.46	17.66	17.48

Training activities focus on 7 areas, aligned with Ence's strategic priorities:

- ✓ Environmental awareness
- ✓ Regulatory compliance
- ✓ Leadership development
- ✓ Health and safety
- ✓ Sustainability
- ✓ Operation and maintenance technique
- ✓ Digital transformation

Training categories 2021

Training	Participants	Hours
Environmental awareness	211	473.5
Regulatory compliance	3,731	2,459.7
Leadership development	616	1,889.7
Occupational health and safety	3,318	5,427.4
Sustainability	725	979,2
Operation and maintenance technique	8,792	7,228.3
Digital transformation	1,956	1,811.3
Total	19,349	20,269.1

As in the previous year, in 2021 Ence's training plan has been adapted to the Covid protocols, giving priority to e-learning and including specific training actions related to health measures.

Merging equality and sustainability in culture

Training activities include those aimed at promoting a culture of diversity and integrating sustainability at all levels of the company.

Some of the most important training activities in these areas have been training on requirements and certification schemes for biomass sustainability and awareness-raising activities on equality and co-responsibility. Thus, throughout 2021, more than 700 people have participated in sustainability training programmes.

Diversity and equal opportunities.

GRI 405-1

For Ence, guaranteeing equal opportunities and rejecting any type of discrimination is not only a commitment and a value included in its DNA, but the company understands diversity as a lever for generating value, since it fosters innovation and provides different points of view that help in decision-making. This commitment and Ence's principles of action in terms of diversity are defined in the Diversity and Equal Opportunities Policy, approved by the Board of Directors. It also includes the firmest rejection of any form of discrimination

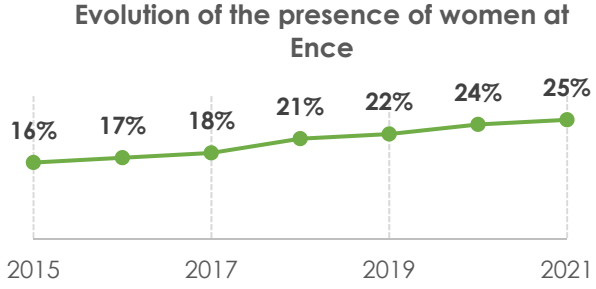
Equality plan and objectives

The commitments established in Ence's Policy are embodied in the Plan and the specific equality objectives that Ence periodically defines. The Plan promotes the effective application of the principle of equality between men and women, guaranteeing equal opportunities for recruitment and professional development at all levels of the organisation, as well as non-discrimination in terms of pay or any other type of discrimination. The equality objectives approved for the period 2021-2023 focus on five areas: selection and recruitment processes, career development, pay equality, work-life balance and visibility. A total of 10 quantitative and qualitative objectives have been defined:

The Management Committee and the Board of Directors monitor these objectives on a monthly basis and the Technical Equality Commission meets at least quarterly to assess compliance with the objectives and propose measures to facilitate and accelerate their implementation. By the end of 2021, all goals have been met.

Ence's commitment to equality has translated into a significant increase in the presence of women in its workforce in recent years, reaching a representation of 25% by the end of 2021, almost four times more than the percentage of women employed in the industrial sector in Spain.

Thus, in 2021, women accounted for 80% of new recruits under 30 years of age with a university degree.



Ence's efforts in recent years to promote equality have earned it recognition as one of the top 100 listed companies worldwide in the field of equality, sixth in Spain and first in the manufacturing sector according to Equileap's Gender Equality Global Report & Ranking 2021. The study particularly highlights equal pay at Ence.

Promotion and awareness-raising

Another fundamental pillar of Ence's equality plan involves raising awareness among the entire workforce, which is why Ence not only informs the entire team of the objectives and their level of compliance on a regular basis, but also promotes the active participation of all employees in identifying areas for improvement. In this regard, Ence also promotes training and awareness-raising activities on equality and co-responsibility, including the series of **Women Leaders** round tables organised in 2021.

But for Ence it is not only important to promote equality awareness within the company, but also to promote it **in the sectors where it operates**. Thus, in 2021 Ence participated in various forums to promote the incorporation of women in the industrial sector, such as the Employment Forum at the University of Oviedo, the Employment Forum in Vigo and the "Elas Xeran Sector" meeting, promoted by the Xunta de Galicia with the aim of bringing the forestry industry closer to society and raising awareness of the role of women throughout the value chain. Ence has also organised conferences to raise awareness of the role of women in the industry in schools in Navia, Huelva and Pontevedra and has collaborated with the Marín town council in the inclusive employment programme.

Likewise, through its Social Plan, Ence collaborates with different entities that support female employment, such as the Federation of Rural Women's Associations of Galicia (Fademur Galicia) through the project "Emprende en feminino, en Cercanía e no rural". The aim of this project is to promote the acquisition of skills for the search for employment and/or entrepreneurship of women in vulnerable situations in rural areas.

Work/life balance

For Ence, work/life balance is not only a right for its employees, but also a lever for retaining talent and generating pride of belonging among its employees. One of the principles of action established by Ence's Diversity Policy is to ensure that working conditions allow for this balance, and to achieve this, the company applies measures such as flexible working hours, digital disconnection, meeting schedule streamlining and teleworking. In addition, Ence's Equality Plan establishes measures to facilitate work-life balance that go beyond the provisions of current legislation, such as breastfeeding leave with the possibility of accumulation in full days, maternity leave coverage, part-time maternity leave or encouraging virtual meetings to avoid commuting to work.

As part of the value proposition that Ence has defined for staff not included in the collective bargaining agreement, the **working time policy** has been updated with the aim of increasing time flexibility and the employee's ability to organise their own working time, establishing mandatory presence throughout the year from 9.00 a.m. to 1:30 p.m. In 2021, these commitments have been maintained when implementing the Covid-19 prevention protocols, especially in telework and de-escalation protocols.

GRI 401-3

In this context, 70 employees took parental leave in 2021, of which 60 were men.

Parental leave		
Category	M	F
Employees who have enjoyed it	60	10
Employees who have returned to their job after parental leave	53	10
Employees who continued in their position after 12 months of leave	42	13
Return to work rate	88%	100%
Retention rate	100%	100%

Inclusion of people with different abilities

The Inclusion of people with different abilities in the labour market is another of the commitments included in Ence's Equality and Diversity of Opportunities Policy, which states that the company will create specific integration plans and eliminate any possible physical or other barriers that might hinder their effective integration. In 2021, Ence had 12 people with different abilities as part of its staff, providing them with all the necessary means and conditions to guarantee their accessibility and allow them to carry out their functions correctly.

Ence has also been collaborating for years with the Adecco Foundation to provide assistance to families in the Ence workforce with children with different abilities and in various initiatives, such as the promotion of the people with different abilities week and the implementation of alternative measures for managing uniqueness. Ence also works with special employment centres and subcontractors.

In addition, as part of its community relations plans, Ence collaborates with various **associations that work to integrate people with different abilities**, such as the Association for the Disabled of Northwestern Asturias (ADINORA) which, located in Navia, serving the entire region. Ence collaborates with this group by providing

services such as speech therapy, physiotherapy and social integration. In addition, in 2021, the company funded an innovative training programme for teachers, speech therapists, psychologists and health professionals in the region, in which more than fifty professionals participated, focusing on augmentative and alternative communication systems (AACS). This proposal has served to provide teachers with new tools to overcome the communication and language difficulties of students who may suffer from some kind of disability, or any person who has lost their ability to communicate normally.

Through the Ence Pontevedra Social Plan, Ence has also collaborated with other entities that promote inclusion in Galicia, such as the Juan XXIII Foundation, a leader in the care and assistance of people with different intellectual abilities, with which Ence has collaborated since 2017 to finance the construction of a residence and day centre.

Ence has also collaborated with the AMICOS Foundation as part of the Ence Capacita initiative, which aims to inform, guide and advise young people and adults at risk of social exclusion who are residents of the municipalities near the Ria de Pontevedra so that they can improve their employment situation. This non-profit organisation, founded in 2006, aims to protect people with different abilities, who are orphaned or unprotected, and to help them improve their quality of life and that of their families. To achieve this, it organises, sponsors and encourages the creation of assistance centres and promotes the integration of people with disabilities into the labour market. Ence has also collaborated with the Galician Confederation of People with Disabilities (Cogami) and the AMIZADE Association of Pontevedra.

Prevention of harassment and discrimination

Another principle set out in Ence's Diversity Policy is zero tolerance of any type of discrimination or harassment. In this regard, Ence has developed a specific harassment prevention policy, in which the company lays the foundations for preventing, avoiding, resolving and sanctioning any cases of harassment that may occur between people working in the company.

During 2021, 2 complaints of harassment were received through the channels established for this purpose, and they were processed in accordance with Ence's internal protocol. After applying the investigation protocol, it was determined that there were no harassment situations as such, but an improvement plan was established for these specific cases.

A great place to work

For Ence, another priority in its commitment to people is to make the company a great place to work, fostering a positive organisational climate and pride in belonging among all the professionals who make up its team.

The main tool used by the company to ascertain the opinion and degree of satisfaction of its employees and to detect opportunities for improvement are the annual opinion polls, which are carried out in accordance with the Great Place to Work methodology. The latest edition of the study was launched in 2021, with the Chairman himself inviting all employees to participate by giving their opinions and suggestions for improving the climate. In this edition, there were hardly any changes with respect to the previous year, which has allowed Ence to maintain the **Great Place to Work 2021 Certification**.

As in the previous fiscal year, the highest rated dimensions in the study were pride of belonging, camaraderie and fairness (equity and fair treatment).

In addition to these annual studies, Ence checks the organizational culture every month with surveys focused on specific aspects of the employee experience. The results of these surveys are presented to Ence's Management Committee on a monthly basis.

Dialogue and participation

For Ence, one of the keys to aligning all employees with the company's strategic objectives is to promote two-way dialogue and the active participation of the team. The strategic people plan includes the revitalisation of internal communication as one of its pillars and is committed to involving the entire management team in this task.

Thus, throughout 2021, Ence has launched numerous initiatives for dialogue and employee participation, such as live virtual meetings with the Chairman, quarterly presentations of results, working breakfasts with the Chairman and other company executives, or "Take the floor" sessions, where the Chairman and the Managing Director of Human Resources meet with company employees to learn first-hand about their points of view and suggestions for improvement. In 2021, although virtually, the annual meeting of the Management Team was also held, where the context is analysed, the strategy is reviewed and the action guidelines for the next year are established.

In addition to meetings with executives, Ence also promotes dialogue between company employees, for example through the "Ence Directo" sessions, in which managers from different areas showcase their work to share the strategy and objectives of each department with the rest of the company.

Ence also encourages personalised dialogue between each employee and his or her supervisor through weekly "One to One" meetings and annual performance interviews. Ence also promotes the **recognition** and appreciation of its team members who have stood out for their efforts and contribution to the company's objectives, through recognition by the Management Committee of those evaluated as models and regular acknowledgements through Ence's internal communication channels.

To create a team culture and encourage the involvement of Ence employees in the community, the company also promotes corporate **volunteering activities.** In 2021, as in the previous year, these activities are being adapted to the company's defined Covid-19 health protocols. Among other actions, the "ENCEndamos la Navidad" Campaign, whose aim is to collect toys for families with limited resources with the help of Caritas and the Red Cross, stands out (see section *Collaborating with the community*).

In addition to all these initiatives, Ence maintains various internal communication channels, including digital platforms such as the my Ence App or the Beekeeper social network, the monthly internal magazine Ence al Día, the corporate intranet and other means of communication such as panels and monitors installed in all the company's plants and offices.

Labour relations and workers' rights.

GRI 102-41

Ence bases labour relations on the principles of transparency, dialogue, trust and co-responsibility to guarantee a cordial and aligned relationship with workers in order to improve efficiency and productivity. The management of labour relations is another of the priorities of Ence's Strategic Plan, establishing the objective of strengthening the company's proactivity in these relations and making progress in three aspects:

- ✓ Open and transparent communication
- ✓ Participatory dialogue with workers' representatives
- ✓ Building joint solutions and seeking consensus in the company's actions

Thus, throughout 2021, Ence has held numerous meetings with employee representatives to involve them in the development of the Strategic Plan and management decisions, respond to their concerns, request their participation and gather their proposals. In particular, they have been communicated with and kept abreast of updates on pandemic measures and protocols as well as the company's results and the evolution of the judicial situation of the Pontevedra concession. Remote working protocols have been negotiated in accordance with the provisions of Law 10/2021 of 9 July on remote work and the collective bargaining agreement applicable to the Pontevedra biofactory.

With regard to **workers' rights**, Ence operates in countries of the European Union where the risk of violation of workers' rights is very low, since the administrations implement robust regulatory frameworks and control systems. Thus, Ence's many collective agreements contain specific chapters that set out workers' rights to collective and union representation.

In addition, Ence's Code of Conduct expressly recognises the rights of workers and the company's commitments to its employees in terms of protecting health and safety in working conditions, equal opportunities and the prevention of interpersonal conflicts and harassment. Moreover, Ence's Sustainability Policy includes the company's express commitment to respect 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.

To make these commitments effective, Ence provides its employees with mechanisms whereby they can confidentially report practices that do not comply with the principles established in the Code of Conduct and the company's other internal rules, as set out in the Ence Whistleblowing Channel Procedure.

Protecting health and the environment

Safe Operations

Ence's ambition is to develop the company's activity in a safe and exemplary manner in terms of protecting the health of its employees and contractors. To this end, Ence develops management systems and pioneering tools to guarantee safe operations. Ence's ultimate goal in this area is to achieve 0 accidents in its operations and to achieve this, it has set goals for continuous improvement in the company's accident rates

Objective	Lines of action	Objective 2021	Performance in 2021
0 0 accidents	Reduce FI rates	Pulp<2.5[1)] Power Plants<3.87 Forest purchases<7.36[1)] Biomass supply<1.58 Forest assets<5.16[1)]	✓ in Energy and Biomass Supply ✗ in Pulp, and Forestry
	Reduce SI rates	Pulp<0.087 Power Plants<0.145 Forest purchases<0.39 Biomass supply<0.0068 Forest assets<0.25	✓in Energy and Biomass Supply ✗ in Pulp, and Forestry

1)Although the internal ENCE objective was not reached, FI rates were reduced by 39% compared to the previous year..

Security policy and principles

GRI 403-4, GRI 403-5, GRI 403-6, GRI 403-7

Ence's commitment to people's health and safety is one of the company's principles of action set out in its Code of Conduct and values and, in general, an inherent element of its way of working. Ence also sees safety as a fundamental tool for improving the efficiency of the organisation, as well as the company culture and its workers pride of belonging and, therefore, the company's competitiveness.

As a vision in this field of safety, Ence believes that it is possible to develop its activities without accidents and, therefore, every year it sets ambitious improvement objectives towards the ultimate goal of Zero Accidents. For Ence, this vision goes beyond its employees and extends to all contractors and others who provide services to the company. Thus, Ence includes all external personnel when setting its objectives.

Ence's principles of action in this area are defined in its Health and Safety Policy, approved by the Board of Directors in 2021. The Policy also sets out the governance bodies and their responsibilities for defining, implementing and enforcing the principles set out in the Policy.

Integrating safety into the culture

GRI 403-2

Ence's approach to safety management is based on promoting a safety culture across the entire company, on the basis of the following **principles**:

1) Leadership and management responsibility: Ence encourages and demands a visible commitment to safety from management and the entire chain of command, demonstrated through its actions and daily management, which should serve as an example to the entire team.
2) Accident prevention: Ence encourages the constructive investigation of all accidents and incidents in order to use this information as an opportunity for improvement so that they do not happen again in the future.
3) Training and education: Ence provides the necessary training and education to each person (own or external employees), so that they are sufficiently qualified to carry out their tasks safely.
4) Continuous auditing: Ence also applies the PDCA continuous improvement cycle to safety and accident prevention, continuously auditing that its plans and procedures have been understood and executed satisfactorily.

5) Safety as a right and obligation: Ence understands that safety is not only a workers' right, but also an obligation since a negligent attitude can put other people at risk. For this reason, Ence's safety programme involves both its own employees and those of collaborating companies.
6) Business integration: Ence understands that safety must be integrated into all business processes and all management decisions and actions must take it into account as a top priority.

ELSE Committee

Ence, true to its commitment to people's health and safety, created the ELSE (Safety Leadership Team) Committee in 2020, the decision-making body that reviews the company's safety performance and the progress of the main improvement initiatives on a monthly basis, and approves corporate standards developed in this area. The ELSE committee is made up of: the Chairman, the General Managers of Pulp, Energy, and Finance, the Internal Auditing Director, and the Security Managers of the different Business Units.

Management system and tools

GRI 403-1

Health and safety management at Ence is organised 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 JPS structures its management model in line with the requirements of Law 31/1995 on Occupational Risk Prevention, and in accordance with the criteria of the international standard ISO 45001:2018.

All of ENCE's industrial operations centres are already certified by AENOR in this Standard.

This management model is focused on continuous improvement and on creating a culture of prevention in the company, reducing accident rates and ensuring compliance with current legislation. To ensure its correct operation, in addition to the system certification auditing and the mandatory regulatory auditing, which are voluntary, Ence has established an external auditing programme that address aspects of OHS, industrial safety, regulatory and structural safety, among others. The programme is monitored on a monthly basis and the results are reported to the Board's Audit Committee.

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:

- ✓ Standard Operating Procedures (SOPs): All routine work is analysed from a safety point of view and standardised by means of the SOPs, which list the tasks to be performed, their sequence, the points of special attention, the main risks and the associated preventive measures to minimise them.
- ✓ Work permits: All non-routine work requires the use of work permits. These permits include an assessment of the risks associated with the task, process and/or installation conditions, as well as preventive measures to mitigate them
- ✓ Pre-access training: Ence ensures that all persons accessing its facilities receive prior training in relation to the facility risks and centre emergency plan, and undergo a training review to ensure that they are prepared to perform their tasks. In addition, each of the contractor companies follows an approval protocol to ensure that it can carry out the contracted work safely and in compliance with the requirements associated with the regulations on Coordination of Business Activities.
- ✓ Meetings with contractors: Ence organises meetings with its main contractors to coordinate and work together to improve safety. Contractors are also certified for their safety performance and this certification is taken into account when contracts are renewed.
- ✓ Particularly Hazardous Work (PHW): For those jobs which, due to their characteristics, may involve particularly hazardous work, Ence has established an additional control procedure, which requires specific planning of these jobs by all parties involved (executor, planner and area manager), and the development of a "step-by-step" work plan defining the risks and specific preventive measures at each stage. The PHWs are reported to management and, during their execution, reinforced supervision is carried out by Ence's safety team.
- ✓ Preventive Safety Observations (PSOs): these are short safety audits aimed at identifying unsafe acts and conditions and correcting them constructively, as well as recognising and disseminating good practices. All managers in the line of command have among their objectives to carry out PSOs at their facilities, the perfect vehicle for developing their safety leadership and creating a culture of prevention in the company.

Starting in 2020, the Joint Prevention Service is developing an ambitious plan to digitalise all of its main safety management tools. In line with this plan, by 2021, applications for managing the Coordination of Business Activities (CAE), PSO, PHWs and the Declaration and Investigation of Accidents and Incidents have already been implemented and applications are under development for: Formalising Work Permits, and Documentary Management of procedures.

Process Safety Management (PSM)

As part of ENCE's strategic projects in the field of safety, this year saw the start of the implementation of PSM (Process Safety Management). This is a tool aimed at identifying those facilities and processes which, without proper management of the conditions of the facility and process variables from the safety point of view, could lead to accidents which, due to their potential impact on people, the environment, assets and/or the reputation of Ence, could jeopardise business continuity.

The implementation of PSM follows a standard roadmap, working in four areas:

- ✓ Improvement of process/facility safety technology and documentation, where one of the core parts is the development of a robust Process Hazard Analysis (PHA)
- ✓ Development of an adequate industrial safety management (mechanical integrity) of the installation
- ✓ Training and education building plan for the people who will manage the PSM in the area
- ✓ Standardisation of the main PSM tools in the centre: Management of Change (MOC) procedure, Emergency Response Plan, Pre-Start-up Safety Review (PSSR) procedure for critical facilities, PHA development standard.

In this line, four initial projects have been launched in 2021: the chemical plant and the odorous gas circuit in Navia and the recovery boiler and the odorous gas circuit in Pontevedra. In the future, the project will be extended to other facilities/sites.

External acknowledgements

In 2021, Ence's Joint Prevention Service, in its Forestry area, was awarded the "Escolástico Zaldivar" prize, a prestigious award in the field of HSW granted by Mutua Fraternidad Muprespa, in the "Sentimos la Prevención" (We Feel Prevention) category. This award recognises excellence and good practices in occupational health and safety of companies that are highly committed to the prevention of occupational risks, and that demonstrate that they are implementing actions that represent an improvement in the health and safety of people in their work environments. Specifically, the award has recognised the mathematical algorithm developed in this Business Unit, which makes it possible to predict which forestry operations present a greater risk in terms of safety and thus facilitate the planning of preventive activity.

Performance in 2021

To monitor and analyse safety performance, Ence uses two types of KPIs: lagging indicators related to accidents, such as the Frequency Index (FI) rate or the Severity Index (SI) rate, and leading indicators, which are used to evaluate proactive prevention activities and include the number of PSO, the number of audits carried out, the number of incidents analysed, etc. Ence sets goals for improvement in both types of indicators. The key performance indicators for 2021 are set out below.

Number of accidents:

Accidents	Internal Staff		External Staff	
Type	M	F	M	F
Accidents with leave	4	1	16	2
Accidents without leave	22	3	28	1
Total	26	4	44	3

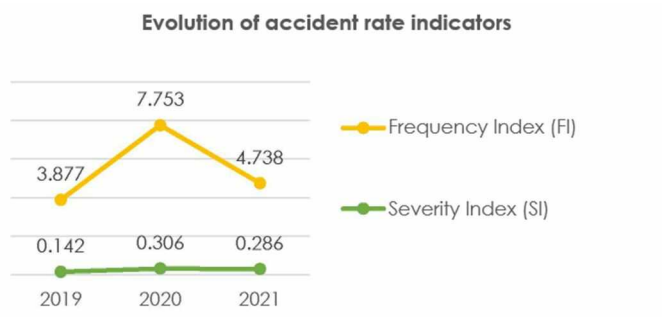
For each accident and incident recorded and following the accident and incident investigation, recording and reporting procedure, a root cause analysis is performed, a focused action plan is drawn up and implemented for each of them, and lessons learned from the incident are shared with the entire company.

Frequency and Severity Rates

Given that Ence considers the safety of the people who work for its contractors to be as important as that of its own employees, the company includes the data of both its own and external personnel.

Contents	Internal Staff		External Staff		Total
Frequency Rate	M	F	M	F	Total
Pulp	3.229	6.319	1.705	0.000	2.842
Energy	0.000	0.000	0.000	0.000	0.000
Forestry	4.100	0.000	13.545	31.754	11.665
Severity Rate	M	F	M	F	Total
Pulp	0.152	0.158	0.428	0.000	0.237
Energy	0.000	0.000	0.052	0.000	0.035
Forestry	0.062	0.000	0.809	0.111	0.595

Ence closed the period with an overall FI of 4.74, 39% lower than in 2020. It should be noted that in the area of Energy and Biomass Supply **no accidents with sick leave have been recorded throughout the year**, so its FI is 0. Ence's good performance means that all its units have improved the main accident rate indicators in Spain (general industry, pulp and paper and chemical industries).



Health surveillance

GRI 403-3, GRI 403-10

Along with safety, health protection and the promotion of a healthy lifestyle are other Ence's priorities. In 2021, as in the previous year, Ence's main actions in this area focused on protection against the Covid-19 pandemic.

Protecting the Ence family from the pandemic

In 2021, the international context of the health crisis has continued, although the increase in vaccination rates in Spain throughout the year has led to a reduction in the incidence of the disease in the regions where Ence operates.

Despite this, the company has not let its guard down and has maintained the proactive prevention measures that led it to become a model for many other companies in the fight against the virus. Thus, it has continued to prioritise the safety and health of the entire Ence family, which includes not only its employees, but also all external personnel who provide services.

The main actions to be highlighted in this area consist of:

- ✓ Continued monitoring of the evolution of the pandemic by the Management Committee, advised by an external scientific committee of experts.
- ✓ Constant review and updating of existing protocols, aligned with the latest knowledge on the virus, to ensure prevention of infection.
- ✓ Adaptation in the organisation of work according to the cumulative incidence data in each Autonomous Community, promoting remote work and ensuring social distancing in all operational sites.
- ✓ The design and implementation of organised de-escalation plans to facilitate a safe return to the workplace.
- ✓ The use of specific protective equipment, such as masks and screens, ventilation and air renewal in workplaces and the reinforcement of cleaning and disinfection activities and regular sanitisation.
- ✓ Screening through regular detection tests for all people entering workplaces.
- ✓ The development of the "Covid Passport" application for managing access to workplaces in safe conditions.
- ✓ Training, information and continuous communication on how to prevent contagion to both employees and external personnel.

Thanks to all these measures, Ence has been able to carry out its activities throughout 2021 without interruptions arising from the health crisis and, more importantly, has managed to avoid contagion in the workplace among its employees and contractors.

Ence has incurred extraordinary operating costs and investments in 2021 linked to the pandemic amounting to €1.7M and €122,000, respectively (€7.6M and €1.3M in 2020).

Other health promotion and surveillance actions

In addition to its pandemic prevention activities, Ence has continued to work on monitoring employee health and promoting healthy lifestyles.

Thus, in 2021, the company continued to carry out annual medical check-ups for its employees, following specific application protocols in accordance with the risk assessment of each position. The "Ence for your health" informative bulletins, which deal with general health issues and promote healthy habits, have also continued to be published.

Ence's health monitoring service is also responsible for designing plans to promote a healthy lifestyle, focused on encouraging a balanced diet, smoking cessation, promoting physical exercise and carrying out specific testing campaigns (hypertension, cholesterol, etc.).

In this regard, in 2021, the organisation of the first edition of the Ence Olympics stands out, a sports initiative in which teams of company employees take part in cycling, running and walking competitions to promote physical exercise and team building. This service is also responsible of preparing the corresponding epidemiological studies and annual reports in the operations sites. In this regard, it should be noted that no case of occupational disease was recorded in 2021.

Eco-efficient operations

Respect for the environment and aiming for efficiency in its industrial operations is part of Ence's culture and is set out in its Code of Conduct and Sustainability Policy.

In addition to contributing to environmental protection through its own renewable energy generation and biomaterials production activities, Ence develops its industrial processes with the utmost respect for the environment, applying the best available techniques and continuous improvement to reduce environmental impacts, improve the efficiency of its operations and guarantee the well-being of neighbouring communities.

Strategy and areas of action

Ence is working to go beyond the already strict environmental performance requirements set by the environmental authorisations for its facilities, setting objectives for improvement in the main environmental vectors (use of natural resources, waste recovery, reduction of emissions, noise and odour). These objectives are considered strategic and are therefore continuously monitored, reviewed by the Management Committee and the Board and included in the variable remuneration schemes for staff.

Objective	Lines of action	Objective 2021	Performance in 2021
100% of plants adapted to best environmental practices according to BREF	Improving air quality (Huelva)	Particulate Matter 150 µg/m3 Settleable Particulate Matter 300150 µg/m3	✓
	Reduce particulate matter emissions	Po CR: <41 mg/Nm3 Po HC: <16 mg/Nm3 Na CR: <26 mg/Nm3 Na HC: <21 mg/Nm3	✓
	Reduce water consumption	Optimisation plan Po: 28.2 m3/tAD Na: 28 m3/tAD	✓ ✘ in Na
	Boosting the circular economy	Zero Waste in La Loma, Enemansa, Huelva and Mérida 2 initiatives for the reuse and/or upgrading of ash or slag.	✓
	Reduce odour minutes	NA by 5% vs 2020 PO by 20% vs 2018	✓ ✘ in Po
	Implementing Environmental Management Systems	ISO 14001 in La Loma and Enemansa Certification in Merida	✓

Environmental management model

GRI 102-11

As established in its Management Policy, Ence's environmental management goes beyond compliance with current legislation, applying the principles of prevention and precaution and following the principle of continuous improvement.

For ten years, 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 environmental orientation:

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

Within the TQM model, operational standards have been developed that favour the control and management of possible environmental impacts through the identification and management of risks with the potential to affect the environment. Likewise, in line with the goals established in the FIOs and within the framework of the TQM management model, improvement efforts and actions are developed for the management of daily activity and process control, in order to maintain their stability and thus improve the environmental performance of the facilities.

Innovative environmental management tools

GRI 102-11

In addition to the tools envisaged in the TQM model, Ence has developed pioneering tools to advance in the environmental management of its facilities and ensure the involvement of all the people who work there.

Ence has developed the **Environmental Preventive Observations (EPO)** tool to raise awareness and improve the environmental performance of its operations with employee participation. It is focused on detecting actions that are not in line with Ence's environmental management principles in order to correct them constructively. In 2021, more than 1,700 EPOs have been registered at Ence's facilities.

Ence has also designed a management tool for **Particularly Environmental Hazardous Work (PEHW)**, which helps to identify and plan actions involving a potential risk of environmental impact. The procedure establishes that this type of work must be reviewed and approved by the chain of command and the Environment team prior to execution. In 2021, 125 PEHWs were carried out at Ence's plants.

These tools are an example of the practical application of **the precautionary principle** by Ence, as they are used to proactively analyse the possible risks and impacts that an action could have before starting it up, especially when not all the desirable information is available or when it is the first time the action is going to be carried out. In this sense, Ence puts the safeguarding of environmental values before the execution of the action, which is not approved until the company's management is sure that the prevention measures are sufficiently robust.

Certified environmental excellence

Ence has developed an **Integrated Management System** with the purpose of ensuring that all the company's activities are done in accordance with the Management Policy. The system is implemented pursuant to the following international standards:

- ➔ UNE-EN-ISO 9001, for quality management
- ➔ UNE-EN-ISO 14001, for environmental management
- ➔ ISO 45001, for occupational health and safety management
- ➔ UNE-EN-ISO 50001, for energy management

This system is certified by an accredited body that carries out the corresponding audits annually. In 2021, Ence made progress in implementing the environmental management system at the Mérida, La Loma and Enemansa power plants and obtained certification for the Mérida power plant. This same year, Ence has also obtained the certification of the energy management system for the Navia biofactory in accordance with the international standard ISO 50001.

In addition, the Pontevedra and Navia biofactories and the Huelva energy operations centre were pioneers in their respective regions in complying to the European Union's **Eco-Management and Audit Scheme (EMAS)** Regulation 1221/2009. To access and remain on this register, the centres must have their annual Environmental Statement, a document in which the main environmental performance indicators of the facilities are reported, as well as their annual objectives and their level of compliance, carried out and audited by an independent accredited body.

The excellent environmental performance of Ence's biofactories means that since 2014 its pulp has also held the **Nordic Swan Ecolabel** (official ecolabel of the Nordic countries) for complying with the most demanding environmental standards. 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).

The pulp 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.

Ence has also set the goal of certifying all its facilities with the AENOR **Zero Waste** seal, which recognises those facilities that are models in waste management and recovery that recover at least 90% of their waste. In 2021, the Pontevedra, Navia, Mérida, Enemansa, La Loma, and Biollano plants already have this certificate and the Huelva plant has obtained the Zero Waste certificate.

In 2021, Ence also worked on the implementation of the **SURE biomass sustainability certification.** This certification system is one of the tools developed to ensure compliance with the requirements of the Renewable Energy Directive (EU) 2018/2001, a European standard that establishes demanding criteria to be met by biomass used in energy generation. In this way, Ence is at the forefront, adapting in a pioneering way to the requirements of the European directive and anticipating, once again, the future of the sustainability of biomass as an energy source. At the end of the year, all Ence facilities had obtained this certificate.

Site	ISO 45001	ISO 14001	ISO 9001	ISO 50001	EMAS	Zero Waste	Nordic Swan	EU Ecolabel	SURE SYSTEM
Pontevedra Biofactory	✓	✓	✓	✓	✓	✓	✓	✓	✓
Navia Biofactory	✓	✓	✓	✓	✓	✓	✓	✓	✓
Huelva Energy Complex	✓	✓	✓		✓	✓ (2)	N/A	N/A	✓
Mérida Plant	✓	✓				✓	N/A	N/A	✓
Lucena Plant	✓						N/A	N/A	✓
Enemansa Plant	✓	✓ (1)				✓	N/A	N/A	✓
La Loma Plant	✓	✓(1)				✓	N/A	N/A	✓
Biollano Plant	✓	✓				✓	N/A	N/A	✓
Forestry							N/A	N/A	N/A

(1): System in place, pending certification; (2): Towards Zero Waste

Applying the 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 biomass renewable energy, as well as adaptation to Best Available Techniques (BAT), established by the BREF documents in the pulp and paper Industry (Best Available Techniques in the Pulp and Paper Industry 2014) and BAT under Directive 2010/75/EU on large combustion plants adopted in 2017.

In 2021 Ence continued to work on the implementation of BATs, focusing on the implementation of different types of emission purification systems according to the needs of each plant

All Ence's industrial plants have their Integrated Environmental Authorisation (IEA) or Sectorial Authorisation, which establishes the conditions for the operation of the facility from an environmental point of view. These authorisations also establish the limit emission values 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 IEA and punctually informs the corresponding administrations of their evolution. The IEAs of Ence's plants are publicly available in the registers of the administrations of the corresponding Autonomous Communities.

Environmental investments

Ence's commitment to improving the efficiency and environmental performance of its production processes translates into significant environmental investments every year. In 2021, the company has earmarked more than 7.9 million euros.

Environmental risk management

Ence identifies environmental risks within the framework of the Risk Analyses pursuant to Environmental Responsibility legislation and according to the periodic evaluations established by its Environmental Management System. In this way, situations that could cause environmental damage are identified and measures are established to prevent them.

In addition, Ence carries out regular audits to identify and evaluate the application of the prevention measures in place at its plants. Ence also has a Management of Change (MOC) procedure to assess the consequences that any change in the industrial process could have on safety, health and the environment before it is implemented and to establish the necessary preventive measures.

Transparency

Ence is clearly committed to transparency regarding the environmental performance of its facilities. For this reason, the Environmental Declarations of the EMAS member centres are available to its stakeholders and there is a specific website where the environmental information of the Pontevedra biofactory is disclosed in real time.

In addition, detailed information on the environmental indicators for each plant is provided in Annex II of this report.

Circular and efficient industrial processes

In addition to contributing to the circular economy by manufacturing biomaterials and generating renewable energy from agroforestry waste, Ence applies the principles of the circular economy in its own production processes, reducing the specific consumption of materials and energy and working to recover as much waste as possible.

Efficient use of raw materials

GRI 301-1, GRI 301-2, GRI 301-3

In the pulp production process, Ence uses **wood** as its main raw material, mainly eucalyptus wood from local sources. This material is **fully utilised**, using the cellulose for pulp production and the rest (lignin, bark) for power generation, making the process not only self-sufficient in terms of energy, but the surplus energy is also exported to the power grid.

Wood consumption 2021 (Mm3)			
Biofactory	2019	2020	2021
Navia	1.4	1.8	1.8
Pontevedra	1.3	1.3	1.3
Total	2.7	3.1	3.1

The process also uses additives (soda, bleaching agents, etc.) to separate and treat the cellulose, as well as other reagents to treat effluents and emissions, thus minimising its environmental impact. The process is carried out in a closed cycle, so that most of the additives used (lime, soda, sodium sulphate) are recovered and reintroduced into the process.

Ence verifies that the chemical products used in its facilities comply with Regulation 1907/2006 on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH). In this sense, Ence has therefore registered the following compounds: 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). Ence also requires its suppliers to ensure that the compounds supplied have the relevant safety data sheets and that they are correctly labelled in accordance with current European regulations.

As a measure to reduce the environmental impact of its cellulose production process, Ence is committed to **chlorine-free bleaching** in its biofactories, using the ECF (Elemental Chlorine Free) process at Navia, in which elemental chlorine is replaced by chlorine dioxide to prevent dioxin contamination. At Pontevedra, Ence uses a TCF (Totally Chlorine Free) process, in which no chlorine compounds but rather hydrogen peroxide are used as a bleaching agent.

In addition to optimising the use of raw materials in production processes, Ence is working on the **eco-design** of its products, developing new types of pulp that require lower consumption of raw materials and chemicals. This has led to the development of Naturcell unbleached pulp, which does not require bleaching agents, or Powercell pulp, a product capable of replacing long fibre in various applications. Short fibre requires less wood consumption to produce the same amount of pulp as long fibre, as well as less specific electricity consumption during the production process, and its bleaching process requires fewer stages and fewer chemicals.

In the case of power plants, the main material consumed is **biomass**, mainly of agricultural and forestry origin, and pomace. In these plants, chemicals are also used to treat effluents, such as ammonia, which is used to reduce the amount of NOx in fuel gas. The Huelva plant also consumes sand for the fluid bed boiler.

Biomass consumption (thousand of t)			
Plants	2019	2020	2021
Navia	361.9	384.7	359.7
Pontevedra	227.7	256.1	279.1
Huelva	564.5	773.4	694.1
Mérida	150.2	190.8	203.3
Enemansa	96.6	78.3	102.6
La Loma	77.3	90.1	91.4
Lucena	103.4	106.2	117.6
Biollano	N/A	206.7	283.8
Total	1,581.6	2,086.3	2,131.6

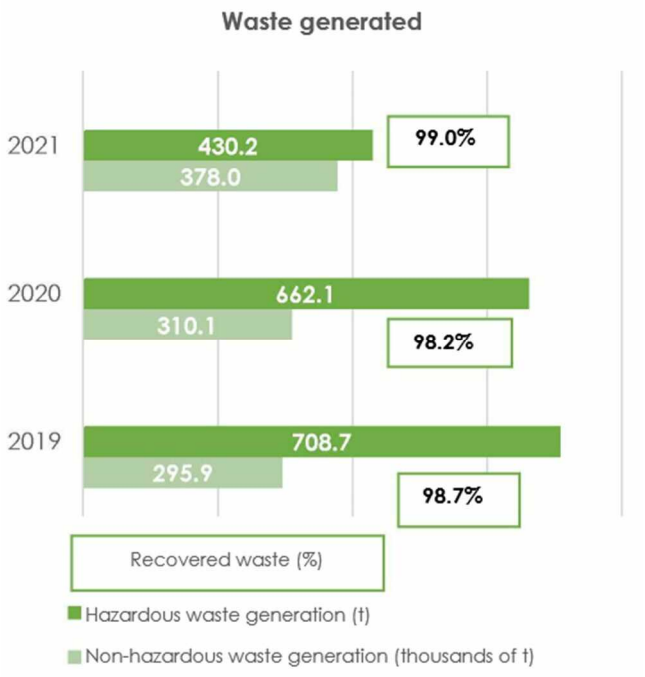
As for the nurseries, the main materials used are substrates and fertilisers. Other materials such as trays from seedbeds or wooden pallets are continuously reused in these facilities.

Waste recovery

GRI 306-1, GRI 306-2, GRI 306-3, GRI 306-4, GRI 306-5

The circularity of Ence's production processes, together with the characteristics of its main raw materials (natural materials such as wood and biomass), mean that the vast majority of the waste generated at its facilities is recoverable for other applications.

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 power plants. Of these, the limestone sludge generated at the biofactories can be used to replace chemicals in the neutralisation of effluents and the ashes from biomass combustion can be used in the manufacture of technosols or fertilisers. In particular, the ashes of plants that mainly consume pomace have great potential for replacing potash in the production of fertilisers. Ence, aware of the value of this material, has been a pioneer in promoting its reuse and its value in the market, processing the files at the Ministry of Ecological Transition for the **qualification as a by-product** of these ashes.



Ence also actively collaborates with research centres to explore other possible uses for its waste. In this regard, Ence has participated in two EU **LIFE projects**: the iCirBus 4Industries project focused on the treatment of sewage sludge with biomass ash to obtain low-impact fertilisers and construction materials (closed in December 2020) and the Renatural NZEB project, focused on sustainable construction through the incorporation of biomass ash in the manufacture of concrete. Ence also collaborates with the CSIC (Spanish National Research Council) in research into the use of biomass ash for the manufacture of new construction materials, specifically self-repairing cements. In addition, Ence is working to identify mining facilities close to its installations that are likely to incorporate their ashes in the repair of degraded soils.

In this context, Ence has set itself the objective of obtaining AENOR's **Zero Waste** certification (Regulation RP-CSG-057), which recognises organisations that are committed to waste prevention, minimisation and recovery. By the end of 2021, Ence has certified all its facilities except Lucena, which is scheduled to be certified in 2022.

Ence recovers more than 99% of its waste, i.e. less than 1% of the waste generated is sent to landfill

As for the treatment process, the waste generated at Ence's plants is collected and managed by authorised waste managers in accordance with current legislation.

In terms of packaging, Ence only uses paper and wire to protect the pulp bales. Paper can be incorporated by the customer together with the pulp into their process and the wire is recovered by the customers for recycling.

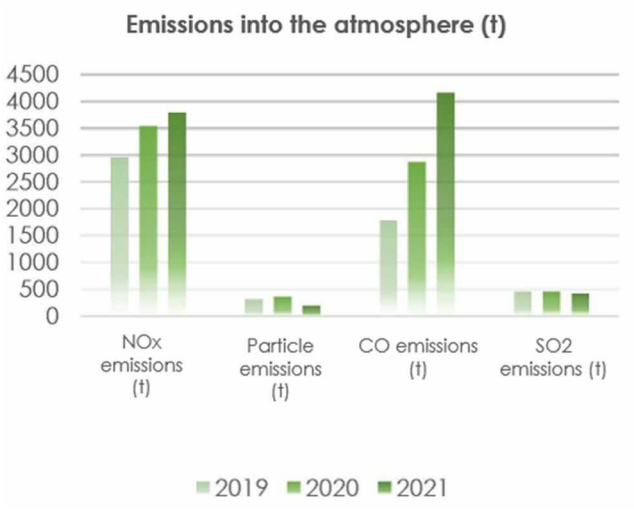
Reduction of atmospheric emissions

GRI 305-7

Emissions into the atmosphere are another environmental vector on which Ence focuses for its improvement objectives. Both Ence's biofactories and power plants have continuous measurement systems to monitor the main emission parameters and ensure not only that the limits set by their environmental authorisations are met, but also that the reduction targets set by the company are achieved.

In this regard, in 2021, a new SNCR unit was commissioned at the Navia biofactory to reduce NOx emissions in the biomass boiler. In Pontevedra, thanks to operational improvements in the electrostatic precipitators, particle emissions have been reduced by more than 53%. At the Lucena plant, the installation of continuous emissions measurement equipment in the biomass boiler has been reinforced. Although it is not a legal requirement, Ence is voluntarily committed to better monitoring and control of the plant's emissions. In the case of CO emissions, there is a rise due to an increase in the number of operating hours of the HU-41 plant compared to 2020.

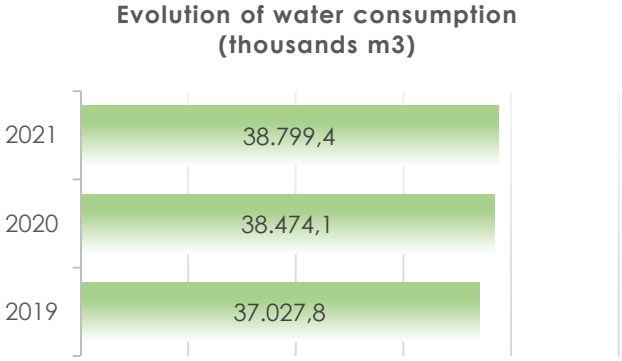
By 2021, a 47% reduction in particulate matter emissions has been achieved in the company



Water footprint management

GRI 303-2, GRI 303-3, GRI 303-5

The management and improvement of its water footprint, both in terms of consumption of water resources and the quality of its effluents, is a priority for Ence as defined in its Sustainability Master Plan. The Group uses water in its production processes, mainly in the biofactories, but also in the cooling systems of the biomass plants.



In biofactories, annual objectives are set for the reduction of specific water consumption (m3/t of pulp produced). In 2021, the proposed objective has been achieved in Pontevedra, thanks to continuous improvement measures and process adjustments that have improved efficiency and maximised water reuse. In 2021, we have recorded **the lowest water consumption in the history of the biofactory**. The measures implemented have led to a reduction of more than 22% in specific water consumption per tonne of pulp over the last five years.

In Navia, due to incidents that have not allowed the reuse of some water flows as planned, the proposed objective has not been achieved.

Water consumption (m3/tAD)				
Site	**2019**	**2020**	**2021**	***2021 (obj.)***
Navia	35.2	31.1	34.1	*28*
Pontevedra	30.2	28.3	28.2	*28.2*

In the energy area, in 2021 Ence completed the comprehensive water cycle audit study launched in 2021 at all plants, identifying potential savings measures and setting consumption reduction objectives for 2022.

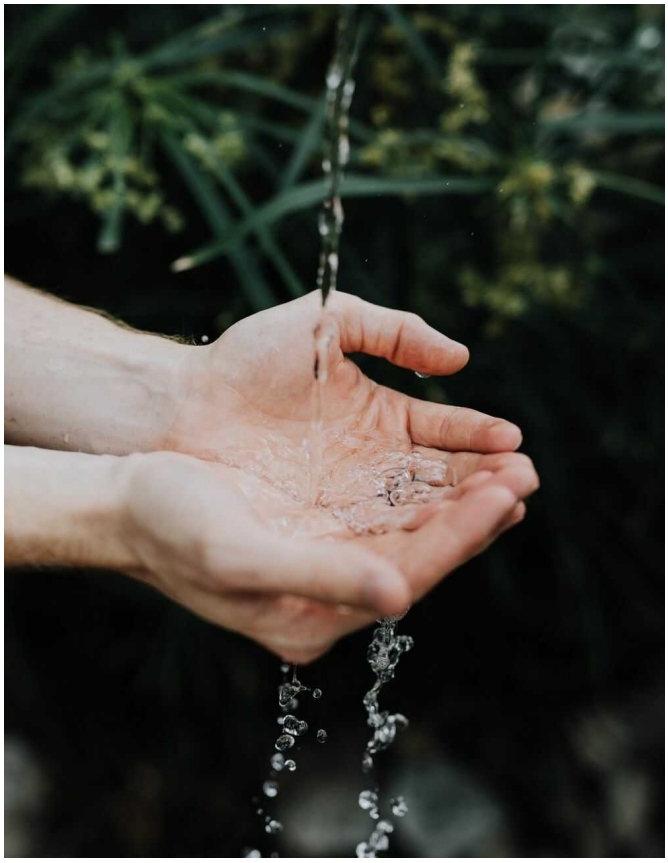
The water that Ence uses in its biofactories and power plants comes from authorised surface water or underground sources, always in accordance with the corresponding environmental authorisations. Ence's facilities with the highest consumption are located in areas at **risk of low water stress**, according to the WRI (World Resources Institute) Aqueduct map:

Site	Main source of supply	Risk level according to WRI
Navia	Surface water. Navia river	Low (0-1)
Pontevedra	Surface water. Bora dam on the Lérez river	Low (0-1)
Huelva	Surface water. El Sancho dam on the Tinto river	Medium-High (2-3)
Mérida	Surface water. Guadiana river	Medium-High (2-3)
Enemansa	Groundwater. Aquifer borehole 23	Medium-High (2-3)
Biollano	Surface water. Montoro reservoir	Medium-High (2-3)
La Loma	Municipal supply	High (3-4)
Lucena	Wastewater. Lucena WWTP	High (3-4)

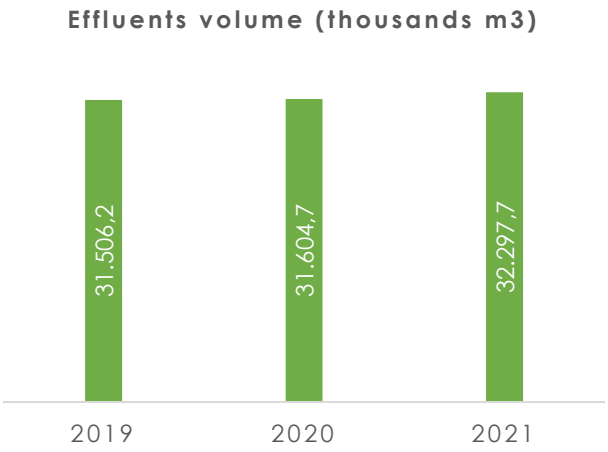
In the case of plants in more water-stressed areas, La Loma does not use surface or ground water, but municipal supply water instead, and Lucena uses treated water from the municipal WWTP in an example of resource reuse.

In the area of water footprint, Ence not only focuses on reducing its consumption, but also works to reduce the quantity and improve the quality of its effluents beyond the requirements established in its environmental authorisations. Ence applies various treatment and purification processes to optimise the quantity and quality of its effluents with a focus on continuous improvement.

At the Navia biofactory in 2021, improvements in the effluent treatment plant have been consolidated by optimising the biological system and the cooling system, which has led to a 20% reduction in COD compared to 2020.



The operation of the new primary effluent treatment system, consisting of a new dissolved air flotation (DAF) unit, has also been enhanced, which has achieved a 13% reduction in the ratio of total solids per tonne of pulp compared to 2020. In Pontevedra, the results achieved in previous years have also been strengthened. All of the plant's effluent parameters are well below the limits set in the IEA, including COD, which improved by 58% over the limit set in the discharge permit. The evolution of this figure confirms the progress that the biofactory has made in the quality of its final effluent, with Ence Pontevedra's COD improving by 85% the reference range above, set by the European BREF standard for best environmental practices in the pulp sector.



Renewable energy generation and energy efficiency

GRI 302-2, GRI 302-3, GRI 302-4, GRI 302-5

The generation of renewable energy, both in its biofactories and in its power plants, is one of the foundations of Ence's business model. The company is also working to improve the energy efficiency of its production processes, promoting self-consumption and reducing reliance on fossil fuels.

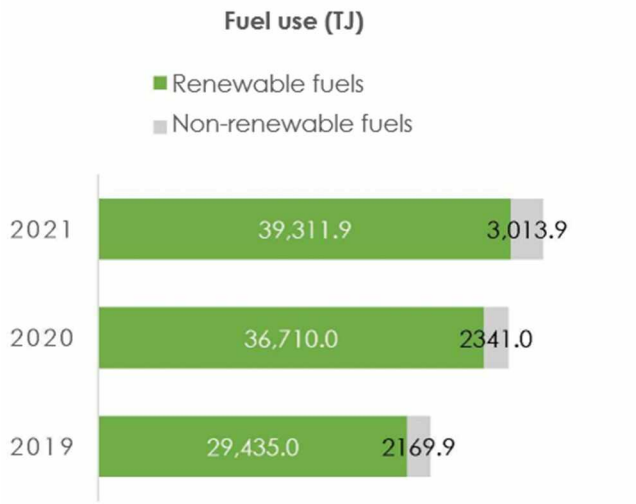
Fuel use

In biofactories, Ence uses mainly biomass (bark) and lignin (black liquor) as **renewable fuels**. In addition, fuel oil and natural gas are used in the lime kilns and as support fuels in the boilers. Both biofactories have obtained a certification for the energy management system pursuant to the ISO 50001 standard, thus demonstrating the focus on continuous improvement of the energy aspects related to their activity.

To generate renewable energy at each plant, Ence uses agroforestry biomass and, at specific times such as start-ups or shutdowns, auxiliary fuels such as fuel oil or diesel. At the Lucena plant, natural gas is also used in the cogeneration facility. Both the Lucena plant and the biofactories are included in the European Emissions Trading Scheme (EU ETS).

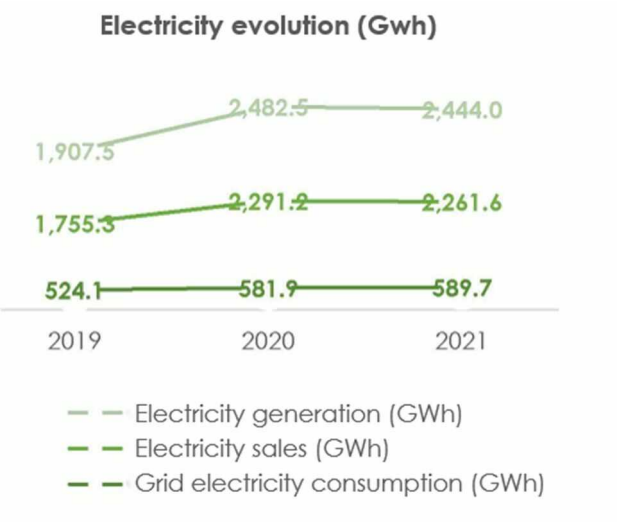
At its generation plants, Ence focuses its energy efficiency strategy on reducing self-consumption with the help of **photovoltaic stations** that cover the needs of auxiliary services such as biomass treatment plants. Thus, in 2021 Ence has strengthened the start-up of the 859kW photovoltaic plant at the Huelva plant and its expansion is planned for 2022. In Mérida, the project for the new photovoltaic plant was also finalised this year. Both have generated a total of 1,581 MWh this year.

With regard to forestry, the main fuel used is petrol and diesel used by forestry technicians' vehicles and nursery equipment.



Electricity generation and consumption

Ence generates renewable electricity at its biofactories and independent power plants, thus contributing to decarbonising the electricity generation mix and providing stability, as the supply is manageable and does not depend on weather factors such as wind or solar generation. Most of the renewable energy generated is fed into the distribution network, but the plants also use some of it for their own consumption, although they use the grid at times such as annual maintenance outages or to power certain supporting facilities.



A responsible neighbour

GRI 413-2

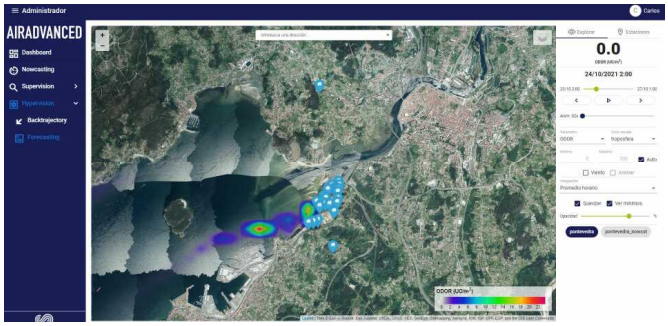
In addition to working on those environmental vectors with the greatest impact, Ence also focuses its efforts on aspects that may affect the communities closest to its facilities, such as acoustic impact, air quality or odour impact in the case of biofactories. Ence ensures that its activities do not cause any type of nuisance to its neighbours and provides permanent communication channels to receive and manage any type of incident quickly. In this way, the company wants to secure the social licence to operate and be perceived for its contribution of value to the community.

Controlling and reducing the impact of odours

Reduced sulphur compounds are generated in the Kraft pulp production process and can cause odorous impacts in the vicinity of the plants if not properly treated. Aware of the importance of this aspect for the neighbouring communities, Ence made it a priority to reduce the odour impact of its biofactories as much as possible and launched the Zero Odour Plan more than ten years ago. Thanks to the actions included in this plan, odour emissions from both biofactories have been reduced by more than 99%, but Ence continues to set reduction objectives each year.

In 2021, thanks to improvements in operation and process control, significant progress has been made, reducing odour minutes by more than 50% at the Navia biofactory and by 25% in Pontevedra compared to 2020.

Ence has its own methodology for monitoring the odorous impact of its plants, as well as a predictive system based on meteorological variables that enables it to forecast potential odorous events and is used to plan interventions in processes so as to minimise their potential odour impact.



Odorous impact index			
Site	2019	2020	2021
Navia	0.7	0.9	0.4
Pontevedra	0.2	0.2	0.1

Controlling and Improving air quality

Some of the processes carried out by Ence at its plants, such as the transport of biomass prior to consumption, can generate particles which, if not adequately mitigated, could cause nuisance to neighbouring communities.

To avoid these impacts, Ence has designed specific plans to mitigate dust emissions, especially in those sites closest to population centres, such as Huelva. This centre has been working since 2018 to reduce the generation and dispersion of dust, with initiatives such as the enclosure of dust emission sources, the installation of nebulisers and suction systems on conveyor belts and the installation of textile screens in the areas with the highest dust production.

In 2021, textile screens have been extended, the biomass collection fields have been paved and a special mitigation plan has been defined for the summer period. Thanks to these actions, Ence has managed to meet its air quality improvement objectives for the site and in 2022 it will continue to make progress on the improvement plan by completing the installation of a vegetation screen around the perimeter of the plant. Ence is also working to raise awareness and train plant personnel to promote operating practices that minimise the generation of dust.

In addition to dust, Ence monitors and sets reduction objectives for particulate emissions from its biomass boilers at its plants.

Air quality Navia (µg/Nm³)			
Parameter	2019	2020	2021
Particles *	11.0	11.0	10.0
SO_2	4.0	4.0	5.0
NOx	9.0	8.0	8.0

**The values for Particles are given in the following unit: PM10 µg/Nm³*

Air quality Pontevedra (µg/Nm³)			
Parameter	2019	2020	2021
Particles	15.0	14.0	10.6
SO_2	3.5	3.0	2.9
NOx	2.6	1.5	10.6

Air Quality Huelva			
Parameter	2019	2020	2021
PST (µg/m^3)		369.0	159.0
SEDP (mg/m^2day)		564.0	158.0

TSP: Total suspended particles measured over 24 hours. SEDP: Settleable particulate matter measured over 15 days. The most unfavourable point. External regulatory control carried out by an administration's partner organisation

Reducing the acoustic impact

Another of Ence's priorities to ensure respectful coexistence with neighbouring communities is to reduce the acoustic impact of its facilities. To this end, each year it defines improvement objectives and noise reduction plans, focusing mainly on those installations closest to population centres. In this area, in 2021, the actions carried out at the Huelva complex stand out, where an acoustic map of the plant has been drawn up, taking into account the facilities of the former pulp plant to be dismantled, and an action and investment plan has been designed for 2022 and 2023. Other plants such as Navia, Mérida or Enemansa also have their respective noise reduction plans, including actions such as the installation of silencers or the enclosure of the equipment with the highest noise emissions.

Navia (dBK)			
Period	2019	2020	2021
Morning	62.2	62.4	64.5
Afternoon	62.2	62.1	65.5
Night	62.8	63.0	62.8

Pontevedra (dBK)			
Period	2019	2020	2021
Morning	61.0	61.7	60.8
Afternoon	58.5	60.5	60.1
Night	52.6	55.1	56.2

Huelva (dBK)			
Period	2019	2020	2021
Morning		66.0	
Afternoon		67.0	
Night		67.0	

No data reported in 2021 because no regulatory control has been carried out

Enemansa (dBK)			
Period	2019	2020	2021
Morning	71.0	71.0	55.0
Afternoon	71.0	71.0	55.0
Night	71.0	71.0	55.0

Ence also analyses other potential impacts of its activities, such as **light pollution**. Although Ence's plants must have the lighting sources necessary for proper operation under safe conditions, when designing or modifying lighting systems, the aim is to reduce the impact of light on the environment and especially on neighbouring residential areas. Furthermore, the impact of Ence's installations in terms of light pollution is analysed in the environmental impact assessments of new projects, although this has not been identified as an environmental vector with a high impact in any case. Therefore, no compensatory measures have had to be designed and no limit values have been set for this aspect in any of the environmental permits for any of the sites. Ence has not received any complaints related to this from neighbouring communities or environmental administrations either.

Boosting the rural environment

Strategy and areas of action

Ence acts as a driving force in the forestry industry, applying best management practices to its own assets and extending them to the rest of the sector, generating value for owners, harvesting companies and transporters through its wood purchases. It also generates value for the agricultural sector by offering sustainable solutions for the management of crop residues and creating wealth and jobs in the biomass utilisation and transport industry.

Ence is also committed to sustainability both in the forest management of its forest asset areas and in the supply of wood and biomass. The company therefore only uses wood and biomass from responsible and traceable sources, applying high sustainability standards in the supply of these raw materials and in the selection and monitoring of its suppliers.

With all this, Ence boosts the rural world, offering employment and development opportunities to areas affected by depopulation and deindustrialisation in communities such as Galicia, Asturias and Andalucía. Furthermore, Ence offers the rural world the opportunity to base its growth on a sustainable industry, supported by the renewable natural resources generated by the countryside, which represent the future of the bioeconomy.

Objective	Lines of action	Objective 2021	Performance in 2021
100% of agroforestry resources with a guarantee of sustainable management	Promoting sustainable forest management in forest assets and supply chains	75% of FSC® y PEFC double verified entries	✘
		90% of certified asset area	✘
		100% approved suppliers	✓
100% local agricultural and forestry supplies. Guaranteed traceability	Compliance with the Biomass Code	75% compliance with the biomass code	✓
	RED II Certification	100% RED II certified plants	
	Protection of biodiversity	Faunal studies	✓

Making asset areas a model in the sector

With the forestry management carried out on its assets, Ence seeks to become a model in the best silvicultural practices of eucalyptus plantations and native forest stands, sharing its experience and knowledge with forest owners and the rest of the parties in its value chain in order to develop, professionalise and strengthen the sector.

Ence's lines of work within this framework include **research and development** of the best plants in its own nurseries, improving **forestry** and operations and transforming the sector by sharing the best tools for forestry production. Ence also actively participates in **industry associations** and engages in dialogue with governmental entities and society on the role that the forestry sector should play in the process of a fair ecological transition.

Ence has been working for years on the development of a **genetic and silvicultural improvement programme** for the *Eucalyptus* genus, with the aim of ensuring the sustainability, productivity and adaptability of its plantations in climate change scenarios. Ence also shares these technological developments with the rest of the sector, starting with the improved plant production in its nurseries and advising forest owners on their optimal use.

The protection of **biodiversity** in its asset areas is another of Ence's priorities. The company works continuously to study the environmental values of the forests it manages, especially those that do not produce timber, in order to promote their consolidation and the development of environmental production in terms of biodiversity, carbon sequestration, landscape values and other ecosystem services.

Promoting best agroforestry practices

Ence, as one of the main purchasers of wood and biomass in Spain, is committed to the **transmission of best practices** throughout its supply chain. In this sense, the company works fundamentally on the continuous improvement of the health and safety of people, machinery and operations by promoting best practices, training and awareness and empowerment of the entire chain.

Ence also works to extend the sustainability criteria adopted by the company (both regulatory and voluntary) to the entire supply chain, mainly using certifications as a guarantee of compliance.

With all this, in addition to having responsibly produced and managed material, Ence encourages the professionalisation of companies in the sector, often of small size ones, by supporting them in critical issues for their growth and development and helping them to integrate increasingly strict European and national environmental policies.

Generating value in the rural environment

GRI 203-2, GRI 204-1

Ence creates value for all components of its supply chain through its wood and biomass purchases and its agreements with forestry, harvesting and transport companies. Ence's wood and biomass supply model is based on three types of sources:

- ✓ **Asset**: wood and/or biomass from forests managed by Ence throughout the production process
- ✓ **Standing timber purchases**: woodlands in which Ence acquires wood and is in charge of harvesting and transferring the wood and/or biomass to the factory
- ✓ **Supplies:** purchases of wood and/or biomass at the factory gate, without any direct responsibility on the part of Ence in the previous management phases.

In the case of the asset forests, Ence relies on third-party companies to carry out forestry, harvesting and transport work. In the case of standing timber purchases, Ence hires companies to harvest and transport the material, while in the case of supplies, Ence works directly with the suppliers, who deliver the material to the company's facilities.

In all three cases, the sustainability requirements and criteria applied by Ence are equivalent. While Ence is responsible for implementing these criteria throughout the entire production process in its own forests, in the other two cases, Ence requires owners and/or suppliers to comply with the same criteria and requirements as it does in directly managed forests, and these purchases are subject to exhaustive controls through inspections and audits, so that the series of sustainability criteria applied to all sources is similar.

Generation of value derived from forest asset activity

Ence's assets produce wood for processing at the biofactories in Navia and Pontevedra. Specifically, in 2021, around 248,260 m3 of wood from Ence's forests was supplied. Ence's assets, specifically in its Andalusian forests, also produce timber for sales to third parties.

In addition to timber production, the management of Ence's assets generates a volume of investment that benefits the community through the contracting of forestry work, reforestation, maintenance and creation of infrastructures, and fire prevention work, as well as through the payment of rents, taxes and insurance. The total amount generated by this activity amounts to more than €4.9 million.

Ence's asset forests also produce other products in addition to wood, such as **cork** in the cork oak forests that the company manages in Andalucía. Ence also offers its forests to local livestock farmers to make forest management compatible with other activities. Thus, in the Ence forests, pastures are used for livestock **grazing** and beehives are also located for **apiculture**, which favours the pollination of natural plants and crops. The Ence forests are also used for **mycological exploitation**, which generates value for the local community and promotes tourism. Ence's assets also include **pastures** for rearing Iberian pigs.

Value generation in the supply chain

Wood and biomass from Ence's asset forests accounts for only a small part of the total consumed by the company in its biofactories and independent power plants, so the vast majority is obtained from standing timber purchases and supplies, generating value for harvesting, transport and supply companies. By 2021, more than 3 million cubic metres of wood had been mobilised for the biofactories, thanks, among other measures, to the digitisation of the procurement process, which has reduced procurement times.

Ence works mainly with local suppliers, reflecting its commitment to creating value in the local areas in which it operates. Thus, around 97% of the wood used by Ence in its biofactories is of local origin. In 2021, the lack of wood supply in northwest Spain caused by the eucalyptus moratorium in Galicia has led to the need to exceptionally import a small amount of wood (3.1%) from other sources. With regard to the characteristics of the suppliers, Ence generates value in the sector in a very all-inclusive way, as it works mainly with small owners (96% of the total) and small suppliers (54% of the total).

Overall, in 2021, it has allocated more than €226 million to forestry purchases, of which 80% correspond to purchases from suppliers and forest owners and the remaining 20% to forestry contractors and timber transport companies.

Generating added value with improved plants

Ence not only generates value for forest owners through the purchase of timber, but also helps them to improve the efficiency and productivity of their plantations by providing improved eucalyptus plants that are more resistant to pests and diseases aggravated by climate change. Thus, Ence's nurseries mainly manage the production and distribution of 9 commercial clones of *Eucalyptus globulus* and *Eucalyptus nitens* seedlings.

With regard to *E. globulus* clones, Ence markets two plus tree clones (selected in their place of origin for their outstanding characteristics of productivity, straightness, resistance to environmental stress, tolerance to cold and regrowth capacity, among others), including Colunga, which is tolerant to the disease caused by *Teratosphaeria*.

As for *E. nitens*, Ence has been working for years in its nurseries to improve the genetic quality of the seed used for its reproduction, and currently has four degrees of improvement that provide specimens that exceed the growth in wood volume by between 5 and 20% compared to specimens from local, unselected seed. Ence also markets selected seed with greater resistance to the *Teratosphaeria* fungus, thus offering solutions to forest owners in the areas most affected by this problem.

Helping to build an efficient and competitive forestry sector

GRI 308-2, GRI 413-1

In addition to generating value through its purchases of wood and biomass and the contracting of services to agroforestry companies, Ence actively contributes to boosting the sector by sharing knowledge and technology with all the parties in its supply chain. Thus, Ence is working on **extending its forest management model, certification and other sustainability policies** to promote the professionalisation, competitiveness and long-term sustainability of a sector that is set to be key in the transition to the bioeconomy.

Thus, Ence collaborates with agricultural and forest owners, companies supplying wood, biomass and services, public administrations and civil society organisations by promoting training initiatives, spreading best practices and technological developments and supporting its collaborators in the implementation of new regulatory requirements, for example in the field of biomass sustainability.

In this context, Ence not only transmits its experiences, but also carries out **dialogue initiatives with its stakeholders in the agroforestry sector** to gather their expectations, opinions and perceptions in order to improve, innovate and make progress in different aspects of management. As part of this ongoing dialogue, around twenty face-to-face interviews with forest sector stakeholders (owners, suppliers, association representatives, academics, etc.) were conducted in 2021.

The remaining best practice dissemination activities in 2021 have been limited by the Covid-19 prevention measures. However, Ence has participated in the **Innovation Operational Group** for the "improvement of sustainability and productivity of *Eucalyptus globulus* in Asturias", whose main objectives are:

- ✓ Overcoming the barriers of smallholdings by importing successful models of joint property management from other regions and countries, adapting them to the Asturian reality so that they are available to landowners.
- ✓ Optimising plant nutritional management to increase crop productivity and improve soil fertility.
- ✓ The website www.cultivaeucaliptosostenible.com has been developed and is available to landowners and foresters with practical and simple information necessary for professional and sustainable eucalyptus cultivation.

The project has been co-financed by the Regional Ministry of Rural Affairs and Territorial Cohesion of the Principado de Asturias, the Ministry of Agriculture, Fisheries and Food and the European Agricultural Fund for Rural Development (EAFRD).

In its desire to develop and professionalise the sector, as well as to continue improving safety in forestry, Ence has also continued to collaborate with the **School of Forestry Machinery Operators**, where courses are held to train new professionals in the operation of forestry machinery.

In the field of **knowledge transfer**, and as in 2020, training activities have been conditioned by the health situation, which has limited the implementation of personal contact and many of the initiatives carried out in previous years. To solve this situation, Ence has prepared a portfolio on the eucalyptus plant produced by Ence and its forestry department. This portfolio has been made available to forest owners at Ence's nurseries in Navia and Pontevedra and at 10 of the plant distribution sites with which Ence collaborates.

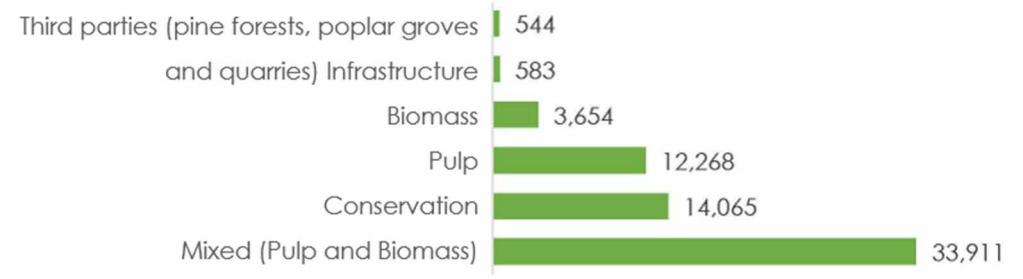
Forest management model

Ence applies a forestry management model to its assets that aims to improve the production capacity of the plantation, while protecting biodiversity and other environmental values and developing the environment, promoting the professionalisation of the sector.

Main figures

Ence manages a forest area of 65,024 ha, making it one of the largest private forest managers in Spain.

Forest area by type of use (ha)



Of this area, Ence dedicates almost 22% to the protection of ecosystems

Ence's commitment to sustainable forest management certification means that more than 85% of its managed forest area is under the scope of one or more certification schemes.

Principles and commitments

Ence's forestry activity is based on solid **principles of forest sustainability** voluntarily defined by the company:

Principle 1: Durability over time

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.

Principle 2: Minimising impacts

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.

Principle 3: Maintaining diversity

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.

Principle 4: Multifunctionality

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.

Principle 5: Continuous innovation

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.

Principle 6: Forest area

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.

Principle 7: Active participation with stakeholders

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.

Principle 8: Public commitment

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, in compliance with the company's objectives in this area.

Principle 9: Forest certification

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.

In addition to following these principles, Ence is also committed to the following in its forestry management:

- ✓ To comply with all the requirements demanded by the **FSC® and PEFC forest certification schemes** in the managed forests that, under its direct or indirect management responsibility, are within the scope of Ence's Forest Certification Group.
- ✓ **Not to carry out activities contrary to the FSC® Principles and Criteria and PEFC Principles** in other managed forest stands outside the scope of the corresponding certifications, ensuring in any case that the management standards are the same in certified and non-certified managed stands.
- ✓ **Progressively implement FSC® and PEFC Certification** in all managed forest stands not included in the initial scope of certification.

Commitment against deforestation

Aware of the problem posed by the deforestation of woodlands around the world, Ence is also committed to adopting the necessary measures to prevent this problem in its sphere of activity. Thus, as established in its Purchasing Policy, Ence works proactively against the deforestation of both the woodlands managed by the company and those from which its supplies come. Specifically, Ence applies the following principles of action against deforestation:

- ✓ Any supply of timber from private forest areas shall imply the maintenance or increase of the forested area, except in the case of possible restorations of forests coming from non-forested natural states of higher ecological value and previously modified.
- ✓ All Ence's suppliers of timber or forest biomass, whether in the form of standing timber or supplies purchases, must comply with the requirements established by the company to combat deforestation, whether through contractual clauses or approval.
- ✓ Ence undertakes to establish monitoring and control mechanisms to detect practices that promote deforestation throughout its supply chain and, if necessary, to take the appropriate preventive and corrective measures.
- ✓ Ence will not participate in commercial or industrial activities that may involve practices that entail deforestation of natural environments, and undertakes not to consume raw materials obtained through such practices.

Forest management system and tools

The Integrated Management System is coordinated with the general planning of forest management in accordance with the objectives established by management, ensuring compliance with the Management Policy and guaranteeing that the levels of environmental protection and occupational health and safety defined by legislation and Ence's internal regulations are achieved and maintained. Within the framework of the IMS, the main management tools Ence works with are:

- ✓ **Planning projects** (including the regulatory variants established by the different competent administrations).
- ✓ **Continuous Forest Inventory (CFI)**, which reflects the stock of timber present in the forest asset area, as well as the stands with protection and conservation values, characterised by the presence of native species, watercourses and

their areas of influence, or by any other singularity such as archaeological sites.

- ✓ Technical plans made prior to the execution of a harvesting or reforestation project, in which measures are analysed and established to mitigate the environmental impacts derived from the actions.
- ✓ **Checklists** for monitoring forestry operations in terms of environmental protection and health and safety measures
- ✓ **Annual monitoring** of forests to control the state of health of the stands, erosion, presence of protected species and other singularities, etc.

The Management System is based on the principle of **continuous improvement**. In this context, the following milestones in the development and continuous improvement of operations have been achieved during the year 2021:

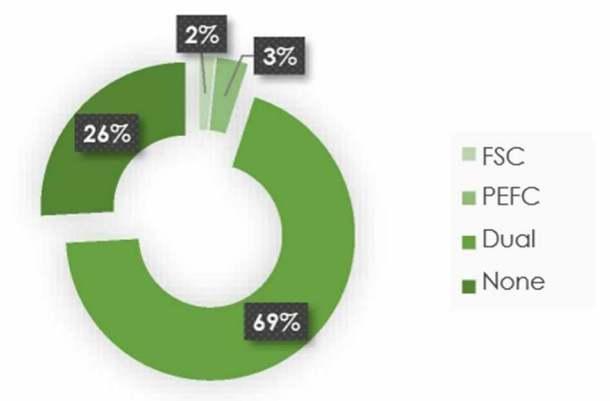
- ➔ Development and implementation of new subsoiling equipment for land preparation, which improves the efficiency of operations and minimises the intervention of machinery in the field (from three operations to a single one)
- ➔ Incorporation of GPS technology in forestry operations teams
- ➔ Mechanisation of hydrogel planting to improve process efficiency

Certified sustainable forest management

For Ence, sustainable forest management certification is a valuable tool that proves responsibility in managing forest areas. For this reason, Ence has been committed for years to certification both in the forests managed by the company and for the timber it acquires from third parties.

Thus, Ence maintains its Integrated Forestry Management System, certified in accordance with the requirements established in the following international standards: PEFC (Programme for the Endorsement of Forest Certification Schemes, according to UNE-162.002:2013, with licence code PEFC/14-22-00010) and FSC® (Forest Stewardship Council®, according to National Standards, with licence code FSC®-C099970, in group mode). Although all the areas managed by Ence fall within the scope of the Forest Management System, not all of them are certified by the aforementioned regulations: At the end of 2021, 85.4% of the forest area managed by Ence was certified according to FSC® or PEFC.

In terms of its supply chain, more than 74% of the wood purchased by Ence in 2021 had one or more PEFC or FSC® certifications



Ence also wanted to extend its commitment to forestry certification and combine the achievement of environmental objectives in forestry (forests previously certified in sustainable forest management pursuant to FSC®) with the improvement of the social aspects of management in rural areas and providing greater transparency to the timber market through the implementation and certification of the **Fair Wood** standards of the Cooperation for Development Foundation (COPADE). Protection of biodiversity

Ence understands that sustainability in any action in the natural environment necessarily involves an appropriate approach to biodiversity management and the company applies specific measures to ensure its protection in all its actions.

Protecting biodiversity

GRI 304-2, GRI 304-3, GRI 304-4, GRI 413-2, GRI 414-2

The first step towards actively protecting biodiversity in Ence's forest asset areas is to identify those which, due to their natural values, will be prioritised for conservation (rather than for timber production).

The function of these areas is to ensure the diversity of habitats, species and landscapes. In these conservation areas, an inventory, characterisation and assessment of the conservation status of the different plant communities identified and their correspondence with the Habitats of Community Interest (HIC) has been carried out.

These studies have enabled the company to identify High Conservation Values (HCVs) in these areas due to their biological biodiversity, their landscape value, the presence of rare or threatened ecosystems, their capacity to provide basic environmental benefits, and their contribution to satisfying the basic needs of local communities.

Thus, flora studies have been carried out on more than 55,000 ha of Ence's assets, i.e. 85% of the surface area, identifying the species present in each case and their administrative protection status. These studies also refer to the potential fauna in the inventoried habitats and plant communities.

Thus, the presence of **11 protected flora species has been detected** in the forests of the northwest of the peninsula, included in the following categories according to their status and conditions:

- ✓ Annexes II, IV and V of Directive 92/43/EEC.
- ✓ Spanish Catalogue of Threatened Species and List of Wild Species in the Special Protection Regime: Royal Decree 139/2011.
- ✓ Galician Catalogue of Threatened Species: Decree 88/2007 of the Galician Regional Government (only for Galicia).
- ✓ Regional Catalogue of Threatened Species of the flora of the Principado de Asturias: Decree 65/1995 (only for Asturias).
- ✓ 2008 Spanish Vascular Flora Red List. Ministry of the Environment and Rural and Marine Affairs (Moreno, 2008).

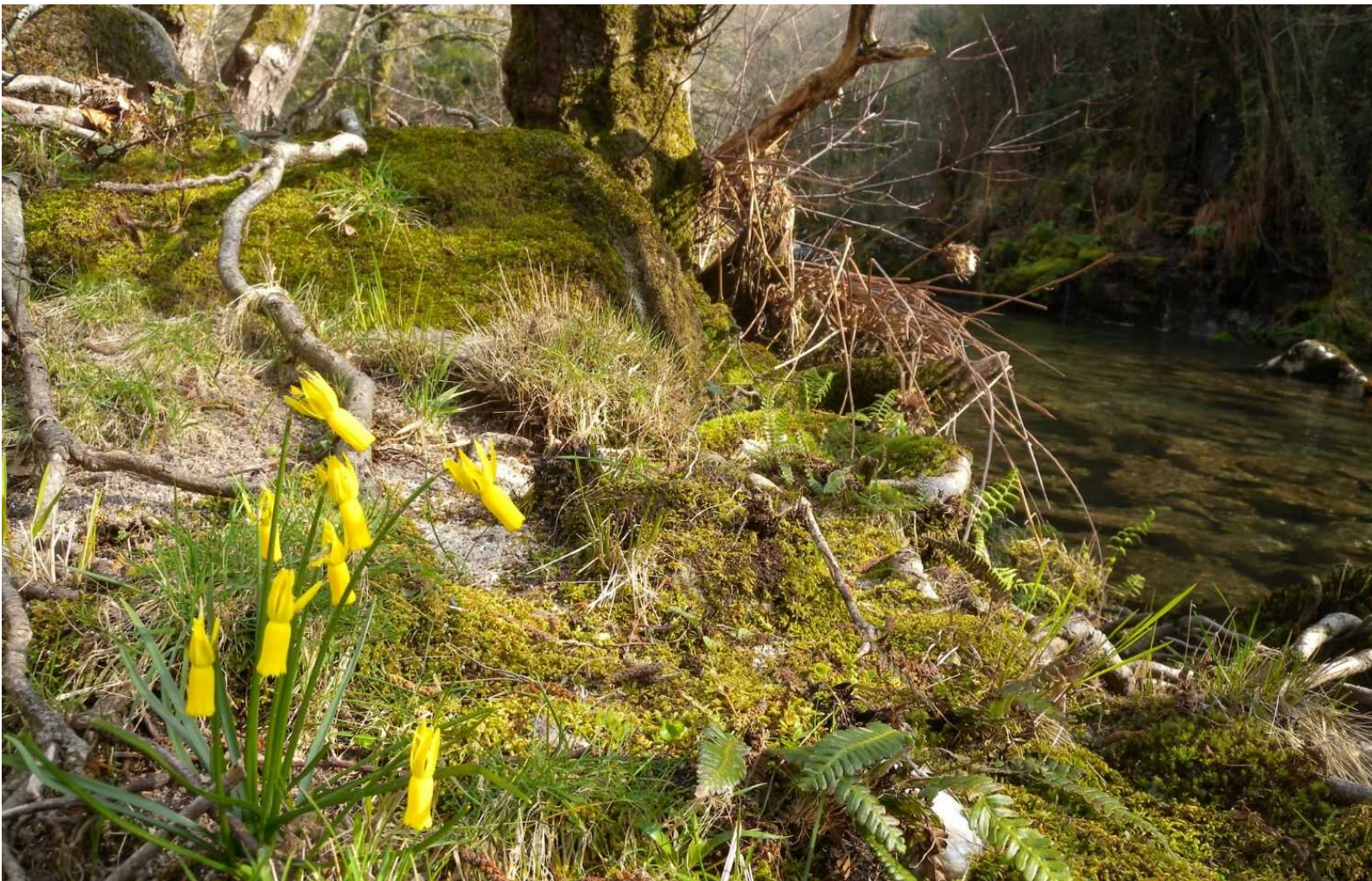
In addition to these, **21 species of flora are protected** in Ence's asset forests in Andalucía. These protected flora species are included in the following categories according to their status and condition:

- ✓ Andalusian Catalogue of Threatened Species: Decree 23/2012 of 14 February regulating the conservation and sustainable use of wild flora and fauna and their habitats.
- ✓ Andalusian Red List of vascular flora (2005). Where; VU= Vulnerable, NT= Near Threatened, DD= Data Doubtful, EN= Endangered.

The complete list of protected species present in Ence's forests can be consulted in Annex II of this report.

With regard to the management of **wildlife biodiversity** in Ence's assets, the company worked with ARCEA on the project "Analysis of the state of conservation of habitats included in non-timber-producing areas of the forests managed by Norte Forestal in Asturias and Galicia". Within the framework of this work, a documentary and bibliographic search was carried out to manage all the available information on the fauna existing in the study area, assessing its level of detail and concreteness. In addition, in situ observations were made, which were recorded in the reports for each woodland, together with an extensive preliminary list of potential vertebrate species catalogued for potential presence. In the south of the peninsula, an equivalent study will be carried out by ARCEA in 2022. In addition to these studies, in 2021 Ence carried out an internal study of the catalogued vertebrate fauna species potentially present in the forests managed by Ence in the north and south of the peninsula based on their respective known areas of distribution on the basis of the National Inventory of Habitats and Taxa conducted by the Ministry of the Environment, various regional atlases and faunal inventories, as well as the few existing studies on local or regional fauna. As a result of these studies, **24 species of catalogued fauna** with a higher level of protection (Annex I of the Birds Directive (2009/147/EC), Annexes II or IV of the Habitats Directive (92/43/EEC) or the Spanish, Galician, Asturian, Cantabrian and Andalusian catalogues of endangered species) have been identified as potentially present in Ence's forests.

Although this information is considered valuable for outlining the faunal value of these areas, in order to define the best corrective, preventive and improvement actions for their conservation status in the woodlands, it is necessary to know as precisely as possible the species that are actually present, especially those threatened and catalogued in terms of their abundance and the different habitats they occupy. For this reason, in 2022 Ence also plans to carry out wildlife inventories in the north and south of the peninsula, in order to determine how the company can contribute to improving the conservation status of the species present, especially those that are threatened and catalogued. The groups to be sampled will be mammals: catalogued (wild cat and lynx) and/or emblematic (wolf), birds (black stork), diurnal and nocturnal birds of prey and catalogued species of birds of open spaces and catalogued amphibians and reptiles.



Protected Natural Areas (PNA)

Ence's forestry assets include a number of woodlands that are at least partially located in a number of protected natural areas. In these cases, environmental values are particularly important and the company adapts its forest management accordingly.

In the northwest, Ence manages forests in the protected areas of Costa da Morte, Serra do Xistral, Río Tea and Río Lérez in Galicia, Cuenca del Esva in Asturias and Parque Natural de Oyambre in Cantabria (Natura 2000 Network sites). The habitats of community interest that Ence manages in these areas range from oak woodlands and riparian forests to wet heaths and peat bogs.

Coastal European dry heathland HIC priority in Balares, Ponteceso, A Coruña. PNA in Costa Da Morte

In the south of the Iberian Peninsula, the areas included in the natural parks of Sierra de Aracena y Picos de Aroche, Peñas de Aroche and Sierra Pelada and Rivera del Aserrador are noteworthy due to their membership of the Natura 2000 network and the importance of the habitats present in the forests managed by Ence, in terms of area and favourable conservation status. The ecosystems present in these areas include cork oak groves, alder groves and bramble-oak groves.

Oleander bush, with flowering oleander, Rubo ulmifolii-Nerietum oleandri in the Dehesa del Carmen III woodlands (Natural area of Sierra Pelada y Rivera del Aserrador)

Eucalyptus: myths and facts

Despite the fact that eucalyptus is a great support for the forest bioeconomy and for rural development, bringing millions of euros of income in Galicia and Asturias to tens of thousands of forest owners' families every year, its cultivation continues to generate controversy, often based on myths or caused by mismanagement and even neglect by some owners.

The results obtained through a meta-analysis carried out by a scientific team led by the Edufores Foundation do not point to any intrinsic and relevant **threat** to soil, water resources, biodiversity or increased fire risk. There is also no evidence of a negative effect. In fact, it seems to be the opposite case as far as rural development is concerned.

The potential negative aspects of these plantations depend primarily on the way in which the eucalyptus plantations are managed and the scale of their presence.

One of the most frequent criticisms of the eucalyptus tree is that it consumes too much water, but this accusation clashes with the adaptation and good growth of its plantations in locations and even regions with a marked water deficit. This phenomenon is explained by experts by a series of morphological and physiological characteristics that allow for greater efficiency in the use of water.

Thus, it has been shown that the eucalyptus canopy intercepts less rain (more water reaches the ground through its trunk, hanging leaves and sparse canopy) and is able to capture water from fog through its leaves. On the other hand, the architecture and morphology of its root system rule out the possibility that the water consumption of E. globulus plantations comes from deep aquifers.

At the physiological level, **water use efficiency** (a parameter relating the amount of dry matter produced to water transpired) for eucalyptus shows values very similar to those observed in species of other genera such as pine (Landsberg, 1999) or quercus (cork oak, holm oak) (Cermák et al., 1991; Jorgensen and Schelde, 2001).

Finally, in view of its role as a **generator of products demanded by society**, it is fair to remember that eucalyptus consumes much less water than agricultural crops. Water consumption per kg of biomass produced in different crops (e.g. maize consumes 1,000 litres per kg and potato 2,000 litres per kg, while eucalyptus consumes 350 l/kg).

Another widely contested aspect is the possible **depletion of soil** and impoverishment of soil fertility levels. Again, this hypothesis clashes with the nutrient balance studied under the assumptions of sustainable forest management. According to the configuration and chemical composition of the species, the trunk of the eucalyptus tree contains only 25% of the total nutrients taken up by the tree during its growth. The remaining 75%

is returned to the soil through the decomposition of leaves, bark and branches, which are the remains of the felling to which the eucalyptus is subjected every 10-12 years. Specific imbalances that may occur in specific situations due to the limitation of some nutrients in the environment can be compensated through silvicultural practices such as fertilisation and the appropriate management and treatment of the remains of felling.

Here too, the efficiency of the species plays an essential role. *Eucalyptus globulus* compares favourably with other species in the use of nutritional resources. Thus, to produce the same amount of wood, eucalyptus requires 3 times less nitrogen and potassium than poplars.

Eucalyptus plantations are also frequently accused of being behind the increased risk of **fires.** However, eucalyptus is not more flammable or more prone to burning than other species. Studies have not yielded consistent results regarding their relative level of burning propensity (Moreira et al., 2009; Barros et al., 2014; Calviño-Cancela et al., 2016, 2018; Nunes et al., 2018; Chas-Amil et al., 2020).

In studies based on the experiences developed by the National Institute for Agricultural Research (INIA), eucalyptus, holm oak and Aleppo pine are classified in the same group according to their flammability, matched by cork oak during the summer months.

The greater or lesser flammability of tree species is not the fundamental factor that causes a fire to spread rapidly. The causes for the rapid evolution or uncontrolled development of a fire are the excessive presence of combustible material under the tree canopy, and the greater or lesser physical distance between them, which is prevented by the operations involved in their cultivation.

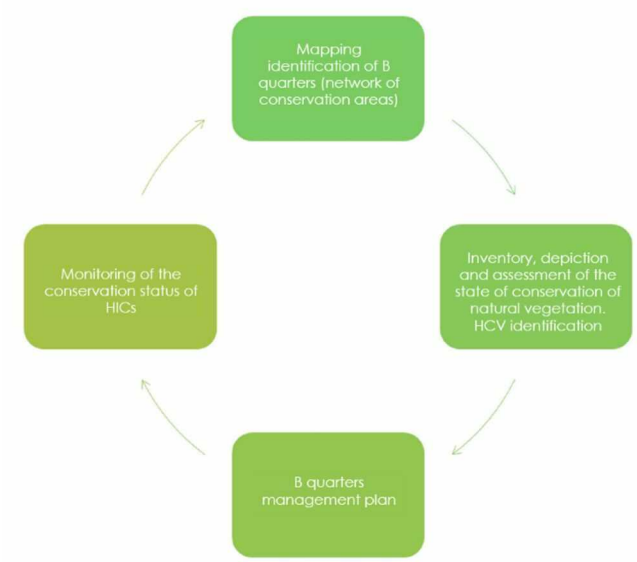
The relevant factor determining potential fire behaviour is not the type of vegetation cover, but the structure of the fuels in the forest stand, in each individual case. In fact, fires with similar behaviours can occur in forest stands comprised of different species. And, within the same species, we can find very different fire behaviours.

According to **biodiversity** studies, the eucalyptus groves of the Iberian Peninsula contain a subsample of the biodiversity of fauna and flora found in forest habitats that share a certain structural affinity with: coniferous and hardwood forests and shrub communities. The question of the effect of Eucalyptus on other plants or soil organisms through allelopathy has often been debated. However, according to the research carried out, the existence of a relevant and differential effect to that of pine, cork oak or many other species native to Mediterranean woodlands, such as oleander, cannot be accredited.

Integrating Biodiversity Protection into Forest Management

Ence is aware of the negative impacts that logging activities can have on biodiversity if they are not carried out in a way that respects the natural values of the forest, avoids affecting the habitats of vulnerable species, and ensures adequate connectivity between populations.

The purpose of the sustainable forest management guidelines followed by Ence is to not only minimise these potential impacts, but **also to actively promote the protection of biodiversity**, designating conservation areas in which no timber harvesting is carried out and defining those areas in which harvesting must be carried out with special precautionary measures. The system for protecting diversity in the woodlands managed by Ence is based on:



The management of these areas is always primarily preventive in order to prevent damage, but with this systematic approach, Ence studies these areas and designs active management strategies to improve their conservation status and promote biodiversity (for example, by eliminating invasive exotic species from these areas).

Ence also has a **manual of good environmental practices** that sets the basis for training all the company's forestry personnel and its contractors, so as to prevent negative impacts of forestry work in the woodlands. The manual includes:

- ✓ Good practices to prevent erosion.
- ✓ Good practices for the protection of waterways and natural drainage networks.
- ✓ Good practices for the protection of flora and fauna.
- ✓ Good practices for the reduction of visual impact.
- ✓ Good practices in forest fire prevention.
- ✓ Good practices for the treatment of pests and diseases.
- ✓ Good practices in the use of phytosanitary products.
- ✓ Good practices for proper waste management.

In addition, Ence's IMS establishes a system for monitoring woodlands and operations carried out by operational and sustainability staff through inspections and audits to detect possible negative impacts of forest management on biodiversity and to take the necessary measures to correct them so that they do not recur.

Protection of endangered fauna

Ence is particularly mindful of the potential presence of endangered wildlife when performing forest management activities. Thus, Ence strictly plans forestry activities to avoid or minimise the effect it may have on these species, respecting at all times the regulations in force and the recommendations and/or restrictions established by the competent authorities (for example, the periods in which certain activities cannot be carried out because they coincide with the breeding season of these species, etc.).

Habitat restoration

In 2020, there was a major fire in Huelva that affected several municipalities, mainly Almonaster la Real and Zalamea la Real, and the total area affected was estimated at over 14,000 ha, of which a significant part (approximately 2,700 ha) was owned by Ence. This fire significantly affected the existing forest stands, leading to the loss of a large part of the vegetation cover in the area and, consequently, to an increasing risk of erosion. The Restoration Plan for the area contemplated the need to carry out actions to prevent this erosion in the short and medium term. Once the problem had been identified and its magnitude verified in the field, Ence carried out actions to control erosion processes in order to minimise them and contribute to the restoration of the affected areas.

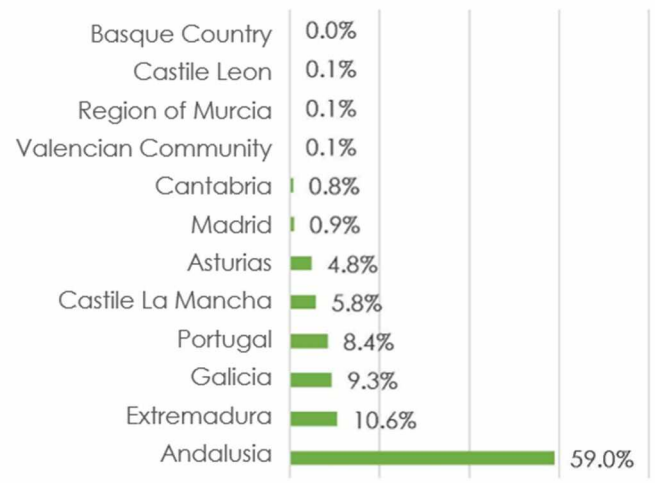
Sustainable management of biomass

By using residual agricultural and forestry biomass to generate renewable energy, Ence not only helps in the fight against climate change, but also offers a sustainable solution to the serious waste management problem faced by the agricultural sector, avoiding illegal burning and the environmental and public health impacts it generates. By recovering this residual biomass, Ence also contributes to preventing the depopulation of the rural world, generating quality employment at its facilities and throughout the supply chain.

Biomass supply follows a similar pattern to wood, with three main sources: forest assets, standing timber purchases, and supplies. A large part of the biomass comes from purchases from suppliers (42.5% of the total), followed by the purchase of standing timber biomass and the supply of biomass from Ence's forest assets.

During 2021, Ence's biomass plants used more than 1.9 million tonnes of biomass of 100% Iberian origin, with 92% coming from Spain and the rest from Portugal.

Proportion of origins of purchases



Biomass with Sustainability Certification

Ence has always been aware that, as well as having great advantages, the use of biomass for energy purposes is also a challenge, as it can have negative environmental and social impacts if supply from reliable and traceable sources is not ensured. Ence has therefore collaborated with different actors in the sector, such as environmental NGOs, in the development of voluntary sustainability standards to ensure this reliable supply. In 2021, the challenge for Ence consisted of implementing a new biomass sustainability certification scheme, SURE, and certifying all its plants under it.

The SURE scheme ensures compliance with the requirements of the Renewable Energy Directive (EU) 2018/2001. This European regulation establishes various criteria that biomass used in the bioenergy sector must meet to ensure sustainability, as well as criteria for the reduction of greenhouse gas emissions and energy efficiency.

The Mérida plant was not only the company's first facility to obtain this certification in July 2021, but also the first in Europe. At year-end, Ence obtained the certification in all its biofactories and independent plants with satisfactory results, thus meeting the first two milestones established in the proposal to transpose RED II into the Spanish legal framework, even before the standard was published.

To meet the requirements of the certification scheme, Ence has adapted its processes and contracts and developed its own tools to determine whether the biomass available in a given area meets the sustainability criteria and can therefore be used. Digital purchasing and supply systems have also been adapted to show compliance for each batch of biomass entering the plants.

After certifying its facilities and the biomass purchased directly from producers, Ence entered the second phase of the project to promote the certification of its suppliers. Consequently, by the end of 2022, at least 90% of the biomass used must be certified. To this end, Ence has already started working on technical advice to support the certification of all suppliers that collaborate with the company.

One Step Further: The Voluntary Code

Before European regulations established sustainability requirements for biomass, Ence had already developed its own voluntary self-regulation scheme, the Biomass Sustainability Code.

During 2020, a thorough revision of the Code was carried out to align it with the new Directive, update some of its indicators and adopt new ones to address industrial biomass and other materials not yet covered. The document establishes 10 principles of action, broken down in 32 sustainability indicators, which the company undertakes to comply with in the supply and management of biomass. The new version of the Code came into force on 1 January 2021 and, throughout the year, Ence worked on its implementation.

1. It shall respect the natural environment:
Biomass management will be respectful of natural resources and will not cause damage to the environment.

2. It shall be compatible with sustainable agricultural and forestry practices:
The agricultural or forest management of the land where biomass is produced and its use and logistics 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 will not use round wood with a diameter over 10 cm as fuel, unless its only possible use is for energy purposes, or if the wood comes from invasive species, unless expressly indicated by the competent administration.

4. It shall respect the priority uses of biomass:
The biomass that Ence will use will not compete with other possible priority industrial uses of biomass (construction and furniture).

5. It shall not use biomass that competes for resources with food:
It shall not use biomass from energy crops on converted agricultural land suitable for agriculture and food production.

6. It shall not compete with livestock uses of biomass:
Ence will not use agricultural biomass that could be employed for livestock farming.

7. It shall respect the law and human rights:
The collection of biomass shall always be undertaken taking into account current legislation, human rights and the rights of the communities.

8. It shall use best practices:
In order to minimise environmental impact and maximise energy efficiency, Ence will continuously apply best practices in the use, transport, treatment and storage of biomass, as well as the Best Available Techniques in biomass energy production.

9. It shall minimise carbon emissions:
It will minimise its total carbon footprint, considering the balance of greenhouse gas emissions over their entire life cycle, and determine sourcing distances.

10. It shall always pursue the highest energy efficiency with sustainability criteria:
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, among others.

Raising awareness to align the workforce and supply chain

In order to seamlessly implement the requirements of the Code and the SURE certification, in 2021, Ence launched a communication and training process for all staff involved in biomass management, as well as for the main players in the agricultural and forestry sector.

The sectoral communication plan was conceived as a project to bring the new European legislation and the Code closer to the agricultural and forestry sector, with the purpose of informing, raising awareness, and training sectors linked to Ence's work.

In this context, 11 national groups from the agricultural sector (farmers' associations, cooperative groups and agricultural unions) and 9 groups from the forestry sector (regional forestry associations, and numerous farm and forest owners, industrial biomass production companies, harvesting companies and transporters) were contacted. Around 20 videoconferences have been held, and informative mailings were sent to more than 300 stakeholders.

Supply chain monitoring

GRI 102-9

Ence applies and promotes responsible management in the forestry sector not only in its assets, but also through its sustainability policies, which are shared with its supply chain. This is how Ence seeks to create value for all the parties involved in the supply chain, from agricultural and forestry owners to companies that harvest and transport materials, while consistently guaranteeing sustainability and, especially, the conservation of biodiversity and other natural values of the woodland.

To ensure that the timber used in its production process comes from **reliable sources** and to always ensure utmost **respect for legality**, Ence defines a series of principles of action that comply with Spanish regulations (RD 1088/2015 on timber legality) and international regulations (EUTR Regulation 995/2010 on due diligence). These principles apply to all materials that do not have a specific regulation and are included in the company's Procurement Policy, in its policy on the legality of timber and in its due diligence regulations for timber legality.

In its Procurement Policy, Ence undertakes to prioritise and promote the consumption of timber from **certified forest stands**, under the FSC® and PEFC certification schemes, and is committed to complying with the ten **Fair Trade Principles** established by the World Fair Trade Organisation (WFTO). Ence is also committed to promoting the procurement of **local timber and biomass**, thereby minimising its carbon footprint, generating value at a local level and contributing to the economic and social development of the environments in which it operates.

In its standing purchase orders, Ence is committed to meeting the requirements agreed upon with owners, to establish transparent conditions between parties, and to responsibly represent owners in the forestry use process when thus agreed to with an owner, handling, on an owner's behalf, the appropriate permits with various public bodies.

Ence's inclusion in the agricultural sector has led it to transfer the principles of action with its value chain to the agricultural market, with the same level of demand and rigour. Thus, in the field of biomass, the same criteria that the company has traditionally applied in the purchase of timber are established, and the procedures for the approval of suppliers of timber and derived services have been extended to the agents in the biomass value chain.

Approval of suppliers

GRI 308-1, GRI 414-1

Ence has a mechanism for approving timber and biomass suppliers to ensure that they comply not only with applicable legislation, but also with the sustainability commitments voluntarily adopted by the company.

At the end of 2021, 99% of Ence's timber and biomass suppliers were certified under this mechanism.

Approved suppliers	
Types	%
Timber supplies	100%
CEP timber intermediaries	100%
Biomass supplies	98.4%
Service providers	98.5%

Approval process and criteria

The approval process for suppliers of timber and biomass and agricultural and forestry services has two key elements: the initial assessment based on the supplier's own statement, and the assignment of their risk level that determines their participation in Ence's Origin Verification Programme, which allows risk levels to be monitored in order to minimise them.

The approval derived from the initial assessment has a maximum duration of two years, unless there are circumstances that justify a shorter duration, such as changes in the approval system, changes in the regulatory framework, or relevant changes in the characteristics of the supplier's provision. In the case of service companies, the default validity of the approval is five years. In the specific case of biomass, approval is closely linked not only to legal compliance, but also to Ence's Biomass Code. Thus, in 2021, the approval of biomass suppliers was adapted to the requirements of the new Code in force.

The criteria evaluated in the approval process include supplier identification data, the statement of origin of the material, and its characteristics based on social and environmental criteria.

Commitment to Human Rights

Although the company operates in markets with a low risk of human rights violations (mainly Spain and Portugal), in accordance with the company's Sustainability Policy, Ence is committed to respecting human rights in all its activities.

Furthermore, its Procurement Policy ensures that this commitment is shared with the supply chain and, to this end, in the process of approving agricultural, forestry, timber, and biomass service suppliers, the company has implemented a formal statement to be filled in by suppliers. In this statement, they undertake to comply with the highest ethical and behaviour standards, such as the United Nations Guiding Principles on Business and Human Rights, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy, the OECD Guidelines for Multinational Enterprises and the United Nations Global Compact.

These statements are contractual commitments, whereby Ence ensures that its suppliers do not cause or contribute to negative human rights impacts.

Ensuring compliance with commitments

To strengthen the approval system, in 2021, Ence digitalised the process and implemented a scale blocking system at all its centres depending on the material supplied and the validity and type of its approval, thus preventing material from non-approved suppliers from being received and ensuring that all the group's raw materials comply with internal requirements, such as the biomass code.

Ence also implemented a procedure to ensure regulatory compliance of timber and biomass suppliers. The purpose of this procedure is to foresee the consequences of non-compliance with mandatory (legislation) and voluntary (certification) regulations and Ence's internal procedures (policies, Biomass Code). In situations where a supplier must guarantee compliance with Ence's biomass and/or timber traceability and sustainability requirements and cannot demonstrate the correction of the identified deficiencies that led to penalisation, said supplier may temporarily or definitively lose their certification.

Traceability of Timber and Biomass Monitoring

To ensure the legality and traceability of materials, Ence has implemented a timber Traceability Management system that is certified by the strictest international chain of custody standards, FSC® (FSC® licence code C081854) and PEFC which ensure the traceability of timber from its purchase in the woodland (timber from Ence's assets and standing timber purchases) or at the reception centres (timber suppliers), to its sale to pulp customers.

The traceability and legality of all materials is monitored through the SAP platform. This system provides all the information related to the product, such as volumes, densities, material, date and time of weighing, Chain of Custody numbers associated with the supplier, Forestry Management associated with the woodland, etc., allowing the quantities supplied to be traced at all times by means of an exact production control. In addition, for purchases of standing timber and timber from Ence-owned woodlands, the system provides and restricts the validity of the permits associated with each property reference included in the purchase order of a certain woodland, ensuring at all times the control and monitoring of the products extracted from the plot and, thus, their traceability from the forest to the end-consumer.

In the case of biomass used in the generation of renewable energy, Ence has developed internal tools to ensure traceability at the source. With the use of GPS on the supply trucks and the implementation of the digital delivery note, it is possible to trace any biomass consignment back to the source plot.

At its facilities, Ence ensures traceability from entry to electricity production by means of a mass balance that complies with the provisions of Directive 2018/2001. Each plant has its own monthly mass balance, with sustainable biomass and renewable energy consignments that comply with the provisions of RED II.

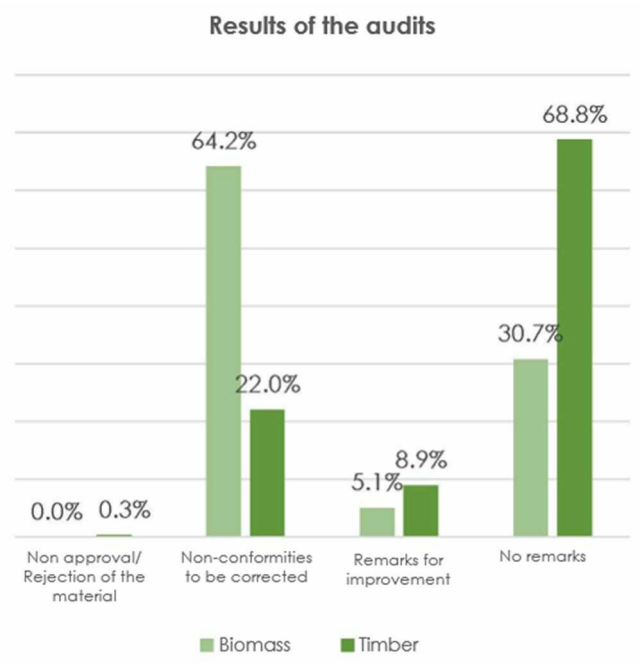
System of inspections and audits

In addition to these control systems, Ence has implemented a procedure for internal audits and inspections to verify the operation of the integrated management system and check its compliance with the applicable regulatory requirements and standards of the FSC® Chain of Custody (FSC® licence code C081854) and PEFC, and with the requirements of the Renewable Energy Directive through the SURE scheme.

The audit system consists of the following inspection tools:

- ✓ **External audits** (carried out by a third party)
- ✓ **Internal audits** (carried out by the technical sustainability team). Depending on their scope, they can be internal Chain of Custody, Biomass Code, and SURE System audits. These are annual audits to check compliance with the FSC®, PEFC, SURE scheme, and the Biomass Code standards at the Ence sites included in the scope of each of the certifications.
- ✓ **Documentary and field inspections**: these are checks carried out by Ence on a monthly basis, with Ence's own resources, to control and evaluate the effectiveness of the implementation and management of the requirements undertaken by the company, both voluntary and mandatory.
- ✓ **Timber and biomass origin verification programme:** The purpose of the Programme is to monitor the risk levels in order to work to reduce them as much as possible and thus prevent undesirable situations within the scope of the Chain of Custody system or Ence's Sustainability Code. Four types of actions are defined under this programme:
  - Documentary verification: request for information from the supplier or intermediary by telematic means. It may only be carried out in low-risk cases.
  - On-site verification: visit to the supplier's or intermediary's premises to verify documentation. Applicable to high risk and low risk cases with limitations in terms of telematic communication due to confidentiality.
  - Field verification: visit to the source plot of the timber or biomass supply.
  - Extraordinary verification: when special or supervening circumstances make it advisable to verify the supplier or intermediary.

Throughout 2021, a total of 639 monitoring actions have been carried out to ensure control of the timber and biomass supply chain.



During 2021 and following the measures set out in the general protocol for the prevention of COVID-19, on-site inspections of woodlands have been resumed and increased by 56% (compared to 2020).

Due Diligence in timber procurement

The lack of availability of eucalyptus wood caused by the moratorium in Galicia led to Ence having to import 94,510 m3 of timber from outside the Iberian Peninsula (around 3% of the total timber consumed in the year). Before acquiring this timber and to ensure that it complies with Spanish regulations (RD 1088/2015 on timber legality) and international regulations (EUTR Regulation 995/2010 on due diligence), Ence carries out a risk assessment based on its origin.

In accordance with Ence's Due Diligence system, all timber that does not come from the Iberian Peninsula may be considered low-risk as long as it has a FLEGT/CITES import licence and acts in accordance with the FLEGT agreement signed between the EU and the country of origin, or is covered by a current Forest Traceability certificate (FSC® or PEFC). In addition, to ensure the traceability of the timber purchased, the entire supply chain has been identified and the supplier and the manager of the source woodland have been assessed in accordance with Ence's approval system. Subsequently, they have been incorporated into Ence's Origin Verification Programme and their commitment to Human and Labour Rights throughout the supply chain has been assured.

Defending the climate

Strategy and areas of action

Ence is fully committed to climate action and responds from its own business model to the global challenge of mitigating climate change, generating renewable energy and offering renewable products that replace fossil-based materials.

In its climate action strategy, Ence focuses on two key aspects: mitigating climate change by reducing emissions from its processes and contributing to decarbonising the electricity mix, and adapting to climate change by systematically analysing the risks and opportunities arising from it, following the recommendations of the TCFD.

Objective	Lines of action	Objective 2021	Performance in 2021
CO_2 emission reduction plan	25% GHG reduction in A1 and A2 2025 (pulp)	15% GHG emission reduction vs base year A1 + A2 (pulp)	✓
	Renewable energies (energy)	Installation of photovoltaic plants	✓

Climate change mitigation

In line with the objectives of the Paris Agreement and the resulting national and European commitments, Ence is actively working to reduce greenhouse gas emissions and promote forest sinks that capture CO_2 from the atmosphere. Specifically, Ence is making progress in climate change mitigation along several lines:

Decarbonisation plan

Ence has drawn up a roadmap to minimise emissions from its production processes with a focus on pulp mills, setting a target of 25% reduction in specific Scope 1 and 2 emissions from its biofactories by 2025 compared to base year (2018).

To achieve this goal, Ence focuses its efforts, on the one hand, on operational improvements that promote process stability and therefore reduce the demand for auxiliary fuels and, on the other hand, on **replacing fossil fuels** with renewable alternatives. In this regard, in 2021, the coke used in the Pontevedra biofactory was replaced with pellets, which, together with the reduction in fuel consumption, resulted in a reduction of more than 20% in Scope 1 CO_2 emissions.

In independent power plants, Ence is committed to **reducing self-consumption** in order to be able to feed more renewable energy into the grid. To this end, photovoltaic generation facilities have been developed adjacent to the Huelva and Mérida plants.

Avoiding Emissions and Removing CO_2 from the Atmosphere

Ence generates renewable energy from biomass at both its biofactories and its independent power plants, helping to decarbonise the national electricity mix. In addition, Ence's strategic plan envisages growth in the energy business, diversifying generation technologies.

Thanks to the renewable energy generated by Ence in 2021, the emission of some 543,000 tonnes of CO_2 has been avoided.

Carbon sinks

Ence, together with the rest of the forestry industry, also contributes to the European goal of climate neutrality not only by reducing emissions, but also by promoting and maintaining forest stands that act as carbon sinks. In this regard, ASPAPEL estimates that in 2020, the amount of carbon stored in plantations for the paper sector amounted to about 12.8 million tonnes, i.e., more than 47 million tonnes of CO_2 equivalent.

Specifically, and as demonstrated by an analysis certified by an independent body, Ence's forest plantations absorb more carbon than is removed by their exploitation, which in 2021 offered a positive balance of more than 92,400 tonnes of CO_2.

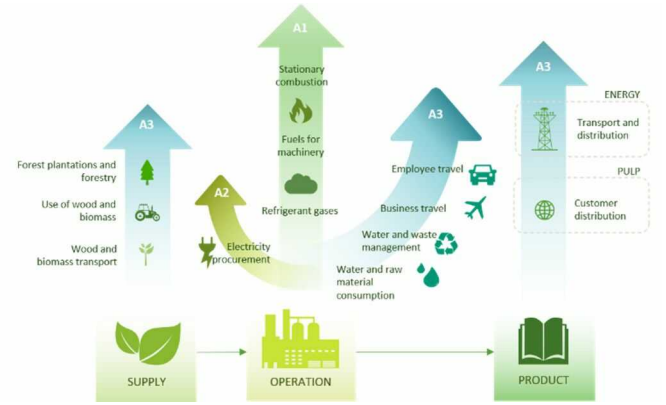
Carbon footprint

GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4, GRI 305-5, GRI 20-2

The analysis of the company's carbon footprint is the first step in defining its decarbonisation strategy. Ence implemented the calculation of its carbon footprint and main products (pulp and energy generated) within the organisation in 2018 and developed the necessary tools to update this calculation annually and analyse initiatives and projects from the point of view of their contribution to decarbonisation.

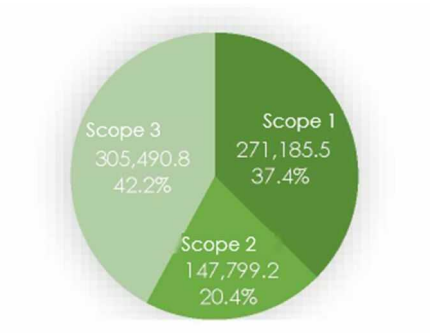
Ence's carbon footprint analysis is carried out in accordance with UNE EN ISO 14064-1:2019 (organisation) and UNE EN ISO 14067:2019 (product) standards and following the guidelines of the Corporate Accounting and Reporting Standard of the Greenhouse Gas Protocol (GHG Protocol) and the calculation tools for the pulp and paper industry (Calculation Tools for Estimating Greenhouse Gas Emissions from Pulp and Paper Mills). Each year, the results of the analysis are subject to independent external verification with reasonable scope.

Ence's carbon footprint is calculated using an operational control approach and covers direct emissions from the company's activity (Scope 1), indirect emissions from the purchase of electricity (Scope 2) and other indirect emissions (Scope 3), taking into account the entire life cycle of its activities and products, from the generation and procurement of raw materials to the distribution of the final product.

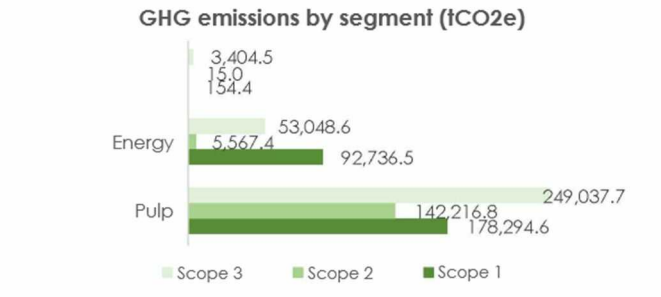


Once they have undergone independent external verification, Ence publishes comprehensive reports with the results of its carbon footprint analysis on the company's website. The main figures of the Ence 2021 carbon footprint are detailed below:

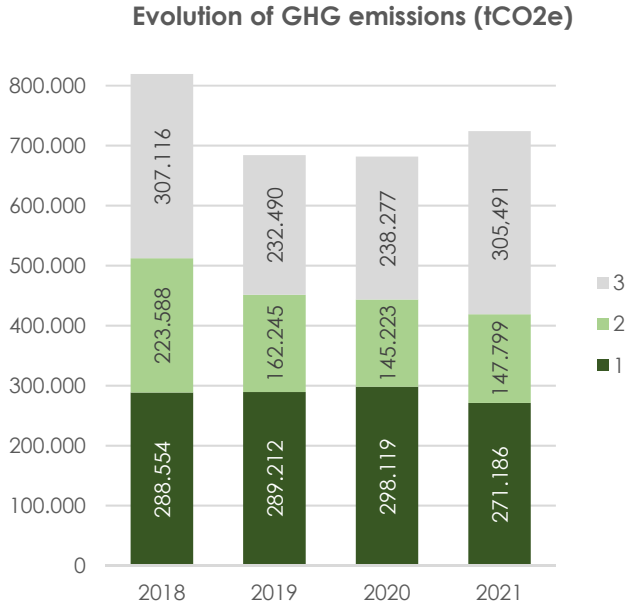
Ence GHG emissions by scope (tCO2e)



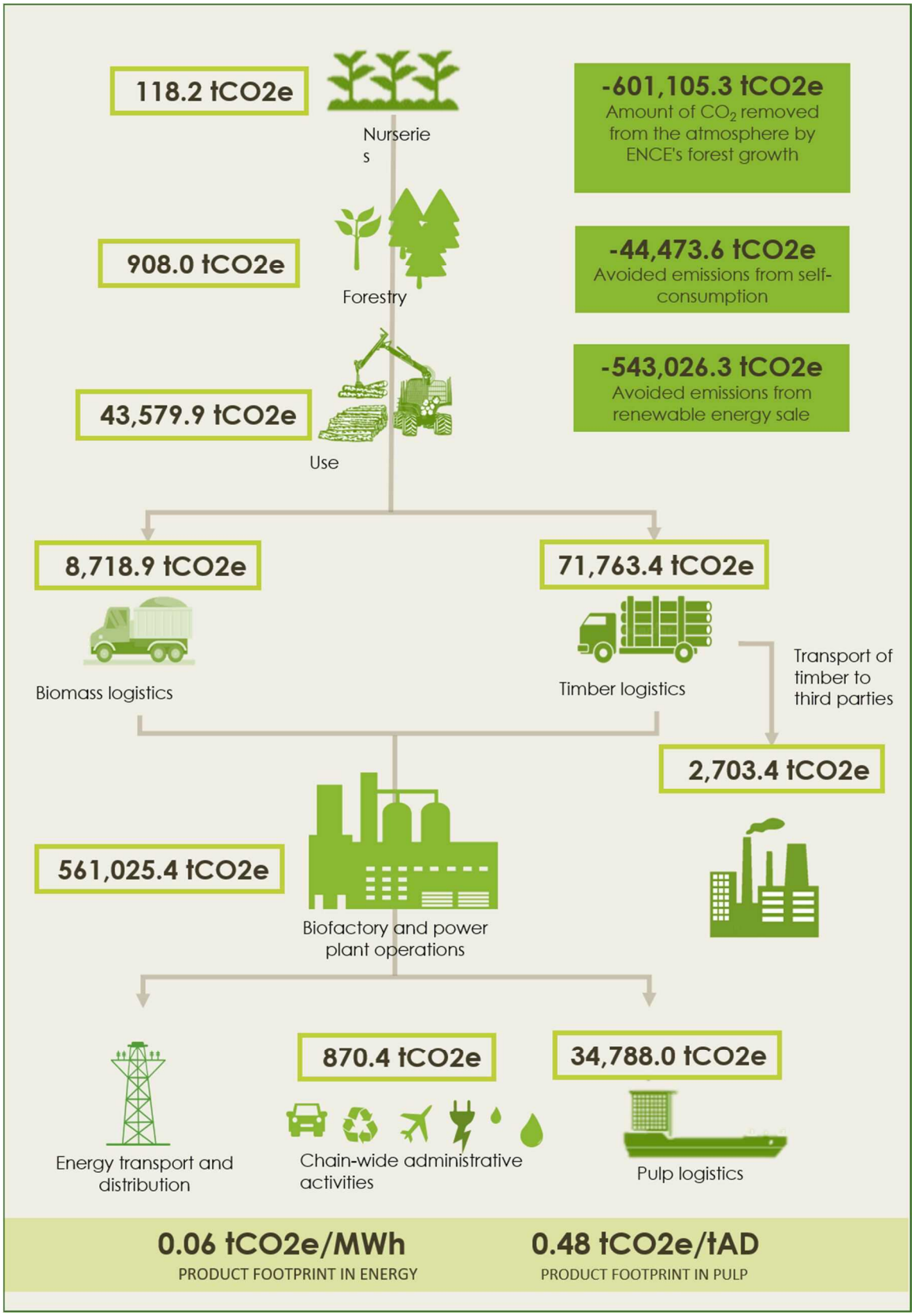
The Group's emissions in 2021 amounted to 724,475.5 tCO2e, with indirect Scope 3 emissions making the largest contribution, accounting for 42% of the total.



By segment, the pulp business line is the largest contributor to the Group's carbon footprint, accounting for almost 79% of the total.



The Group's total emissions were up in comparison with the previous year due to the increase in indirect emissions (Scope 3) from materials logistics, especially in the pulp segment. This is due to the fact that, in 2021, Ence had to transport timber from areas farther away from the plants due to the current supply situation of the raw material (e.g., transfer of timber from Ence's assets in Huelva). However, direct emissions derived from the company's activity (Scope 1) decreased by more than 9%, thanks to lower consumption of fossil fuels, especially at the Pontevedra, Lucena, and Huelva plants.



Note: The results of the 2021 carbon footprint analysis are based on data available at the closing date of this report. The calculations have used the latest available emission factor values, in many cases for 2020, and should therefore be considered provisional and will need to be updated once the relevant agencies publish updates for 2021. Once the carbon footprint has been recalculated with the emission factors corresponding to 2021, Ence will proceed to its independent external verification.

Emissions trading

Independently of the calculation of Ence's organisational footprint, the Navia, Pontevedra, and Lucena plants are included in the European Union Emissions Trading Scheme (EU-ETS), so the emissions derived from the use of fuels at these facilities are audited and verified every year when the corresponding notification report is drawn up.

Adaptation to climate change

In addition to its mitigation efforts, Ence is working to analyse the risks and opportunities arising from climate change in order to propose mitigation strategies that strengthen the company's resilience.

Managing climate change risks and opportunities

GRI 201-2

Ence is aware of its exposure to climate change risks, especially physical risks that may affect the availability of its main raw materials (timber and biomass). However, Ence is also extremely aware of the opportunities brought about by the challenge of decarbonisation and the transition to a fossil-free economic model and bases its growth strategy on them.

In this context, it is essential for Ence to analyse climate risks and opportunities that may affect both the company and its value chain. To approach this analysis systematically, Ence has adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board (FSB).

Governance

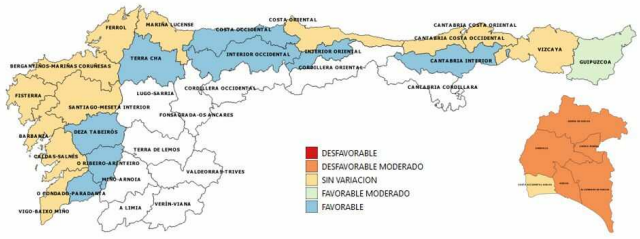
The governance body in charge of climate risk management is Ence's Board of Directors, which, through its Audit Committee, supervises the systems for identifying and managing these risks and their mitigation strategies, as part of the company's Risk Management System (RMS). Likewise, these bodies oversee the scenario analysis and timeframes used in the assessment, as well as the information that Ence reports to the market in this area.

At the executive level, the Sustainability Committee is responsible for establishing methodologies and approving guidelines for the analysis. For their part, the business areas, coordinated by the Sustainability Directorate-General, work on the identification and prioritisation of specific risks and opportunities and the definition of mitigation plans.

Strategy

To analyse the impact of climate risks and opportunities on its business model and strategy, Ence has selected different scenarios and timeframes to build its models. Given that Ence considers that the impact of physical risks is more relevant, the scenarios in which the physical impacts are more pronounced have been selected, instead of scenarios that contemplate a warming of less than 1.5 ºC. Thus, the company works with two of the representative concentration pathway (RCP) **scenarios** defined by the Intergovernmental Panel on Climate Change (IPCC): as an intermediate scenario, RCP 4.5 has been selected (which foresees an average global temperature increase of **around 2 °C** by the end of the 21st century), and, as a pessimistic scenario, RCP 8.5 , which foresees an average temperature increase of **around 4 °C** by the end of the century. These scenarios are applied to three timeframes: the near future (up to 2040), the medium-term future (up to 2070) and the distant future (up to 2100). Based on these scenarios, Ence developed its own regional climate models for Spain in 2020 using EURO CORDEX projections from the World Climate Research Programme.

Based on these models, in 2021, Ence analysed the impacts of the new climate conditions expected on the viability of the main eucalyptus species it works with (*E. globulus* and *E. nitens*), as well as their impact on the prevalence of diseases that can affect the productivity of the farms, particularly those caused by fungi. This has determined whether changing abiotic conditions together with changing fungal disease prevalence will lead to potentially favourable or unfavourable developments in each of Ence's supply regions:



Example of one of the modelling results

The information obtained will be used to design adaptation plans, especially as inputs for forestry R&D and breeding programmes.

Physical risks

The main physical risk that Ence has identified is the gradual change in **rainfall and temperature** patterns that may affect agricultural and forestry crops and therefore the supply of timber and biomass.

As a mitigation strategy, Ence is working on its forestry R&D programme, which includes silvicultural and genetic improvement programmes to adapt forest stands to the new climatic conditions (*for more details, see the Forestry R&D section*).

This risk also represents an opportunity for Ence, as the models the company works with predict an increase in the potential viable area for certain forest crops, which could increase the availability of timber.

Another of the main physical risks identified and a consequence of the latter would be a reduction in the **availability of water resources** due to decreased rainfall, especially in the centre and south of the peninsula.

As a mitigation strategy, Ence has defined plans and targets to reduce the water consumption of its facilities and takes this risk into account when designing new plants, using cooling systems to minimise dependence on this resource (*for more details, see the Reducing the Water Footprint section*).

Transition risks

For Ence, the main risks arising from a transition to a low-carbon production model are, on the one hand, **market risks**, such as higher energy prices (natural gas, electricity) and energy-intensive raw materials. This risk also includes the increase in the cost of emission allowances linked to the emissions trading scheme. In addition, there are **technological risks** of having to adapt production processes and implement lower-emission technologies. As a mitigation measure, Ence sets key improvement targets (KITs) to improve the efficiency of its processes. Likewise, it has designed a decarbonisation plan to reduce the consumption of fossil fuels and thus the financial impact of the increase in the cost of emission rights.

Other relevant risks are **regulatory risks**, which could turn into regulatory changes affecting operations, for example, in terms of restrictions on the use of certain fuels, or stricter emission reduction criteria for biomass, as proposed by the European Commission in the revision of the Renewable Energy Directive. To address these risks, Ence maintains a fluid dialogue with industry associations at national and European levels to detect possible legislative initiatives that could have an impact on the business and to adapt in advance. In this regard, it is worth highlighting the efforts made by the company in 2021 to certify all its facilities and thus comply with the new biomass sustainability requirements months in advance of what is required by law.

Opportunities

Despite being aware of these risks, Ence understands that the transition to a low-carbon economy presents more opportunities than risks for the company. Ence's own business model and strategy–focused on growth in renewable energy and bioproducts–will take advantage of the impetus the European Union is offering to the deployment of clean energy and the bioeconomy to achieve its neutrality objectives.

Thus, in the pulp business, multiple opportunities are opening up for the production of substitute materials for plastic and other petrochemical derivatives (see the 'Transforming ENCE' chapter). Likewise, in the energy business, the demand for manageable renewable energy, as well as the demand for low-emission industrial heat, green hydrogen or biofuels represent major business opportunities that Ence will take advantage of in the short and medium term (*see the Strategy section*).

Risk management

To manage these risks, Ence integrates them into its corporate risk management system (RMS), so that they are assessed and incorporated into the risk forecasts presented to the Management Committee, the Audit Committee and the Board of Directors (*see the Risk Management section*). The identification of these risks and opportunities, as well as the definition of mitigation measures, is carried out within the framework of a specific climate risk project coordinated by the Sustainability Department, which Ence launched in 2020. In 2022, work will focus on the detailed assessment of the financial impacts of these risks.

Metrics and objectives

The main set of metrics related to climate risks is the carbon footprint analysis that Ence has been carrying out since 2018. In this context, the carbon footprint of the organisation and its products (pulp and energy) is analysed, including scopes 1, 2 and 3 and following the ISO 14064 and 14067 standards. In addition to its emissions, Ence also monitors the carbon absorbed in its forest assets and the emissions avoided throughout its value chain. The emissions inventories are verified by an independent auditor and are available to all stakeholders on the company's website. Ence also works with emissions reduction targets and energy self-consumption targets at its independent plants.

In addition to the carbon footprint, Ence sets improvement targets for other metrics related to climate risks and opportunities that are reviewed monthly by management. They include:

- ✓ Water consumption in biofactories and power plants (more details in the Eco-efficient Operations chapter).
- ✓ Energy consumption (more details in the Eco-efficient Operations chapter).
- ✓ Sales of special products intended to replace plastic products (more details in the Offering Sustainable Solutions chapter).

Offering Sustainable Solutions

Strategy and areas of action

By producing pulp from reliable and local sources, Ence plays an important role in offering society **sustainable alternatives** to fossil resources and thus contributing to the urgent need to reduce emissions and accelerate the transition to a **circular economy** based on natural and renewable products.

In this context, Ence is committed to developing **new pulp products** with evident sustainability attributes and technical characteristics that make them likely to replace plastic products and other materials with a larger environmental footprint in various paper applications.

In this way, Ence not only achieves a **differential positioning** in the industry, but also offers its customers solutions to advance together in the design and development of sustainable solutions.

Objective	Lines of action	Objective 2021	Performance in 2021
Updating the sustainability attributes of products	Specific meetings with clients	6 meetings	✓
	Sustainability certification in products	PO PCR and EPDs.	✘
		Naturcell with Zero Carbon Guarantee	✓
	Promotion of pulp products as substitutes for plastics	Customer cluster with 40% sales targets	✓
		New projects	

Offering added value

Ence strongly focuses on the quality of its pulp produced mainly from eucalyptus from the Iberian Peninsula in biofactories that have all the environmental excellence seals of reference in the industry. In addition, the company has been positioning itself for years as a benchmark in the sector for its customer service, proximity and logistics excellence to serve its main markets in very short timeframes, and its clear commitment to sustainability, thus minimising the risks related to the supply chain for its customers.

Based on this and in order to consolidate its position in the **provision of added value**, Ence has defined a strategy that aims to decommoditise its product offering and provide a comprehensive value proposition to customers, satisfying their specific needs. To achieve this purpose, the company develops, in close technical collaboration with its customers, a range of differentiated products: adapted products (modified so that their properties are perfectly adjusted to the customer's needs) and **special products** (higher added-value products with specific and differential paper properties in the market, which help customers to improve the quality of their final products and optimise their production processes).

To define its added value proposition, in 2019, Ence launched the **Ence Advanced** brand, a result of years of work in market research, R&D&I and industrial and product development. Ence Advanced also serves as an umbrella for the products developed by the company, designed to meet the needs of specific paper segments.

The product development process is carried out in 8 phases, starting with the definition of the idea (based on the challenge to which the product aims to respond), passing through market and economic evaluation, industrial conceptualisation and, lastly, marketing. Behind the process is extensive research, development, market analysis and collaboration with customers to ensure that the final product will be perfectly adapted to the needs identified.

Pulp products that are at the marketing stage include:

Powercell, a unique short-fibre pulp product, which, due to its strength, can **replace long-fibre pulp** while maintaining the required mechanical properties. It is a cheaper alternative for customers and is more efficient in the use of natural resources, as it requires more long-fibre timber than short-fibre timber to produce the same amount of pulp. This product is used in specialties and tissue paper.

Naturcell, our unbleached pulp, in addition to offering high strength and quality, stands out for its **lower environmental footprint** compared to standard pulp. No bleaching chemicals are used during manufacture and the process requires less water and energy, thus generating fewer emissions. Naturcell can

be used in the manufacture of unbleached tissue paper (toilet paper, napkins) and in packaging to **replace plastics** (food packaging, etc.).

Ence also has **Naturcell Zero**, with **certified net-zero carbon guarantee**, which helps our customers reduce the carbon footprint of their products.

Closecell is a low-porosity product that has been optimised for application in barrier papers or labels as well as for the **replacement of plastic materials** in flexible packaging and food wrapping.

Due to its exceptionally low wet expansion, **Decocell** is particularly suitable and in demand for the production of materials as diverse as decor paper and food trays.

Ence also markets **Porocell** and **High White**, high-porosity and high-whiteness pulp products respectively, which can be used in filter papers, paper used on the outer layers of cardboard packaging, or high-quality printing and writing papers.

Some other products are still in the earlier stages of development, such as **Photocell**, with excellent performance for photographic papers; **Opacell**, which adds opacity to the paper without increasing the grammage; and **Softcell**, a pulp that gives tissue paper a softer feel without increasing the number of layers, which is more efficient and economical for customers.

Working with Our Customers in the Production of Sustainable Packaging

Ence has worked closely with the company **PackBenefit** (Valladolid) to launch a product on the European market based on sustainability and food safety that can replace plastic, made from natural fibres, compostable, and easily recyclable.

It includes **food trays**, intended for use in collective catering (such as school and work canteens) or for prepared food ('food-to-go'). Due to their unique characteristics, this product represents an innovation in a market that is growing steadily. There is currently a steady increase in demand for this type of product due to new lifestyles and awareness of responsible consumption. These can substitute products with plastic components and offer better performance. In addition, they are biodegradable, compostable and recyclable.

Specifically, it involves **Decocell** pulp, which belongs to the Ence Advanced series of special products, with properties that allow them to replace plastic and long-fibre pulp (materials which, until now, have been used to manufacture this type of food packaging) in multiple uses. The characteristics of this pulp allow the incorporation of sustainable and safe attributes in direct contact with food, as well as the capacity to maintain the contents in optimal conditions, thus avoiding **food waste** and reducing the **carbon footprint** of the final product.

Ence also continues to develop R&D projects related to the application of microcellulose and nanocellulose together with PackBenefit in this type of product. The purpose of these projects is to produce packaging with greater heat resistance and impermeability, which will make this type of tray more versatile and optimise food preservation.

Both companies are global pioneers in obtaining EPD (Environmental Product Declaration) certifications on their pulp and packaging, respectively, and are working to offer society sustainable alternatives within the framework of the implementation of the SUP (Single-Use Plastic) directive to reduce the impact of certain plastics on the environment.

Ence also works hand in hand with **LC Paper,** a Spanish company with nearly 140 years of experience that is committed to sustainability as the cornerstone of its strategic vision.

LC Paper manufactures paper of various grades and specifications for customers all over the world. Among its specialities is the production of tissue paper for large-scale distribution and catering: from toilet paper to hand towels or industrial towels. They also produce paper bags and packaging for the hotel and catering industry, food, or any type of trade, contributing to the **transition from the use of plastics to fibres of natural and renewable origin,** such as wood fibres.

Using Ence's **Naturcell** as raw material, an unbleached pulp product with an improved environmental footprint, LC Paper produces all types of **unbleached tissue and packaging papers**, which have high sustainability standards: lower consumption of wood, non-renewable raw materials, water and energy in the production process, and a lower carbon footprint, among others. These results are further endorsed by Naturcell's Environmental Product Declaration, the first product in this category to have this certification in the world.

'This new situation is an opportunity for great change. To address it, we need to consume less, less raw material, less energy; this is an opportunity for energy transition', says Joan Vila, CEO of LC Paper, advocate for the promotion of 'adaptation of industrial and consumer products'. *'It's a great opportunity'*, he stresses.

Naturcell's environmental profile, combined with LC Paper's unique manufacturing process, which uses proprietary technology to achieve high efficiency, gives the products produced within this alliance **unique sustainability features** that are highly appreciated in international markets. The demand for this type of paper is growing in countries such as England, Germany, Denmark and Sweden, where it is well established on supermarket shelves and is very popular.

Moreover, in an increasing number of applications, these pulp-based materials offer a sustainable alternative to the use of plastics in presentation and packaging. From dishes and products of large food chains to supermarkets, from fashion giants to luxury and small retail products, Ence and LC Paper's unbleached paper is gaining traction in the packaging sector due to its unique qualities compared to synthetic fibres.

Having an entire pulp production chain such as Ence's on national territory, from forest to factory, has allowed LC Paper to produce products with a smaller environmental footprint, and with *'impeccable'* logistics service, says Joan Vila, with which they have managed to open up new markets at a time when logistical impediments make other routes difficult. *'Adding up all the steps in the process, from start to finish, the result is a very important leap in terms of product sustainability'*, he sums up.

Certified Transparency

Ence not only pursues the objective of developing products with differential sustainability attributes, but also seeks to evaluate these attributes objectively and impartially and communicate them in a transparent manner.

To this end, in 2020, Ence was a pioneer in its sector by analysing the environmental profile of its products using Environmental Product Declarations (EPDs) as a tool, specifically the international EPD® system. EPDs are voluntary statements, verified and registered by independent bodies, which aim to provide transparent and comparable information on the environmental impact of the life cycle of Ence's products to its customers and the company's other stakeholders.

The EPD® system is a programme for environmental declarations based on the ISO 14025 standard, in which the environmental impacts of the product are identified and reported on the basis of a Life Cycle Assessment (LCA). In this LCA, the environmental impacts of the product throughout its life cycle are analysed in 12 categories, including resource depletion, fossil fuel use, impacts on ecosystems or water use.

Following the EPD® system, Ence has prepared and published the Environmental Product Declarations for the standard cellulose pulp produced in the Pontevedra biofactory (Encell TCF) and for the Naturcell unbleached pulp, produced in the same biofactory. These EPDs are public and are available at:

- ✓ Encell TCF: https://www.environdec.com/Detail/?Epd=20589
- ✓ Naturcell: https://www.environdec.com/Detail/?Epd=20588

During 2021, Ence worked together with Environdec to develop the Product Category Rule (PCR) for these environmental declarations. It also worked on the certification of other sustainability features of products, for example, by conducting a food safety risk analysis to facilitate clients' FSSC 22000 certifications or other food safety standards.

Markets and Final Products

GRI 102-6

In 2021, Ence's total sales of pulp products amounted to 996 KtAD. The main target markets for this production are in Europe, with Germany, Spain, Portugal and other Western European countries accounting for the majority of sales.

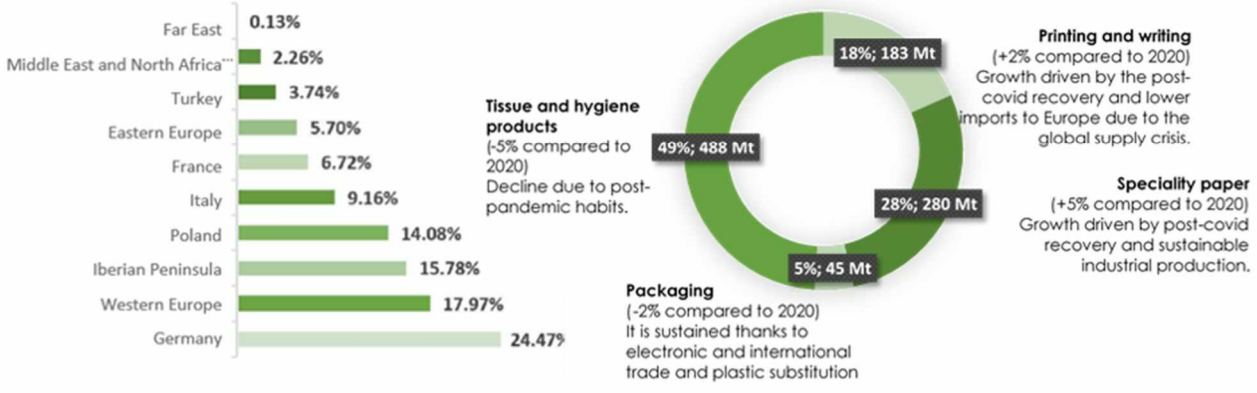
The fact that most sales are concentrated in markets geographically close to Ence's production sites gives the company a clear competitive advantage in terms of service. The proximity to the market and the 'just-in-time' logistics also allow Ence to maintain a very diversified customer portfolio with a great capillarity.

In 2021, most of Ence's sales were concentrated in the tissue paper segment, but the pulp the company produces is also destined for other segments, such as specialties, printing and writing (P&W) and packaging.

In terms of product range, **speciality products** have experienced strong growth in 2021, reaching 16% of the Group's total sales. This growth consolidates Ence's commitment to focus its commercial strategy on products with the highest

added value and a smaller environmental footprint. By promoting Ence Advanced products, our company is contributing to the transition from a linear consumption model to a circular economy and to the decarbonisation of sectors such as packaging manufacturing.

% of sales distributed geographically and by final products
GRI 102-6



Customer Relationship

Ence seeks to build long-term relationships of trust and partnership with its customers, based on collaboration and quality of service. Customer satisfaction is not only a marketing objective, but also a commitment included in Ence's own Code of Conduct. To achieve these objectives, in addition to guaranteeing excellent product quality and impeccable customer service, Ence considers it essential to maintain a **proactive and constant dialogue** with its customers in order to understand their concerns and needs. In this sense, Ence maintains various channels for interacting with its customers:

- ✓ **Regular visits** by Ence teams to customers' facilities to gain first-hand knowledge of their production process and their experience with the products. Reciprocally, they are invited to visit the company's production sites.

- ✓ **The customer site**, an online platform where Ence provides its customers with information of interest, such as shipment documentation (invoices, delivery notes and certificates of analysis), production quality parameters and management system or product certificates.

- ✓ **Annual opinion surveys** to formally obtain customers' opinions on the most relevant aspects of their business relationship, such as service, delivery time, product quality, sales department service or technical service. The responses are analysed within the framework of the Quality System and are used to set improvement objectives for customer satisfaction individually and globally.

- **Dialogue focused on sustainability**. Ence launched this dialogue initiative with customers in 2020, focused on sustainability aspects in order to understand their priorities and objectives and their expectations of the suppliers that form part of its supply chain, such as Ence. Some of the conclusions of the nine interviews conducted during 2021 were the great interest shown by customers in environmental and forestry certifications, as well as the commitment to products with lower emissions.

Complaints and claims management

Another component of guaranteeing optimal customer service and building a relationship of trust is to ensure that any complaints or claims are properly addressed and resolved.

In this regard, Ence has a system for recording and monitoring all possible incidents that serves as a basis for managing and responding to customer complaints and claims. This system is regulated by the internal procedure for customer non-conformities due to quality and, in addition to formal claims, complaints and all comments related to possible customer dissatisfaction with the service provided or the product delivered are also recorded.

In the event that the incident affects the fulfilment of guarantees or other aspects such as accidents caused by the product or service provided, extra costs, returns, etc., it is treated as a claim, otherwise, it is treated as a complaint or comment.

Through this system, a total of 33 complaints and 8 claims were registered in 2021 on a total of more than 9,000 pulp sales transactions.

Once an incident has been received, Ence prepares an 8D report. This report contains a detailed description of the problem, the containment actions implemented by Ence immediately, the root cause analysis, and the corrective and preventive actions defined so that the problem does not recur. The report also includes a list of the verification actions carried out by Ence to ensure that corrective and preventive actions have been implemented and are effective.

Collaborating with the Community

Strategy and areas of action

Ence has a clear commitment towards the development of society, especially in the areas where it operates. To materialise this commitment, the company aims to create a positive impact on the community and proactively respond to the expectations of the different stakeholders with whom it has a relationship.

Objective	Lines of action	Objective 2021	Performance in 2021
100% of the communities with relationship plans	Establishment of stable dialogue and listening systems with local interest groups	600 online visits 15 meetings with stakeholders 6 Focus Groups 12 Interviews	✓
	Ensuring social legitimacy to operate: active and transparent communication with communities	Reduce the number of complaints by 10%.	✓
	Environmental impact investment	16,000 beneficiaries	✓

Creating value in the environment

GRI 203-2, GRI 413-1

Ence's activity significantly boosts job and value creation for the areas where it operates, as the company is committed to hiring local employees and suppliers. In addition, forest area policies and the establishment of long-term relationships with suppliers and industrial partners make Ence an important player that stimulates and contributes to **preventing the deindustrialisation and depopulation of the rural world**.

Thus, in 2021, Ence worked with more than 5,600 suppliers, of which more than 95% were local, and the volume of its purchases amounted to more than 829 million euros. Of these, 92.1% went to local suppliers.

It is also estimated that **around 19,000 families** depend directly and indirectly on Ence's activity as a whole, including its employees at the different centres, the jobs it generates through its industrial, logistics, and transport contracts, and the jobs it generates in the forestry and agricultural sectors.

Ence is also an important centre for the professional development of young people in the regions in which it operates, as it facilitates their incorporation into work through the Talent Programme and agreements with various local councils, in which it undertakes to prioritise the recruitment of local staff.

Socio-Economic Impact of the Financial Year 2021

Nearly 19,000 'Ence families'

- Biofactories: approx. 12,000 jobs
  - Approx. 5,000 jobs in PO
  - Approx. 7,000 jobs in NA
- Power Plants: approx. 6,700 jobs
  - Approx. 3,500 jobs in HU
  - Remaining plants: approx. 3,200 jobs

More than 1,000 people are directly employed by Ence:

- Biofactories: 846 employees
  - 409 PO employees
  - 437 NA employees
- Power Plants: 223 employees
  - 151 HU employees
  - 72 employees in the remaining plants

More than 14,000 are indirect industrial and logistics jobs.

- Biofactories: approx. 11,200 jobs
  - Approx. 4,700 positions in PO
  - Approx. 6,500 positions in NA
- Power Plants: approx. 3,000 families
  - Approx. 1,500 positions in HU
  - Remaining plants: approx. 1,500 positions

More than 2,900 companies are forestry or biomass companies

- Biofactories: 2,200 companies
- Power Plants: 700 companies

More than 950 trucks per day:

- Biofactories: 560 trucks per day
  - Approx. 250 per day in PO
  - Approx. 310 per day in NA
- Power Plants: 410 trucks per day
  - Approx. 180 per day in HU
  - Remaining: approx. 230 per day

More than 829 million euros earmarked for suppliers

- 226 million euros for the forestry sector
- 77 million euros for the biomass sector
- 526 million euros for the industrial and logistics sector in all centres.

For the analysis of employment generation in the biofactories, Ence uses the data of its workforce and the estimates of the socioeconomic impact report carried out by KPMG in 2013, updated where appropriate according to the activity data for the year. For independent power plants, Ence uses data from its workforce and calculates the employment generated based on the employment generated/MW installed ratio from the Study on Macroeconomic Impact of Renewable Energies in Spain 2020 conducted by APPA.

Relationship with the communities

Ence is aware that the local communities are the stakeholders closest to its activity, so the company has made it a priority under its Sustainability Master Plan to maintain a close, transparent and committed relationship with them.

In addition to generating value through its own activity, Ence aims to contribute proactively to the socio-economic development and environmental improvement of the communities closest to it, as well as guaranteeing respectful coexistence, avoiding any type of nuisance or negative impact derived from its activities.

To this end, the company works along several lines: on the one hand, it maintains channels of dialogue with the community to learn first-hand about their expectations of the company and, on the other, it establishes collaboration agreements with local councils and other groups to actively promote the improvement of the quality of life in the communities.

Dialogue and Transparency

Ongoing dialogue and transparency with stakeholders are two of the cornerstones of Ence's community relations strategy. Thus, the company keeps different **dialogue channels** open, from institutional meetings with administrations, to meetings with social entities, neighbourhood associations, and other representatives of society. At these meetings, Ence transparently conveys its commitments to improving the environmental performance of its facilities and the development of the community, and takes note of the concerns and suggestions for improvement that these groups share with it. In this context, Ence also presents its projects and plans for the future, in order to take into account the perspective of its stakeholders in its implementation.

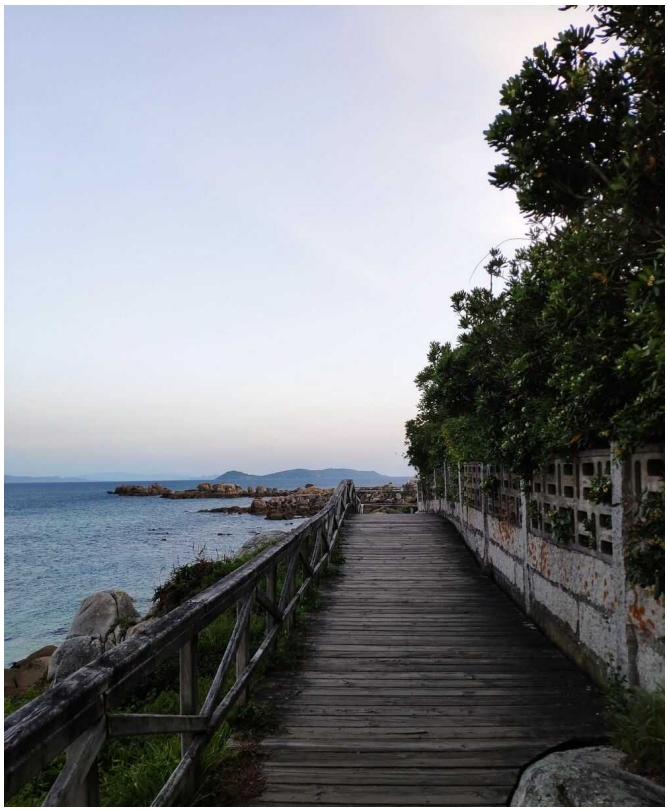
For example, throughout 2021, **meetings** were held in this area with neighbourhood associations such as Armental and San Esteban (Coaña), and regular meetings were held with the town councils of San Juan del Puerto (Huelva) and Navia to monitor the projects developed within the framework of the agreements signed with these administrations.

It is also a priority for Ence to increase awareness of its activity among its stakeholders, which is why the company organises **visits to its operations centres** with a special focus on students. As was already the case in 2020, in 2021 these visits have been organised virtually as a result of the pandemic. Throughout this year, Ence has increased the number of visits, exceeding 750 at its centres in Navia, Pontevedra and Huelva.

Ence also carries out **specific listening and dialogue projects** with its stakeholders as part of its stakeholder engagement strategy. In this sense, in 2021, a dialogue project was carried out with stakeholders in the forestry sector in Northern Spain, including forest owners and associations, academics, public administration representatives and other actors in the sector, in which more than 20 virtual interviews were conducted. Ence also launched a dialogue project with the local administrations of the Andalusian municipalities where it is developing photovoltaic projects, which will continue in 2022.

In addition to these initiatives, Ence has a fluid and proactive relationship with the local, regional, and national **media** to communicate relevant information about the company, with a special focus on its commitment to sustainability. As proof of this, in 2021, more than 115 pieces of content were launched in the media related to Ence's sustainability performance.

In addition to these proactive dialogue exercises, Ence also maintains permanently open **communication channels** for its stakeholders, through e-mails and contact telephone numbers at its facilities. Through these channels, Ence answers enquiries and communicates directly with neighbours in the vicinity of the facilities to inform them of any operational aspects that may have an impact on them. In fact, the number of complaints received by neighbours is one of the KPIs that the company closely monitors and for which improvement objectives are set. In 2021, Ence received a total of 24 complaints, most of them about odour or noise. The company is committed to providing immediate and appropriate responses to these complaints, which this year have been reduced by 35%, thus improving on the previous year's figure and exceeding the established target.



A Committed Neighbour

In addition to maintaining an open and transparent relationship with its stakeholders in general and its neighbours in particular, Ence promotes the development of the communities in which it operates, helping to improve their quality of life and supporting social, environmental and cultural initiatives.

To this end, Ence has signed and annually renews several **collaboration agreements** with local councils, such as Navia and San Juan del Puerto, each with an annual budget of 100,000 euros. Within the framework of these agreements, Ence supports projects in different areas such as:

- ✓ Environmental care and recovery
- ✓ Promoting employability, entrepreneurship, and combating social exclusion
- ✓ Promotion of culture and sports

In 2021, Ence also extended the deadline for completing the beneficiary projects of the third edition of the **Ence Pontevedra Social Plan**, the largest social initiative of the company, with the investment of 3 million euros per each edition for social, environmental, or sports-related projects, as well as projects that promote entrepreneurship or are aimed at fighting social exclusion, among others. In addition to adapting the deadlines, Ence also established flexibility measures to adapt the beneficiary projects to the current global health situation. The amounts allocated to each line of action and the type of beneficiary projects for all editions of the Plan are available on the www.plansocialence.es website.

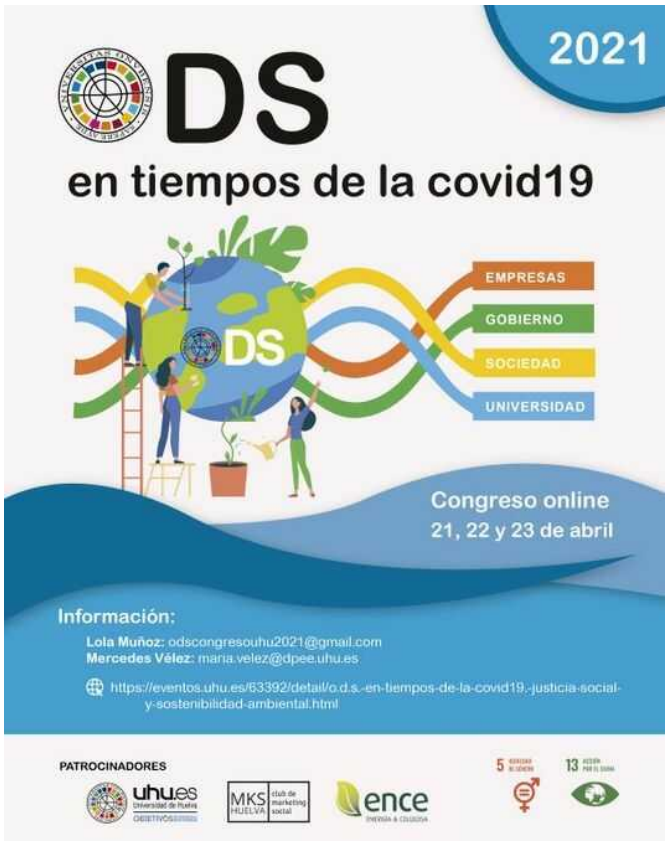
The plan as a whole and the agreements with local councils will have more than 45,500 beneficiaries in 2021 in the areas of Navia, Pontevedra, and Huelva.

Similarly, Ence also promotes **volunteering and social action** initiatives in its surroundings with the participation of company employees, such as environmental actions and fundraising campaigns for charitable purposes, together with social organisations.

In this regard, it is worth highlighting the biodiversity protection action aimed at fighting the Asian wasp in the area surrounding the Navia biofactory, organised by the Coaña Town Council, in which Ence volunteers participated. The volunteers received information on this invasive species and its impact on the biodiversity of the area, as well as on the most effective trapping methods and collaborated in the installation of traps to prevent the spread of the wasp in western Asturias.

Likewise, as every year, during the Christmas campaign, different volunteer activities are organised in collaboration with social associations, such as 'Encendamos la Navidad', for the collection of toys for families with limited resources and the donation of Christmas baskets in Pontevedra, or the 'Reyes Magos de verdad' campaign in the Madrid offices.

In addition to these actions, Ence also collaborates in dissemination and awareness-raising activities focused on environmental and sustainability aspects. In this regard, it is worth highlighting that, in 2021, the company collaborated with the University of Huelva with the sponsorship and participation of the SDG in times of Covid Conference. Ence also supports initiatives to **promote employability** by participating in forums such as the Oviedo University Employment Forum and the Vigo Employment Forum. It also organises lectures in educational centres and collaborates in inclusive employment programmes.



Institutional Relations

GRI 102-12

Ence also maintains a close and collaborative relationship with local, regional and national institutions in the company's three areas of activity.

Institutional relations in the forestry sector

In 2021, Ence continued working towards engaging in an open and constructive dialogue with the main stakeholders in the forestry world, such as sectoral associations from all links in the forestry value chain, environmental organisations, academic experts, administrations, professional associations and other non-profit entities on the growing value that forests contribute to society.

Ence is working in this direction with the aim of establishing a common long-term vision to overcome the structural problems of smallholdings and rural abandonment, and to develop joint efforts to achieve it, promoting active forest management that will lead to a more valuable, competitive and sustainable forest territory.

In the field of the **Galician forestry sector**, Ence works passionately 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. As a result of this work, significant contributions have been made jointly for the preparation of the Galician Forestry Plan, many of which have been included in the document finally approved in 2021.

Ence is a member of the Galician Wood and Design Cluster, the Forest-Industry Association and the Provincial Association of Businessmen of the 1st 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.

Also in Galicia, Ence has participated in the revision of the Agenda for the Promotion of the Forestry Industry carried out in 2021 and promoted by the XERA (Galician Agency for the Forestry Industry), focused on supporting the Galician forestry industry through competitiveness and innovation. Ence also worked in its original definition at the time. Ence forms part of its Monitoring Committee with other relevant companies and associations.

In **Asturias**, Ence works to strengthen the forestry sector and increase the value it creates, maintaining continuous and systematic contact with the various forestry associations of owners, service companies, auctioneers and the industry, especially within the FADE (Asturian Federation of Entrepreneurs) Forestry Board that became part of the Asturias Forestry Council, of which it is a member. During 2020 and 2021, important joint work has also been carried out by the sector to make valuable contributions to the revision of the Asturias Forestry Plan currently underway, in which collaboration will continue during 2022.

Ence also maintains a fluid relationship with the Principality's Forestry Administration and is committed to the technological development of the sector through its participation as vice-president of the Board of Trustees of CETEMAS (Asturias Forestry and Timber Technology Centre), one of the national benchmark centres.

Ence also participates in joint projects to develop the sector, such as the operational group to improve the sustainability and productivity of *Eucalyptus globulus* in Asturias, completed in 2021, in which tools were developed to enable forest owners to improve eucalyptus cultivation, with PROFOAS (Association of Forest Owners of Asturias), ASMADERA (Association of Forestry, Wood and Furniture Businesses of Asturias), CETEMAS (Business Association of Forestry and Environment of Asturias) and the Asturian companies Coviastur and FORESMA.

Institutional relations in the energy and paper sectors

Ence belongs to the main industry associations in these two sectors, such as the Spanish Association of Pulp, Paper and Cardboard Manufacturers (ASPAPEL). As a member of ASPAPEL, Ence also participates in various committees of The Confederation of European Paper Industries (CEPI), including the Forestry committee and the European Union's taxonomy for sustainable activities working group.

In the energy sector, Ence belongs to associations such as APPA (Association of Renewable Energy Companies), where it holds the presidency of the biomass area, and ACOGEN (Spanish Association of Cogeneration).

In 2021, Ence also joined the Spanish Biomass Platform, Bioplat, a national non-profit organisation whose objective is the sustainable development of biomass and the bioeconomy.

Participation in events

For yet another year, Ence has participated in multiple forums organised by both public bodies and the media, in accordance with the protocols arising from the health crisis.

Among them, it is worth mentioning the participation of

Ence's Chairman as a guest speaker at the Senate's Ecological Transition Commission, where he presented the company's vision of how the decarbonisation of the Spanish economy is fully compatible with economic sustainability, ecological sustainability and supply safety. It is also worth mentioning his participation in the Galician celebration of the 35th anniversary of the newspaper *Expansión*.

Ence was also present in COP26, held in Glasgow, through the participation of its Managing Director of Independent Energy Plants, specifically at the meeting organised by the CEOE under the title 'A business perspective on COP26' with high-level experts to address the present and future role of companies in the fight against climate change.

Tax contribution

GRI 207-1, GRI 207-2, GRI 207-3, GRI 207-4

Ence adds value to society by contributing through responsible tax action to supporting public duties in those territories in which it operates through the payment of its taxes. Thus, Ence expressly undertakes to comply with tax regulations in all the territories in which it carries out its business activities, promoting responsible taxation and encouraging the prevention of and fight against fraud.

Tax governance

Ence's Tax Policy reflects the company's commitment to good tax practices through the following principles:

- ✓ Principles of accountability and comprehensiveness
- ✓ Principle of prudence
- ✓ Principle of collaboration
- ✓ Information for the Board of Directors
- ✓ Principle of contribution

This Policy also establishes the **good tax practices** that Ence must apply to implement the principles of action in its day-to-day business. Good practices fall into three broad areas:

- ✓ Tax risk prevention
- ✓ Relations with Tax Authorities
- ✓ Information for the Board of Directors

Following the principle of collaboration, Ence maintains a cooperative relationship with the various **Tax Authorities** with which it interacts as a result of its activity, based on the principles of transparency and good faith. Ence also promotes transparent, clear and responsible communication of its main tax figures to its various stakeholders.

Regarding **governance bodies** in charge of supervising, Ence's Board of Directors is empowered to formulate the Company's tax strategy, determine its tax risk control and management policy and approve its Corporate Policies.

The Audit Committee supervises the effectiveness of the Company's internal control and Ence's internal control and tax risk management systems. This Committee reports to the Board on the tax policies and criteria applied by the Company during the year and, in particular, on the degree of compliance with the Corporate Tax Policy. Likewise, in the case of transactions or matters that must be submitted to the Board for approval, it reports on their tax consequences when they are a relevant factor.

The General Financial Management, through the Corporate Tax Team, is responsible for ensuring the correct application of the company's tax policy, as well as for the identification and management of possible associated risks. Periodically, and at least twice a year, the Corporate Tax Team reports to Ence's Audit Committee on the group's performance in tax matters.

Responsible Taxation

Ence is not present in any territory qualified as a tax haven—according to the criteria of the Spanish Tax Agency (list RD 1080/91, updated in 2013, and RD 116/2003), the EU black/grey list of tax havens (February 2020), and the Financial Secrecy Index (FSI) (2015)—nor in EU countries known to engage in harmful practices (2018).

Ence does not operate in territories considered by the CSR Observatory as low-taxation territories. Ence has shareholdings in Uruguay linked to the Punta Pereira project, which was sold in 2009. These companies are totally inactive, have no relevant assets or employees, and are currently in the process of being dissolved

Tax Transparency

Ence promotes transparent, clear and responsible communication of its main tax figures by informing its different stakeholders of the tax contribution in the different jurisdictions in which it operates.

Below is a breakdown of the information related to corporate income tax and the result obtained in the various tax jurisdictions in which it is present:

Tax contribution				
Tax Jurisdictions	Spain	Portugal	Uruguay	Total
Number of resident entities	36	1	2	39
Number of Employees (31/12/2021)	1,131	2	0	1,133
Revenue from sales to third parties (thousands of €)	818,497	1,178	0	819,675
Revenue from intra-group transactions between and with other tax jurisdictions (thousands of €)	34	6	0	40
Tangible assets other than cash and cash equivalents (thousands of €)	1,002,354	84	124	1,002,562
Corporate income tax settlement	Spain	Portugal	Uruguay	Total
Accounting result before tax (thousands of €)	-191,918	-571	-50	-192,539
Net amount (Tax on profit paid) (thousands of €)	8,711	9	0	8,720
Profit tax (expense / (income))	Spain	Portugal	Uruguay	Total
Current tax (thousands of €)	8,219	0	0	8,219
Deferred tax (thousands of €)	1,201	0	0	1,201
Effective rate *(2) (%)*	21%	21%	25%	
Nominal rate (%)	25%	21%	25%	

(1: The permanent establishment in Argentina is included)

(2): The difference between the effective rate and the nominal rate is due to deductions [R&D and environmental])

Most of Ence's activities are carried out in Spain. A breakdown of ENCE's direct and indirect tax contribution in 2021 by Autonomous Community is provided below:

Direct and indirect tax contribution by Autonomous Community.	**Spain**						**Portugal**	**Total**
Thousands of €	Galicia	Asturias	Andalucía	Extremadura	Castilla-La Mancha	Madrid	Portugal	Total
Property Tax	136	25	420	16	99	0	0	696
Trade Tax	322	241	612	15	49	0	0	1,239
Fees	1,730	119	71	12	2	0	0	1,933
PTT and Stamp duty	0	0	2	0	0	0	0	2
Environmental levy	1,616	349	434	44	194	0	0	2,637
Corporate Income Tax	157	0	1,427	111	953	6,063	9	8,720
Tax on electricity generation	905	2,151	3,894	779	1,531	0	0	9,260
IH purchase of fuel	169	151	0	0	0	0	0	320
Special taxes on energy purchasing	329	450	47	5	9	0	0	841
Social security contribution	5,685	6,268	1,781	343	102	1,322	0	15,500
Withholdings	4,597	5,506	4,104	251	121	3,629	4	18,213
VAT	601	29,135	20,814	2,946	4,849	178	57	58,579
Special taxes on energy sales	0	0	103	2	9	135	0	249
Social security - worker	1,162	1,274	362	70	19	262	0	3,149
Total	17,408	45,670	34,070	4,593	7,938	11,588	70	121,337

Grants

GRI 201-4

Grants

Project title	Company	Site	Amount of aid	Agency
Power-intensive consumers. 2021 Meeting	ENCE	Pontevedra	699,869	Ministry of Industry, Trade and Tourism
Power-intensive consumers. 2021 Meeting	CEASA	Navia	628,798	Ministry of Industry, Trade and Tourism
Highly efficient pump and fan drives	CEASA	Navia	258,525	IDAE.
Eucalyptus Globulus Productivity	CEASA	Forestry	27,575	Rural Environment Ministry. Principado de Asturias

Details of Ence Group companies can be found in Annex II (other indicators) of this report.

Ensuring responsible governance

Commitment to good governance

Ence's Board of Directors is fully committed to articulating a comprehensive, transparent and effective corporate governance system that allows the company's governance bodies to be structured in such a way as to protect the interests of shareholders and other stakeholders and to generate long-term value.

To this end, the company conducts a continuous analysis of existing governance recommendations and best practices in the market, as well as of the expectations communicated by shareholders, investors, ESG analysts and proxy advisors. This ongoing assessment enables Ence to adopt the best governance principles and recommendations applicable to benefit its stakeholders.

The consideration of good corporate governance as a priority issue for Ence has led the Board of Directors to integrate it as one of the pillars of the 2019-2023 Sustainability Master Plan. In this way, good corporate governance is a strategic pillar on which the decisions of the company's governance bodies are based.

Main lines of action in the area of good governance

In accordance with this commitment to good governance, Ence's Board of Directors has maintained its focus in 2021 on the following lines of action:

1. Maintaining an effective and up-to-date internal body of regulations

In 2021, the company worked on the preparation and adaptation of its internal regulations to the Limited Companies Act, in accordance with the provisions of Act 5/2021, dated 12 April, approved by Royal Legislative Decree 1/2010, dated 2 July, and other financial regulations, regarding the promotion of long-term shareholder involvement in listed companies (**'Act 5/2021'**).

The revisions proposed in the amendments made during financial year 2021 will be submitted to the 2022 Annual General Meeting of Shareholders for approval.

The Ence Board of Directors has also carried out:

- ✓ The approval at its November meeting of the Corporate Health and Safety Policy.
- ✓ At its December meeting, it approved the Related Transactions Policy in order to establish a generic framework for their identification, management and approval, in accordance with the provisions of Act 5/2021. The meeting also approved the update of the Criminal Compliance Policy and the Whistleblower Channel Procedure.

The amended policies and procedures have been made available to shareholders and other stakeholders on Ence's corporate website.

2. Ensuring that the composition of the governance bodies is adapted to the company's needs

GRI 102-27

Following the practice recommended by the CNMV in its Technical Guide 1/2019 on appointments and remuneration commissions and by the proxy advisors consulted by the company, in 2020, and following a favourable report from its Appointments and Remuneration Commission, the Ence Board of Directors approved the competency matrix for its members. The competency matrix has proven to be an effective tool for the Company as it allows it to determine the appropriate experience and knowledge at management level, as well as to address in a structured way the identification and selection processes of the most suitable profiles.

Competencies / Members of the Board	Business				Corporate areas				Other			
	Pulp / Forestry	Agricultural	Renewable Energies.	Industrial	Senior Management*	Accounting/Finance/Risks	Legal / Corporate Governance / Compliance	Digitisation / IT	Sustainability / Environment	Human Capital / Talent Management / Remuneration	International experience	Experience on the boards of listed companies and investor relations
Ignacio de Colmenares	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
María Paz Robina				✓	✓	✓	✓		✓	✓	✓	
Javier Arregui	✓	✓			✓							✓
Óscar Arregui	✓	✓										
Victor Urrutia			✓	✓	✓	✓					✓	✓
José Ignacio Comenge	✓	✓		✓	✓	✓			✓	✓	✓	✓
Gorka Arregui				✓	✓	✓	✓					
Isabel Tocino			✓		✓	✓	✓		✓	✓	✓	✓
Rosa Maria Garcia			✓	✓	✓		✓		✓		✓	✓
Irene Hernández					✓	✓	✓			✓	✓	✓
Amaia Gorostiza				✓		✓				✓		
José Guillermo Zubía Guinea				✓	✓	✓	✓		✓	✓		
Fernando Abril-Martorell	✓	✓		✓	✓	✓	✓	✓		✓	✓	✓

*including management, strategy, corporate operations, business development, capital market

According to Ence's competency matrix, the company's Board of Directors covers the skills necessary for the proper development of the strategic objectives, including skills in the company's core businesses, as well as in other necessary areas such as sustainability, industry, legal, finance, risk management or team management.✓

In 2021, Ence continued to incorporate subjects into its Directors' Knowledge Update Programme.

This programme enables directors to keep abreast of issues that are relevant to the Company and the environment in which it operates. In 2021, special emphasis has been placed on ESG aspects (European Taxonomy of Sustainable Activities, Renewable Energy Directive) and Cybersecurity.

This programme joins Ence's existing Welcome Programme to introduce new directors joining the company to the internal regulations and general rules regarding the functioning of the governance bodies.

3. Having diverse governance bodies in place

The above measures to identify and update the skills of directors decisively contribute to fostering the presence of diverse profiles in terms of knowledge and experience on Ence's Board of Directors, and therefore to the enrichment and breadth of deliberations and the certainty of decisions. Likewise, gender diversity within the Board of Directors has been one of the priorities in the refreshment process of the Board and its Committees.

The presence of women on Ence's Board of Directors has increased from 7% in 2017 to 38% in 2021, with all committees, except the executive commission, chaired by independent female directors.

Along the same line, the company continued focusing on achieving the goal set in 2020 as established in its Director Selection Policy, for the purpose of ensuring that, by 2022, the number of female directors represents at least 40% of the total number of board members, and to adopt measures which encourage the company to have a significant number of female senior managers.

Ence's efforts over the last few years to promote equality have earned it a place on the **Ibex Gender Equality** Index, the first index to measure the presence of women in management positions in Spanish companies. The company thus ranks among the top 30 companies in terms of equality. The Ibex Gender Equality is composed of those listed securities which, being components of the Madrid Stock Exchange General Index (IGBM), have a presence of women on the Board of Directors between 25% and 75%, and a presence of women in senior management between 15% and 85%.

4. Governance bodies focused on managing ESG issues

Ence's Board of Directors maintains a proactive approach to integrating environmental, social and good governance issues into its strategy, with a clear commitment to the creation of sustainable and shared value with stakeholders. The Sustainability Commission has established itself as a permanent body that has dealt in depth with a wide range of issues throughout the year, strengthening the vision of ESG perspectives in the Board. That is why, in 2021, it was proposed to include the regulation of the Sustainability Commission, created in 2018, in the Articles of Association, the amendment to which will be submitted for approval at the General Shareholders' Meeting in 2022.

Ownership structure

GRI 102-5

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, 4ª, 28040, Madrid. Ence's share capital and number of shares are:

Share capital (€)	221,645,250
No. of shares	246,272,500
No. of voting rights	246,272,500

By 31 December 2021, Ence's shareholder structure was as follows:

Shareholder	% on 31/12/2021
Mr Juan Luis Arregui/Retos Operativos XXI, S.L.	29.44
Mr Víctor Urrutia/Asúa Inversiones, S.L.	7.29
Mr Jose Ignacio Comenge/La Fuente Salada S.L.	6.38
Treasury stock	1.59
Board members with participation < 3%	0.55
Free Float	54.75
Total	100

Relationship channels with shareholders

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 responsible for Ence's regular and permanent communication with the different capital market agents: shareholders and equity investors, bondholders and fixed income investors, financial brokers and analysts, credit rating agencies, etc. Its main objective is to keep the different market agents adequately informed about the financial situation, management development, business strategy and any other relevant fact related to the Company, ensuring the integrity, accuracy, 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.

Another communication channel is for the presentation of quarterly results to financial analysts. They are broadcast live and access to the recordings is provided 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 communication of privileged information and other 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.

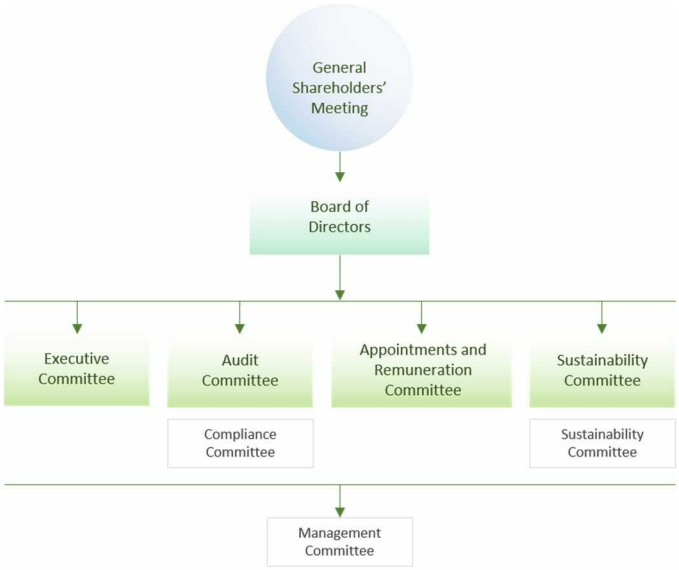
The Investor Relations Department also deals with queries from shareholders, bondholders, institutional and private investors, financial analysts and other market agents on a permanent and individual basis by e-mail, ir@ence.es, and on the shareholder's telephone line (+34 91 337 8553). In 2021, the Investor Relations department handled over 150 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.

Composition and functioning of the governance bodies

GRI 102-18, GRI 102-19, GRI 102-20, GRI 102-21

Ence's governance bodies are 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 Commission. 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.

General Shareholders' Meeting

The General Shareholders' Meeting represents all of Ence shareholders and has the powers provided for by law, in the Articles of Association and in the Regulations of the General Shareholders' Meeting (see direct access to the internal regulations at the following link on the corporate website).

All of 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.

The Ordinary General Meeting of Shareholders was held on 26 March 2021, and the following resolutions were adopted there:

- ✓ Approval of the annual accounts and of the directors' report of the company and of its consolidated group
- ✓ The approval of the consolidated statement of non-financial information (2020 Sustainability Report)
- ✓ Approval of the proposal for the allocation of the result of the financial year
- ✓ Approval of The Board of Directors Management
- ✓ Re-election of Ms Rosa García Piñeiro as independent director, appointment of Mr Óscar Arregui Abendivar, Mr Gorka Arregui Abendivar and Mr Javier Arregui Abendivar as proprietary directors, ratification of the appointment of Mr José Ignacio Comenge as proprietary director and the appointment of Ms María Paz Robina Rosat as an independent director.
- Appointment of KPMG as the auditors of the company and of its consolidated group.
- Delegation of powers to interpret, supplement and formalise the agreements
- Advisory vote on the annual report on remuneration for directors for 2020.

The average percentage of votes in favour of the agreements was 95.5%.

As a result of the crisis generated by the COVID-19 pandemic, and in order to ensure the security of shareholders and all participants at the General Meeting, the event was held exclusively online. Ence provided the necessary electronic means to ensure that all shareholders could fully exercise their rights of attendance and participation, delegation, voting and information.

Everything was handled in accordance with the provisions of the regulations approved by the Government in relation to the state of emergency, as well as with the provisions of the Articles of Association for remote attendance at the general meeting. In particular, the following measures were taken:

- ✓ Approve and publish on the corporate website the necessary electronic mechanisms to enable shareholders to attend, grant proxies and cast their votes remotely by electronic means during the general meeting with the necessary guarantees to ensure their identity.
- ✓ Extend the deadline for shareholders to exercise their right to information, proxy and vote prior to the Shareholders' Meeting until 12.00 a.m. of the day prior to the date scheduled for the holding of the meeting at second call, both by post and by electronic means.
- ✓ Live broadcast of the General Meeting to be followed on the corporate website by all stakeholders.

In addition, since the call to the General Meeting, the Electronic Shareholders' Forum was set up on the corporate website, which can be accessed - in accordance with the applicable regulations - by both the shareholders and the voluntary associations constituted and registered in the special register which was set up for this purpose at the National Securities Market Commission.

Board of Directors

GRI 102-22, GRI 102-23, GRI 102-26, GRI 102-29, GRI 102-30, GRI 102-31, GRI 102-32

Functions

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 others:

- ✓ 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 in the short, mid and long-term.
- ✓ 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
- ✓ The approval and publication of financial and non-financial information

Composition:

The Board of Directors has an efficient and diverse composition:

- ✓ 38% of directors are independent
- ✓ One of the independent directors is the coordinating director
- ✓ 38% of Board members are women
- ✓ The average age of the directors is 60
- ✓ The average length of service on the Board is 5.1 years

The Independent Coordinating Director

In accordance with Recommendation 34 of the Unified Code of Good Governance, at Ence, the functions attributed to the Independent Coordinating Director extend to aspects additional to those that legally correspond to them.

In particular, it is the Coordinating Director's 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 proposals and opinions 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.

Main issues addressed in 2021

The Board dealt with the most relevant issues for the proper management of the company, among others:

- ✓ Analysis of the impacts of the rulings of the National High Court annulling the extension of the concession of maritime-land public domain on which the Pontevedra biofactory is located.
- ✓ Strategic reflection. Monitoring of the 2019-2023 Strategic Plan, update and approval of investments and budget. Analysis of strategic challenges in sustainability.
- ✓ Approval of the procedure for and provision of the means for holding the General Shareholders' Meeting online. Drawing up of the annual accounts and approval of the necessary reports to make them available to the ordinary general meeting.
- ✓ Review, reporting and, where appropriate, approval of corporate transactions.
- ✓ Update of the risk map.
- ✓ Update of the Sustainability Master Plan 2019-2023 and approval of the 2022 sustainability objectives.
- ✓ Updating the Crime Prevention Model and the Criminal Compliance Policy. Approval of the Health and Safety Policy and the Related Transactions Policy.

Review of the organisation and talents of the Management Committee. Review of succession or contingency plans. Analysis of the markets in which the company operates and preparation of the necessary forecasts. Regular information from the company's top executives on the evolution of the businesses for which they are responsible.

Ence's Board of Directors

1 Chief Executive Officer

5 Independent Directors
1 Coordinating Director

5 Proprietary Directors

2 Other External Directors

Selection and assessment

GRI 102-24, GRI 102-28

The selection of candidates which will join Ence's Board of Directors follows the procedure and principles established in the Policy for the Selection of Directors and Diversity in the Composition of the Board, which is available on the corporate website.

The last update of this policy took place in 2020, with the incorporation of the new diversity objectives established by the CNMV in the Good Governance Code. Among the main objectives of the aforementioned policy is having the number of female directors represent at least 40% of the total number of board members by 2022, as the percentage reached 38% in 2021, as well as the incorporation of measures to encourage the company having a significant number of female senior managers.

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.

The assessment of the Board follows the mechanism set out in Article 19a of the Board of Directors' Regulations. The results of the 2021 annual self-assessment led to an action plan with measures including, among others, intensifying training activities through the Knowledge Refresher Programme in force and enhancing the interaction of the Board and Committees with senior management.

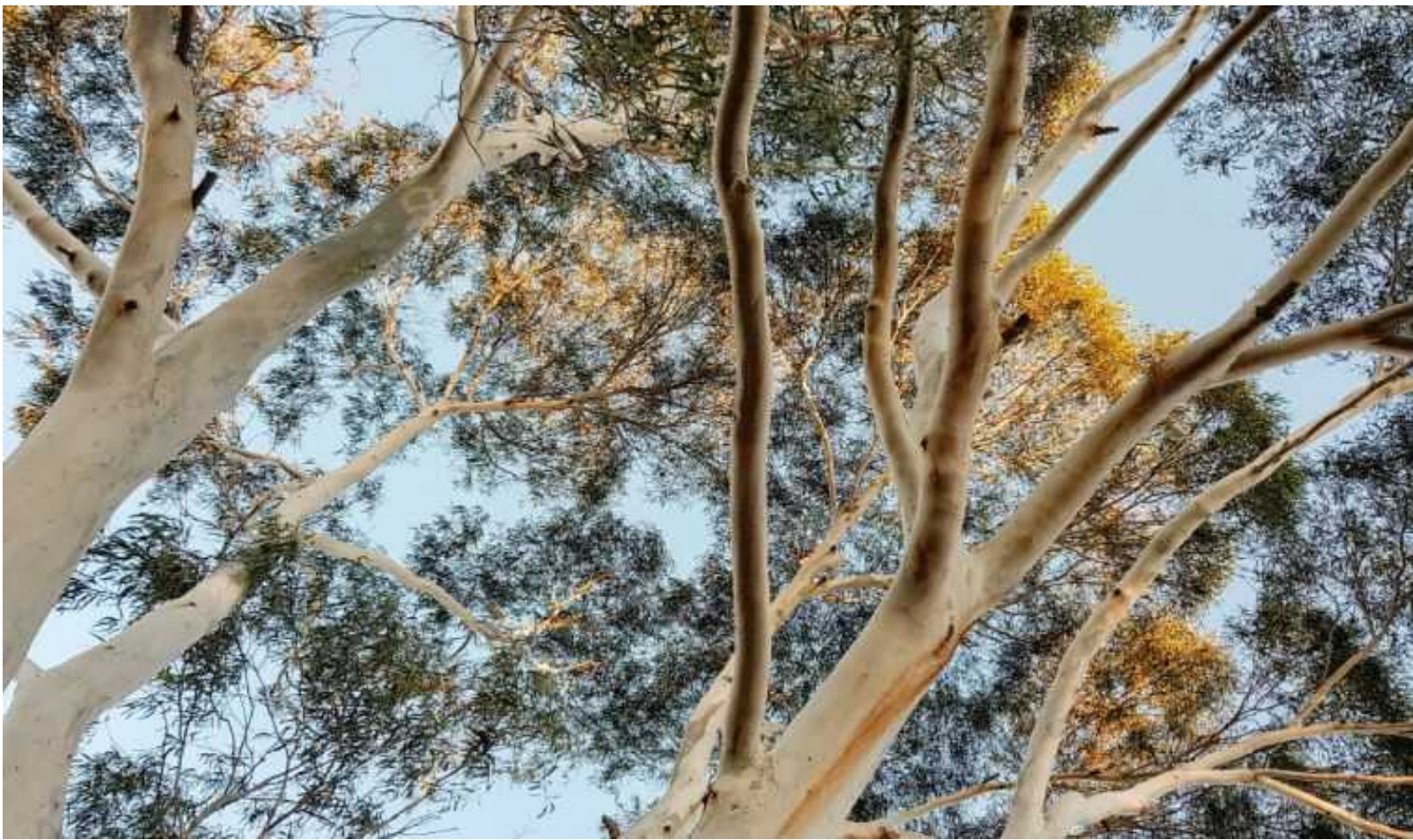
Remuneration:

GRI 102-35, GRI 102-36

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

The current Remuneration Policy 2020-2022 was approved by the company's shareholders at the General Meeting held on 30 March 2020, with 96.87% of votes in favour. The full text of the policy is available on the corporate website. 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 (non-financial) sustainability objectives account for 15% of the executive director's short-term variable remuneration and for 25% of the long-term variable remuneration.



Committees

The following table contains the most relevant information on the composition of the four committees of Ence's Board of Directors. The powers of each of the committees are detailed in articles 16 et seq. of the Regulations of the Board of Directors.

Details of these functions can also be found in the Annual Corporate Governance Report 2021.

		2021 Committees composition and meetings			
Directors	**Legal category Council**	**Executive Commission**	**Audit Committee**	**Appointments and Remuneration Commission**	**Sustainability Commission**
Mr Ignacio de Colmenares	Chief Executive Officer	C			
Ms Irene Hernández	Independent Coordinating Director	M	C		
Mr Javier Arregui	Proprietary Director			M	M
Mr Óscar Arregui	Proprietary Director	M	M		
Mr José Ignacio Comenge	Proprietary Director	M			
Mr Gorka Arregui	Proprietary Director	M			
Mr Víctor Urrutia Vallejo	Proprietary Director				M
Ms Isabel Tocino	Independent Director		M	M	
Ms Rosa Maria Garcia	Independent Director		M		C
Ms Amaia Gorostiza	Independent Director			C	M
Ms María Paz Robina	Independent Director			M	
Mr Fernando Abril-Martorell	Other External Director	M		M	
Mr José Guillermo Zubía Guinea	Other External Director	M	M		M
% of women	38%	14%	60%	60%	40%
% of independent ones	38%	14%	60%	60%	40%
Independent Chairperson			✓	✓	✓
2021 Meetings	15 (Board)	13	8	6	5
% attendance	96.1% (Board)	98.1%	100%	96.7%	88.7%

M: member; C: chairperson

The main points addressed by the Committees during the financial year 2021 are described in the operating reports drawn up by each of them, which were approved by the Board of Directors.

Executive-level bodies

Management Committee

Composed of the Chief Executive Officer, the General Managers of the business areas and the General Managers of the transversal corporate areas, it is responsible for the day-to-day management of the company and jointly makes 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 the Board of Directors.

Name	Position
Ignacio de Colmenares Brunet	Managing Director
Jordi Aguiló Jubierre	Managing Director of Cellulose
Felipe Torroba Maestroni	General Operations Manager of Independent Power Plants
María José Zueras Saludas	Managing Director of Human Resources
Alfredo Avello de la Peña	General Manager of Finance and Corporate Development
Reyes Cerezo Rodríguez-Sedano	General Secretary and Managing Director of Sustainability
Modesto Saiz Suarez	Sales, Marketing and Logistics Director of Pulp
Fernando González-Palacios Carbajo	Director of Planning and Management Control

Compliance Committee

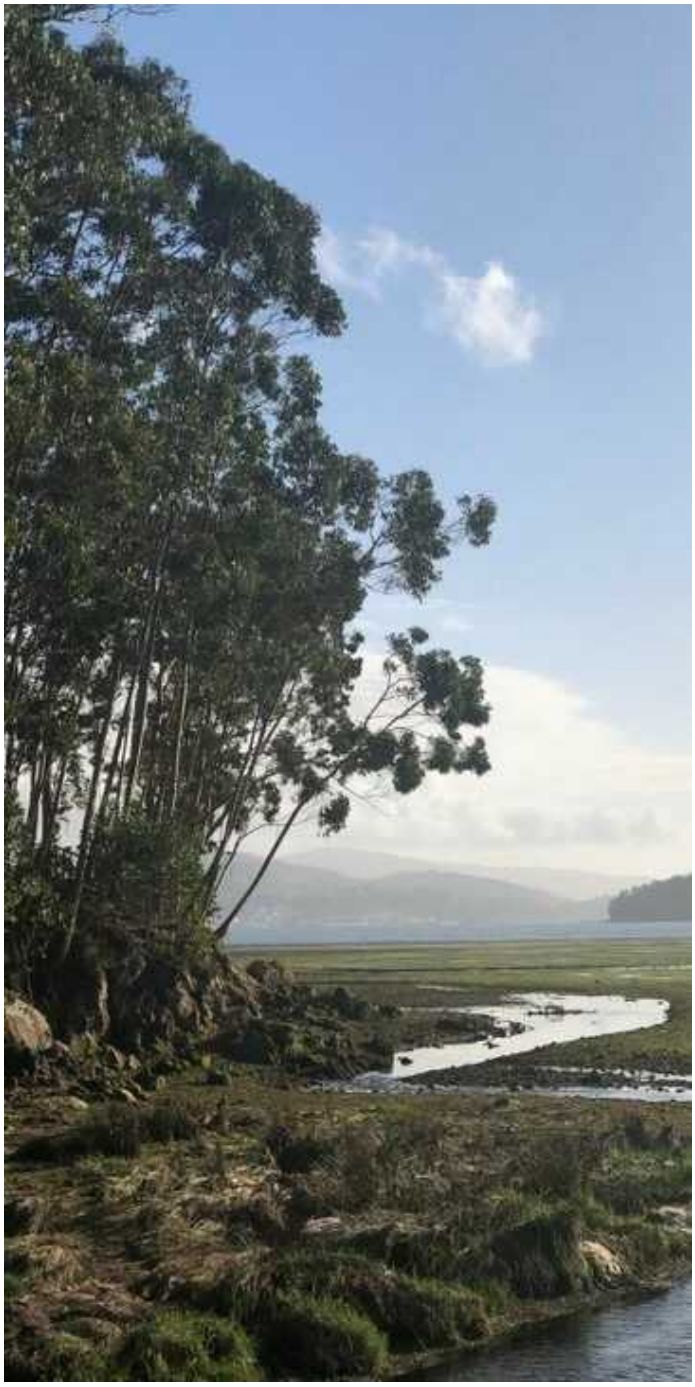
The competencies of the Compliance Committee encompass three large areas: (i) Code of Conduct, (ii) Crime Prevention and Detection Model, and (iii) Personal Data protection.

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

Sustainability Committee

Ence has also set up a Sustainability Committee as the executive body responsible for promoting and applying the guidelines set by the Board's Sustainability Commission.

The Sustainability Committee is made up of the Chief Executive Officer - who acts as Chairman - the General Secretary and the heads of the Directorate-general for Human Capital, the Directorate-general for Cellulose, the Directorate-general for Operations of Independent Energy Plants, and the Directorate-general for Finance and Corporate Development. The Corporate Sustainability Officer and the designated Sustainability Officers in each business area also participate as permanent members of the Committee.



Ethics and compliance

Ence promotes a corporate culture based not only on regulatory compliance, but committed to the highest ethical standards, with which all the company's stakeholders can identify.

Ence also works to ensure that these ethical principles are at the centre of its activity, guiding the company's decision-making and its relationship with both its employees and the rest of its stakeholders.

The main mechanisms that make Ence's commitment to ethics and integrity effective are as follows:

- ✓ The Code of Conduct, which establishes the guidelines to be followed by all members of the organisation.
- ✓ Ence's Anti-Corruption and Anti-Fraud Policy, which constitutes a permanent commitment to monitoring and sanctioning fraudulent acts and conduct, or conduct that promotes corruption in all its manifestations.
- ✓ The Criminal Compliance Policy, which provides the basis for developing a culture of compliance and condemning any kind of illegal behaviour.
- ✓ The Whistleblowing Channel, which allows people to report any behaviour that goes against Ence's principles of conduct.

Code of Conduct

GRI 102-16, GRI 102-17

Ence's Code of Conduct sets out the ethical cornerstones that govern Ence's activity and establishes the principles of conduct that the company voluntarily undertakes to follow in its relations with third parties and establishes the company's commitment to behave with integrity towards its employees and the rest of its stakeholders.

The Code of Conduct is binding on all employees, officers, directors and third parties acting on behalf of the company or falling within its scope of application. This Code is available to all the company's stakeholders and can be found on its website.

The Code of Conduct sets out the guidelines for Ence's actions towards its employees, including health and safety, non-discrimination and the prevention of harassment. It also contains guidelines on conflicts of interest, anti-corruption and fraud, transparency and integrity, and use of corporate resources. The Code also includes the obligation to declare acceptance of and compliance with these principles by all employees and third parties with whom Ence has business relations.

The Audit Committee of Ence's Board of Directors is the body in charge of monitoring and controlling the implementation of the Code of Conduct, as well as its correct dissemination and compliance.

Whistleblowing Channel

In order for Ence employees or any other person to inform the company of a possible breach of the law or Ence's internal regulations, the company has a Whistleblower Channel.

This channel is accessible through different media, such as the company's internal online platform, e-mail (canaldenuncias@ence.es), or by post (Ence Energía y Celulosa Att: Chairman of the Audit Committee/Secretary of the Audit Committee Calle Beatriz de Bobadilla, 14 28040 Madrid). Claims are received directly by the Chairman and Secretary of the Audit Committee and, subsequently, Ence acknowledges receipt with the claimant and undertakes to conclude the corresponding investigation within a maximum period of three months.

Ence guarantees the confidentiality and proper management of claims through independent analysis and, if necessary, carries out the appropriate disciplinary, sanctioning or judicial processes. The principles of action in the event of a claim, as well as the rights of the claimant and the person reported, are set out in the **Whistleblower Channel Procedure**, which the company also makes available to all its stakeholders on its website.

In 2021, Ence updated this procedure to adapt it to the regulations on personal data protection. The update includes, among other changes, the capacity for the Secretary to receive multiple claims in addition to the Chairperson of the Audit Committee.

In 2021, a total of 7 claims related to potential breaches of the Code of Conduct were received. Ence carried out the appropriate investigations into each of them, in accordance with the Procedure, and implemented the corresponding actions in accordance with the internal regulations in force. In this regard, no cases of non-compliance with the regulations or the precepts of the Code of Conduct in relation to corruption and improper payments have been detected, nor have there been any complaints or discrimination in cases of human rights violations.

Anti-Corruption Policy

GRI 205-1, GRI 205-3

Ence is committed to zero tolerance of corruption, as set out in its Code of Conduct. To articulate this commitment and develop the principles for action in the fight against corruption and fraud, in 2020 the Ence Board of Directors approved the Anti-Corruption and Anti-Fraud Policy, which is also available to all the company's stakeholders on its website. This Policy also includes a permanent commitment to monitoring and sanctioning fraudulent acts and behaviours or those conducive to corruption, as well as the promotion of effective communication and awareness-raising mechanisms and the development of an ethical and honest business culture.

Prevention of money laundering.

Ence does not find money laundering as a priority risk, given that its business model is based on a direct relationship with industrial customers. However, Ence also includes this aspect in its audit plans. In this regard, in 2021, a training activity was carried out on the Prevention of Money Laundering aimed at the Finance, General Secretariat, Human Capital and Internal Audit areas.

Apart from specific audits and the review of the Internal Control over Financial Reporting System (ICFR), Ence carries out a series of internal controls to prevent money laundering, such as the analysis and blocking of pulp sales transactions if customers based in sanctioned states or tax havens are detected.

Ensuring compliance

Ence ensures compliance with its internal regulations through the **Internal Audit Plan**, which is updated annually and includes a review of the declaration of compliance with the Code of Conduct and other compliance regulations by all Group employees.

The Plan also includes a series of audit activities that are defined on the basis of a risk analysis. In this respect, Ence carries out at least one audit of the wood supply area every year. The risk of fraud is analysed in all internal audits. A total of 30 audit reports were completed in 2021.

In addition, Ence asks all its employees to formally accept compliance with the Code of Conduct, the Antitrust Programme, the Anti-Corruption and Anti-Fraud Policy and the Declaration of Conflict of Interest by means of the annual Declaration of Compliance. The company also requires all its suppliers to **adhere to its Code of Conduct** before they can provide any service to Ence. In 2021, the supplier adherence and approval process has started to be automated through the SAP Ariba tool.

Criminal Compliance and the Crime Prevention Model

Ence, in line with the requirements established by criminal legislation, has regulatory instruments in place to adequately manage the detection and prevention of crimes. The Crime Prevention Model includes, in addition to the Code of Conduct, a Policy to fight against corruption and fraud, as well as 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.

Ence's principles of action in this area are set out in its **Criminal Compliance Policy**, which is drafted in line with the main regulatory references and best practices in compliance matters. In 2021, this Policy was updated, reinforcing the independence of the Compliance Committee in the text and establishing the obligation to

review the Crime Prevention Model at least every two years, among other improvements. This Policy is also available to all Ence stakeholders on the website.

This year, Ence also updated its **criminal risk map**, including new applicable crimes, and its **control matrix**.

In 2021, Ence's Board of Directors approved the update of the **Crime Prevention and Detection Protocol**, which defines a series of specific measures and controls for each applicable crime identified in any area (environment, corruption in business, workers' rights, etc.). In the review carried out, the corporate structure and the list of stakeholders of the company have been updated and the responsibilities and functions of the Compliance Committee have been revised. The criminal risks and the necessary controls for their mitigation have also been updated.

This year, Ence's Crime Prevention Model underwent an independent external audit by Deloitte and received a favourable report.

Certified Criminal Compliance

Ence was a pioneer in its sector in obtaining the AENOR certificate for the Criminal Compliance Management System in accordance with the UNE 19601:2017 standard, a title that confirms an efficient management system to prevent the commission of crimes and reduce criminal risk in the company. The certificate takes into account the provisions in Organic Law 1/2015 on Criminal Code Reform and in Circular 1/2016 of the State Attorney General's Office with regard 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.

In 2021, Ence renewed this certification, confirming its commitment to the best compliance practices and the highest standards of business ethics and the reduction of criminal risk in the exercise of its activities.

Training and outreach

In addition to defining guidelines for conduct and having the appropriate tools to ensure compliance, it is essential for Ence to convey the company's commitment to integrity in all its operations. To this end, Ence implements numerous awareness-raising initiatives in this area.

Thus, every year Ence carries out training activities on ethics and compliance for its employees. In 2021, training actions were carried out on the Code of Conduct and Anti-Corruption Policy in which 701 people took part, i.e., 62% of the workforce.

In addition to these actions, the company provides notices and performs compliance awareness actions for its employees through the intranet, the AUNA platform and other corporate channels. Ence also holds meetings with the Company Committees and employee representatives to raise awareness of the Code of Conduct and other Ence internal compliance regulations and to explain the updates that are carried out periodically.

ANNEXES

ANNEX I

About this report

Scope

GRI 102-46

The information included in the 2021 Sustainability Report pertains to all the activities carried out by Grupo Ence Energía y Celulosa S.A. from 1 January 2021 to 31 December 2021. 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 (Annex III of this report).

This Report constitutes the **company's consolidated Non-Financial Information Statement** and is included in 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 **Act 11/2018** of 29 December, which amends the Commercial Code, the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010 of 2 July, and Act 22/2015 of 20 July, on Accounts Auditing in the area of non-financial information and diversity.

Annex IV of this report contains a table specifying the reference standard used and which section of the report answers each specific requirement set out in said Act or otherwise explains a possible omission.

Reference standards

GRI 102, GRI 102-54

The 2021 Sustainability Report has been created in accordance with **Global Reporting Initiative (GRI)** standards, in the GRI Standards version, based on the core compliance option. Annex II contains a list of the GRI indicators and the section or sections of the report in which they are answered or otherwise explains a possible omission.

The balanced, reasonable presentation of Ence's performance throughout 2021 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.

Regarding compliance with the materiality principle, the "Materiality analysis" section of this report details the process followed by Ence to identify and prioritise the material aspects for its stakeholders and for the company itself and the updates carried out during the 2021 financial year. 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.

The sections of this report that address the material aspects identified by Ence are detailed below:

Material aspect	Report section
The relationship with local communities and social licence to operate	Collaborating with the community
Reduction of odour, noise and other impacts	Protecting health and the environment
Protection of the environment and of biodiversity	Protecting health and the environment / Boosting the rural environment
Sustainability of the forestry sector	Boosting the rural environment
Occupational health and safety	Protecting health and the environment
Water management	Protecting health and the environment
Responsible supply chain	Boosting the rural environment
Waste management and circular economy	Protecting health and the environment
Corporate governance, ethics and compliance	Ensuring responsible governance
Business model, performance and competitiveness	Business model and lines of activity
Regulatory and tax environment	Business model and lines of activity / Ensuring responsible governance
Efficiency	Protecting health and the environment
Rural development	Boosting the rural environment
Products with sustainability attributes	Offering sustainable solutions
Climate change	Defending the climate
Customer satisfaction	Offering sustainable solutions
Talent management	Focusing on people
Job creation	Putting people first / Working with the community
Sustainable materials and product safety	Offering sustainable solutions
Diversity and equal opportunities	Focusing on people
R&D investment	Transforming Ence
Digitisation	Transforming Ence
Data protection	Transforming Ence
Human Rights	Ensuring responsible governance / Boosting the rural environment

This report also includes an Annex (V) with a list of the **Sustainability Accounting Standard Board (SASB)** indicators applicable to Ence based on the company's activities, according to SASB's Sustainable Industry Classification System® (SICS®). Indicators are included for the following activities of the RR Sector (Renewable Resources and Alternative Energy):

- ✓ Subsector: RR.1 Alternative Energy
  - Industry: RR-BI Biofuels
- ✓ Subsector: RR.2 Forestry & Paper
  - Industry: RR-FM Forestry Management
  - Industry: RR-PP Pulp & Paper Products

Contact information

GRI 102-53

For any query, clarification, or suggestion regarding the contents published in this report, please contact the following addresses:

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Sustainability: sostenibilidad@ence.es

ANNEX II

Other indicators

Focusing on people

Information on employees and workers

Workforce at the end of 2021 by professional group, age, gender and country					
	SPAIN		PORTUGAL		TOTAL
Professional group/Age	M	F	M	F	
CLERICAL WORKERS	16	45			61
Up to 30 years old	2	2			4
From 31 to 50 years old	7	32			39
Over 50 years old	7	11			18
SUPPORT AND IMPROVEMENT	45	47			92
Up to 30 years old	3	8			11
From 31 to 50 years old	26	26			52
Over 50 years old	16	13			29
GENERAL MANAGEMENT	48	14			62
From 31 to 50 years old	28	10			38
Over 50 years old	20	4			24
MANAGERS	60	21			81
Up to 30 years old		2			2
From 31 to 50 years old	44	13			57
Over 50 years old	16	6			22
MAINTENANCE	135	3			138
Up to 30 years old	9	2			11
From 31 to 50 years old	104	1			105
Over 50 years old	22				22
OPERATORS	284	27			311
Up to 30 years old	34	12			46
From 31 to 50 years old	224	15			239
Over 50 years old	26				26
TEAM MANAGER	68	4			72
Up to 30 years old	1				1
From 31 to 50 years old	50	3			53
Over 50 years old	17	1			18
TECHNICIANS	196	118	1	1	316
Up to 30 years old	34	30			64
From 31 to 50 years old	130	85	1	1	217
Over 50 years old	32	3			35
Overall total	852	279	1	1	1,133

Workforce at the end of 2021 by contract type, age, gender and country					
	SPAIN		PORTUGAL		TOTAL
Type of contract/Age	M	F	M	F	
PERMANENT	785	236	1	1	1,023
Up to 30 years old	52	30			82
From 31 to 50 years old	577	168	1	1	747
Over 50 years old	156	38			194
TEMPORARY	67	43			110
Up to 30 years old	31	25			57
From 31 to 50 years old	36	17			53
Overall total	852	279	1	1	1,133

Workforce at the end of 2021 by type of working day, age, gender and country					
	SPAIN		PORTUGAL		TOTAL
Type of working day/Age	M	F	M	F	
FULL TIME	847	262	1	1	1,111
Up to 30 years old	82	51			133
From 31 to 50 years old	609	173	1	1	704
Over 50 years old	156	38			194
PART TIME	5	17			22
Up to 30 years old	1	5			6
From 31 to 50 years old	4	12			16
Overall total	852	279	1	1	1,133

2021 Workforce percentage by type of group, gender and country				
	SPAIN		PORTUGAL	
Type of group	M	F	M	F
Individual contract	67%	33%	50%	50%
Collective bargaining agreement	81%	19%		
Overall total	75%	25%	50%	50%

No. of people by end of 2021 by group, gender and country.					
	SPAIN		PORTUGAL		TOTAL
Row labels	M	F	M	F	
Individual contract	304	151	1	1	457
Collective bargaining agreement	548	128			676
Overall total	852	279	1	1	1,133

Remuneration of employees

Average remuneration 2021 by professional group						
	ENCE Group (without Norfor)			Norte Forestal		
	M	F	TOTAL	M	F	TOTAL
General management	155,169.5	132,256.5	149,117.0	0.0	0.0	0.0
Managers	87,923.9	91,695.2	88,880.1	0.0	0.0	0.0
Technicians	54,821.8	49,491.5	52,853.4	0.0	0.0	0.0
Team managers	59,576.5	65,187.5	59,877.1	0.0	0.0	0.0
Operators	45,087.8	37,419.5	44,180.3	0.0	0.0	0.0
Maintenance	41,747.6	42,199.7	41,750.5	0.0	0.0	0.0
Support and improvement	49,503.1	41,936.7	46,500.6	20,713.4	22,696.6	22,426.2
Clerical workers	41,020.1	41,275.0	41,207.5	0.0	18,606.9	18,606.9
Total average remuneration	55,404.4	52,808.2	54,789.2	20,713.4	22,492.2	22,260.1

Average remuneration by professional group	2019		2020		2021	
	ENCE Group (without Norfor)	Norte Forestal	ENCE Group (without Norfor)	Norte Forestal	ENCE Group (without Norfor)	Norte Forestal
General management	192,043.0		139,482.0		149,117.0	
Managers	95,260.0		91,373.0		88,880.1	
Technicians	55,158.0		53,424.0		52,853.4	

Team managers	56,877.0		59,516.0		59,877.1	
Operators	42,907.0		44,383.0		44,180.3	
Maintenance	35,836.0		38,451.0		41,750.5	
Support and improvement	41,760.0		45,794.0		46,500.6	22,426.2
Clerical workers	39,241.0		40,984.0		41,207.5	18,606.9
Total	55,944.0	14,533.0	52,109.0	21,005.0	54,789.2	22,260.1

Average remuneration by age	**2019**		**2020**		**2021**	
	ENCE Group (without Norfor)	Norte Forestal	ENCE Group (without Norfor)	Norte Forestal	ENCE Group (without Norfor)	Norte Forestal
Up to 30 years old	42,132.0		39,381.0	20,508.0	40,860.2	0.0
From 31 to 50 years old	54,572.0	14,600.0	51,597.0	20,737.0	53,727.0	21,672.5
Over 50 years old	86,257.0	14,406.0	74,267.0	21,359.0	74,359.0	22,901.2
Total	55,944.0	14,533.0	52,109.0	21,005.0	54,789.2	22,260.1

Average remuneration by gender	**2019**		**2020**		**2021**	
Row labels	ENCE Group (without Norfor)	Norte Forestal	ENCE Group (without Norfor)	Norte Forestal	ENCE Group (without Norfor)	Norte Forestal
Men	55,958.0	13,290.0	52,517.0	19,810.0	55,404.4	20,713.4
Women	55,886.0	14,901.0	50,495.0	21,293.0	52,808.2	22,492.2
Total	55,944.0	14,533.0	52,109.0	21,005.0	54,789.2	22,260.1

Pay gap	**2019**				**2020**				**2021**			
	ENCE Group		**Norte Forestal**		**ENCE Group**		**Norte Forestal**		**ENCE Group**		**Norte Forestal**	
Types	Mean	Median	Mean	Median	Mean	Median	Mean	Mean	Mean	Median	Mean	Mean
Gender pay gap	0.0%	11.0%	-12.0%	-13.0%	3.8%	4.9%	-7.5%	1.3%	4.7%	14.2%	-8.6%	2.4%
Gender pay gap in terms of bonus*	-8.0%	31.0%	8.0%	-1.0%	16.1%	19.4%	1.0%	-5.1%	14.1%	23.0%	10.7%	6.6%

Salary gap management committee	**2019**		**2020**		**2021**	
	ENCE Group (without Norfor)		**ENCE Group (without Norfor)**		**ENCE Group (without Norfor)**	
Types	Mean	Median	Mean	Median	Mean	Median
Gender pay gap	-4.0%	-17.0%	-10.0%	-8.0%	3.2%	14.2%
Gender pay gap in terms of bonus*	-14.0%	-11.0%	-104.0%	-149.0%	-16.4%	-33.6%

Pay gap 2021 by group		
Professional Group	ENCE Group (without Norfor)	Norte Forestal
General management	14.77%	0.00%
Managers	-4.42%	0.00%
Technicians	9.53%	0.00%
Team managers	-10.05%	0.00%
Operators	17.22%	0.00%
Maintenance	-1.56%	0.00%

Support and improvement	15.22%	-9.57%
Clerical workers	-0.76%	0.00%
Gender pay gap	4.74%	-8.59%

2021 Pay gap by age		
2021 Pay gap	ENCE Group (without Norfor)	Norte Forestal
Up to 30 years old	5.10%	0.00%
From 31 to 50 years old	-2.24%	-7.24%
Over 50 years old	8.57%	-8.49%
Gender pay gap	4.74%	-8.59%

Gender distribution by quartiles 2021	2019				2020				2021			
	ENCE Group (without Norfor)		Norte Forestal		ENCE Group (without Norfor)		Norte Forestal		ENCE Group (without Norfor)		Norte Forestal	
	M	F	M	F	M	F	M	F	M	F	M	F
Lower quartile	79.0%	21.0%	50.0%	50.0%	82.0%	18.0%	18.0%	82.0%	22.4%	33.7%	33.3%	25.0%
Lower Median Quartile	77.0%	23.0%	22.0%	78.0%	74.0%	26.0%	18.0%	82.0%	25.1%	25.0%	0.0%	30.0%
Upper Median Quartile	85.0%	15.0%	11.0%	89.0%	82.0%	18.0%	35.0%	65.0%	28.1%	15.2%	66.7%	20.0%
Upper Quartile	81.0%	19.0%	11.0%	89.0%	82.0%	18.0%	6.0%	94.0%	24.5%	26.1%	0.0%	25.0%

Proportion of employees in each wage band by quartiles	2019				2020				2021			
	ENCE Group (without Norfor)		Norte Forestal		ENCE Group (without Norfor)		Norte Forestal		ENCE Group (without Norfor)		Norte Forestal	
	M	F	M	F	M	F	M	F	M	F	M	F
Lower quartile	79.0%	21.0%	50.0%	50.0%	82.0%	18.0%	18.0%	82.0%	68.1%	31.9%	16.7%	83.3%
Lower Median Quartile	77.0%	23.0%	22.0%	78.0%	74.0%	26.0%	18.0%	82.0%	76.3%	23.7%	0.0%	100.0%
Upper Median Quartile	85.0%	15.0%	11.0%	89.0%	82.0%	18.0%	35.0%	65.0%	85.7%	14.3%	33.3%	66.7%
Upper Quartile	81.0%	19.0%	11.0%	89.0%	82.0%	18.0%	6.0%	94.0%	75.1%	24.9%	0.0%	100.0%

Proportion of employees receiving bonuses	2019				2020				2021			
	ENCE Group (without Norfor)		Norte Forestal		ENCE Group (without Norfor)		Norte Forestal		ENCE Group (without Norfor)		Norte Forestal	
	M	F	M	F	M	F	M	F	M	F	M	F
Percentage of employees receiving bonuses*	87.0%	77.0%	100.0 %	100.0 %	88.0%	81.0%	100.0 %	90.0%	93.8%	85.5%	100.0 %	100.0 %

Proportion of employees receiving bonuses Management Committee	2019		2020		2021	
	ENCE Group (without Norfor)		ENCE Group (without Norfor)		ENCE Group (without Norfor)	
	M	F	M	F	M	F
Percentage of employees receiving bonus CD*	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Training

Total hours of training by professional group and gender			
Professional group	M	F	Total
Clerical workers	104.3	278.4	382.7
Support and improvement	756.9	760.3	1,517.2
Management	830.6	378.3	1,208.9
Managers	1,349.2	553.2	1,902.4
Maintenance	1,659.1	69.0	1,728.1
Operators	6,219.3	784.8	7,004.1
Team Leaders	1,454.0	64.3	1,518.3
Technicians	2,890.8	2,116.6	5,007.4
Overall total	15,264.2	5,004.9	20,269.1

Protecting health and the environment

Number of accidents:

No. of accidents	2019				2020				2021			
	IS		ES		IS		ES		IS		ES	
Type	L	WL	L	WL	L	WL	L	WL	L	WL	L	WL
Pulp	4	4	5	13	4	14	4	6	4	17	1	12
Energy	2	4	11	25	3	5	6	14	0	3	0	15
Forestry	0	1	9	5	2	1	22	4	1	5	17	2
Total		83				85				77		

Contents	2020					2021				
	Internal Staff		External Staff		Total	Internal Staff		External Staff		Total
Frequency Rate	M	F	M	F	Total	M	F	M	F	Total
Pulp	4.250	0.000	5.440	0.000	4.13	3.229	6.319	1.705	0.000	2.842
Energy	6.480	23.890	4.980	0.000	5.21	0.000	0.000	0.000	0.000	0.000
Forestry	3.200	7.570	16.050	0.000	12.8	4.100	0.000	13.545	31.754	11.665
Severity Rate	M	F	M	F	Total	M	F	M	F	Total
Pulp	0.261	0.000	0.150	0.000	0.184	0.152	0.158	0.428	0.000	0.237
Energy	0.016	1.051	0.179	0.000	0.153	0.000	0.000	0.052	0.000	0.035
Forestry	0.074	0.386	0.675	0.000	0.544	0.062	0.000	0.809	0.111	0.595

Fuel consumption

Coke consumption (TJ)			
Site	2019	2020	2021
Pontevedra	166.5	143.2	61.8
Total	166.5	143.2	61.8

The decrease is due to the replacement of coke by biomass as part of the plant's decarbonisation plan

Fuel consumption (TJ)			
Site	2019	2020	2021
Navia	401.1	215.3	256.1
Pontevedra	982.8	1,050.4	827.7
Huelva	33.0	45.4	1.2

Total	1,416.9	1,311.1	1,085.0

The decrease is mainly due to the shutdown of HU50 several months of the year.

Propane consumption (TJ)

Site	2019	2020	2021
Navia	0.1	0.0	0.1
Pontevedra	1.4	2.2	0.3
Huelva	0.1	0.1	0.0
Total	1.6	2.3	0.4

The decrease is mainly due to improvements in production processes in Pontevedra.

Biomass consumption (TJ)

Site	2019	2020	2021
Navia	2,961.0	3,199.0	3,093.0
Pontevedra	1,026.0	1,662.0	1,976.8
Huelva	7,440.0	9,877.0	8,063.1
Mérida	1,987.0	2,267.0	1,936.5
Enemansa	1,602.0	1,306.0	1,550.0
La Loma	1,274.0	1,430.0	1,356.0
Lucena	1,490.0	1,527.0	1,468.0
Biollano		2,946.0	3,270.9
Total	17,780.0	24,214.0	22,714.4

The decrease is mainly due to the reduction of inert ingredients in the biomass, which results in lower consumption. In addition, boiler performance has been improved and HU50 has been idle for several months.

Black liquor consumption (TJ)

Site	2019	2020	2021
Navia	5,626.0	6,995.0	10,658.0
Pontevedra	6,029.0	5,501.0	5,939.6
Total	11,655.0	12,496.0	16,597.6

The increase is mainly due to the higher production/generation volume of the recovery boiler in 2021 and the change from wet to dry basis PCI at Navia.

Natural gas consumption (TJ)

Site	2019	2020	2021
Navia	648.0	889.3	870.4
Lucena	1,134.0	1,091.8	958.4
Termollano	38.0	45.6	N/A
Total	1,820.0	2,026.7	1,828.8

Diesel B consumption (TJ)

Site	2019	2020	2021
Navia	0.1		0.1
Pontevedra			1.3
Huelva	0.0	1.5	18.5
Mérida	1.0	5.3	0.3
Total	1.1	6.8	20.2

The increase is mainly due to higher HU46 production in 2021.

Diesel C consumption (TJ)			
Site	2019	2020	2021
Enemansa	4.6	11.1	12.5
La Loma	9.4	7.2	4.1
Biollano		0.6	1.0
Total	14.0	18.9	17.6

Electricity

Electricity generation (GWh)			
Site	2019	2020	2021
Navia	519.5	606.3	601.0
Pontevedra	232.4	256.4	275.6
Huelva	529.4	726.8	663.6
Mérida	147.4	164.9	169.3
Enemansa	107.3	92.5	115.6
La Loma	83.0	102.7	105.9
Lucena	208.7	211.1	198.3
Biollano		255.4	314.7
Termollano	79.8	66.3	N/A
Total	1,907.5	2,482.5	2,444.0

Electricity sales (GWh)			
Site	2019	2020	2021
Navia	483.4	568.6	565.6
Pontevedra	224.7	247.9	265.8
Huelva	480.9	665.3	612.2
Mérida	132.9	147.9	152.0
Enemansa	94.2	81.7	101.6
La Loma	71.3	88.6	92.0
Lucena	195.9	196.4	183.5
Biollano		235.0	288.9
Termollano	72.0	59.9	N/A
Total	1,755.3	2,291.2	2,261.6

Grid electricity consumption (GWh)			
Site	2019	2020	2021
Navia	254.4	304.1	315.4
Pontevedra	245.3	251.1	248.9
Huelva	15.8	16.2	21.4
Mérida	2.3	1.2	1.1
Enemansa	0.2	0.5	0.1
La Loma	1.0	0.6	0.6
Lucena	1.0	1.0	1.0
Biollano	N/A	1.9	1.3
Termollano	4.2	5.3	N/A
Total	524.1	581.9	589.7

Electricity self-consumption (GWh)			
Site	2019	2020	2021
Navia	36.1	37.8	30.8
Pontevedra	7.7	8.3	9.9
Huelva	48.5	61.5	51.4
Mérida	14.6	17.0	17.3
Enemansa	13.1	10.9	14.0
La Loma	11.7	14.1	13.9
Lucena	12.8	14.7	14.8
Biollano		20.3	25.8
Termollano	7.8	6.4	N/A
Total	152.3	191.0	177.9

Energy intensity (MWh/tAD)			
Site	2019	2020	2021
Navia	0.6	0.5	0.5
Pontevedra	0.5	0.6	0.6

Energy intensity (GJ biomass/GWh)			
Site	2019	2020	2021
Huelva	14,055.8	13,589.0	12,151.2
Mérida	13,479.4	13,744.7	11,440.3
Enemansa	14,925.7	14,115.3	13,402.6
La Loma	15,348.3	13,919.1	12,800.9
Lucena	7,140.0	7,234.2	7,403.7
Biollano		11,538.3	10,395.4

Steam consumption

Cogeneration steam consumption (TJ)			
Site	2019	2020	2021
Navia	8,068.3	6,851.4	7,010.1
Pontevedra	6,811.0	7,069.6	7,179.3
Total	14,879.4	13,921.0	14,189.48

Heat sales

Heat sales (TJ)			
Site	2019	2020	2021
Lucena	690.2	702.2	480.0
Total	690.2	702.2	480.0

Materials used by weight or volume

Soda consumption (t)			
Site	2019	2020	2021
Navia	10,052.0	13,798.9	13,666.0
Pontevedra	9,151.0	9,849.0	8,858.0
Huelva	634.5	860.9	898.6
Mérida	1.1	2.5	0.5

Enemansa			22.5
Lucena	N/A		10.5
Biollano	N/A	1.7	1.3
Termollano	2.4	1.5	N/A
Total	19,841.0	24,514.6	23,457.4

Sulphuric acid consumption (t)

Site	2019	2020	2021
Navia	16,116.0	17,120.5	16,663.0
Pontevedra	5,095.0	5,177.6	4,356.0
Huelva	110.0	166.0	142.4
Mérida	13.9	20.2	11.2
Lucena			19.6
Biollano		10.5	19.4
Termollano	9.7	3.9	N/A
Total	21,344.6	22,498.7	21,211.6

Hydrogen peroxide consumption (t)

Site	2019	2020	2021
Navia	3,663.0	3,770.9	3,973.0
Pontevedra	9,426.0	7,672.1	6,779.0
Total	13,089.0	11,443.0	10,752.0

Chlorate consumption (t)

Site	2019	2020	2021
Navia	11,697.0	12,191.0	12,487.0
Total	11,697.0	12,191.0	12,487.0

Carbonate consumption (t)

Site	2019	2020	2021
Navia	433.7	278.7	291.0
Pontevedra		3.3	46.0
Total	433.7	282.0	337.0

Oxygen consumption (t)

Site	2019	2020	2021
Navia	9,260.0	11,758.0	12,776.0
Pontevedra	9,333.0	9,794.0	9,569.0
Total	18,593.0	21,552.0	22,345.0

Ammonia consumption (t)

Site	2019	2020	2021
Huelva		631.7	569.2
Mérida	58.2	309.0	412.7
Enemansa	253.0	222.3	305.8
La Loma	393.2	425.8	287.4
Biollano	N/A	760.9	787.0
Termollano	1.7	0.7	N/A
Total	706.1	2,350.4	2,362.1

Sand consumption (t)

Site	2019	2020	2021
Huelva	12,518.9	9,703.1	9,998.9
Total	12,518.9	9,703.1	9,998.9

Lime consumption (t)			
Site	2019	2020	2021
Navia		7,706.8	9,191.0
Pontevedra		4,323.9	3,585.8
Huelva		42.4	138.2
Mérida	8.9	47.8	121.5
Biollano			9.0
Total	8.9	12,078.5	13,045.5

The increase is mainly due to incidents in the Navia caustification process recorded in 2021.

Hypochlorite consumption (t)			
Site	2019	2020	2021
Huelva			92.7
Mérida			52.4
Enemansa			0.6
La Loma			2.5
Lucena			81.5
Total	-	-	229.7

Hydrochloric acid consumption (t)			
Site	2019	2020	2021
Mérida			11.4
Enemansa			19.2
La Loma			99.6
Lucena			13.2
Total	-	-	143.4

Refrigerant gas consumption (kg)			
Site	2019	2020	2021
Huelva			47.0
Mérida			27.0
Enemansa			0.0
Lucena	-	-	0.0
La Loma			0.0
Biollano			0.0
Total			74.00

SF6 consumption (kg)			
Site	2019	2020	2021
Huelva			0.0
Mérida			0.0
Enemansa			2.0
Lucena	-	-	0.7
La Loma			0.0
Biollano			0.0
Total			2.7

Paper consumption (t)			
Material	2019	2020	2021
Navia wrapping paper	972.3	1,223.1	1,271.0
Po wrapping paper	1,108.1	1,120.0	1,170.0
Total	2,080.4	2,343.1	2,441.0

Use of tied and unitised wire (t)			
Material	2019	2020	2021
Tied and unitised wire Navia	950.5	1,253.6	1,259.0
Tied and unitised wire Po	1,090.0	1,063.7	1,157.0
Total	2,040.5	2,317.3	2,416.0

Water consumption

Surface water consumption (thousands of m3)			
Site	2019	2020	2021
Navia	18,256.1	19,456.5	20,640.2
Pontevedra	13,735.1	13,062.6	12,462.4
Huelva	3,534.9	3,497.2	3,412.2
Mérida	577.1	700.4	670.8
Biollano	N/A	845.1	983.2
Termollano	311.0	288.8	N/A
Total	36,414.1	37,850.7	38,168.7

Groundwater consumption (thousands m3)			
Site	2019	2020	2021
Enemansa	34.2	33.2	30.4
Biollano		1.5	6.9
Total	34.2	34.7	37.3

Reused water consumption (thousands m3)			
Site	2019	2020	2021
Lucena	482.0	490.9	526.9
Total	482.0	490.9	526.9

Municipal supply water consumption (thousands of m3)			
Site	2019	2020	2021
Huelva	47.7	43.6	22.0
La Loma	48.9	52.6	43.8
Lucena	N/A	0.8	0.6
Total	96.6	97.0	66.4

Total water consumption (thousands m3)			
Site	2019	2020	2021
Navia	18,256.1	19,456.5	20,640.2
Pontevedra	13,735.1	13,062.6	12,462.4
Huelva	3,582.6	3,540.9	3,434.2
Mérida	577.1	700.4	670.8
Enemansa	34.2	33.2	30.4
La Loma	48.9	52.6	43.8
Lucena	482.8	492.5	527.5
Biollano	N/A	846.6	990.0
Termollano	311.0	288.8	N/A
Total	37,027.8	38,474.1	38,799.4

Waste parameters

Effluents volume (thousands m3)			
Site	2019	2020	2021
Navia	18,087.7	18,393.1	18,947.7
Pontevedra	11,242.3	10,267.3	10,744.7
Huelva	1,543.7	1,766.4	1,514.1
Mérida	317.5	461.3	383.7
Enemansa	1.5	5.0	14.6
La Loma	11.4	12.9	12.7
Lucena	241.4	240.6	251.6

Biollano	N/A	361.5	428.7
Termollano	60.7	96.6	N/A
Total	31,506.2	31,604.7	32,297.7

Discharge destination

Site	Destination
Navia	Maritime-terrestrial public domain (MTPD) via underwater outfall
Pontevedra	Ría de Pontevedra through the Os Praceres urban WWTP underwater outfall
Huelva	MTPD Mouth of Tinto river
Mérida	River Guadiana channel
Enemansa	Villarta de San Juan WWTP
La Loma	La Parrilla stream
Lucena	lack of pre-closing data, improve in closure
Biollano	River Ojailén

SS (mg/l)

Site	2019	2020	2021
Navia	8.6	11.9	12.0
Pontevedra	15.0	14.0	< 19.5
Huelva	7.6	6.3	5.2
Mérida	6.8	10.1	8.1
Enemansa	106.0	41.9	17.0
La Loma	8.0	2.0	4.4
Lucena	8.9	7.0	7.0
Biollano	N/A	56.0	13.6

pH

Site	2019	2020	2021
Navia	7.1	7.7	7.7
Pontevedra	7.3	7.3	7.6
Huelva	7.1	7.2	7.2
Mérida	7.6	7.7	7.8
Enemansa	8.4	8.3	8.1
La Loma	7.6	7.7	7.5
Biollano		8.0	7.9

COD (mg/l)

Site	2019	2020	2021
Navia	124.5	91.8	73.0
Pontevedra	99.0	115.0	118.5
Mérida	22.1	24.9	22.1
Enemansa	440.0	42.5	26.8
La Loma	22.6	19.5	27.0
Lucena	23.8	32.8	27.0
Biollano	N/A	46.3	64.3

Conductivity (µS/cm)

Site	2019	2020	2021
Navia	2,800.0	3,070.0	3,053.0
Mérida	932.8	939.1	801.8
Enemansa	4,289.0	3,743.0	2,420.3
Lucena	1,422.3	1,223.0	1,247.0
Biollano		593.5	722.6

BOD (mg/l)

Site	2019	2020	2021
Navia	24.4	27.6	24.0

Pontevedra	7.5	<5	< 8
Mérida	6.1	6.4	4.3
Enemansa	105.0	11.8	6.9
Lucena	6.2	8.0	12.0
Biollano		5.0	N/A

AOX (mg/l)

Site	2019	2020	2021
Navia		0.0	0.0
Pontevedra		< 0.01	< 0.01
Biollano		0.2	0.2

Total N (mg/l)

Site	2019	2020	2021
Navia		1.7	2.3
Pontevedra	< 6.8	6.5	< 9
Huelva	1.1	1.1	1.1
Mérida	4.1	4.1	4.9
Enemansa	1.1	3.3	1.5

Total P (mg/l)

Site	2019	2020	2021
Navia			1.1
Pontevedra	< 0.76	1.0	0.9
Huelva	1.0	1.0	1.0
Mérida	0.3	0.3	0.2
Enemansa	8.0	1.2	0.6

Oils and grease (mg/l)

Site	2019	2020	2021
Navia		< 0.5	< 0.5
Huelva	2.5	2.5	2.5
Mérida		0.5	0.5
Enemansa		0.6	0.5
Termollano	1.1	1.0	N/A

Chlorides (mg/l)

Site	2019	2020	2021
Mérida	141.6	137.2	108.3

TOC (mg/l)

Site	2019	2020	2021
Huelva	3.4	2.7	2.7

Sulphates (mg/l)

Site	2019	2020	2021
Mérida	186.8	207.9	142.5

The decrease is mainly due to the reduction in the use of sulphuric acid which is used to regulate the pH and which affects the sulphate concentration in the final discharge.

Nitrates (mg/l)

Site	2019	2020	2021
Mérida	10.3	16.5	17.4

Free Residual Chlorine (mg/l)

Site	2019	2020	2021

Huelva	0.1
Mérida	0.05
Biollano	0.1

Trichloromethane (mg/l)			
Site	2019	2020	2021
Biollano			1.3

Waste

Hazardous waste generation (t)			
Site	2019	2020	2021
Navia	106.4	194.3	147.0
Pontevedra	185.2	113.1	143.5
Huelva	141.9	315.7	127.3
Mérida	3.4	3.8	3.6
Enemansa	1.2	15.6	1.1
La Loma	1.7	26.4	2.4
Lucena	5.4	8.2	0.7
Biollano	N/A	2.1	4.5
Termollano	263.5	96.0	N/A
Total	708.7	662.1	430.2

The decrease is mainly due to the fact that in 2020 more waste was produced as a result of the decommissioning of the former Huelva pulp mill.

Non-hazardous waste generation (thousands of t)			
Site	2019	2020	2021
Navia	65.4	52.2	50.1
Pontevedra	47.9	39.3	40.0
Huelva	126.2	136.5	185.8
Mérida	33.6	46.2	39.3
Enemansa	12.6	9.2	9.4
La Loma	10.0	4.0	3.1
Lucena	0.0	0.0	0.0
Biollano	N/A	22.8	50.3
Termollano	0.2	0.0	N/A
Total	295.9	310.2	378.0

The increase is mainly due to the fact that in 2021 the Biollano plant has been in operation for a full year, while in 2020 it started operations mid-year.

Total waste generation (thousands of t)			
Site	2019	2020	2021
Navia	65.5	52.4	50.3
Pontevedra	48.1	39.4	40.2
Huelva	126.3	136.8	185.9
Mérida	33.6	46.2	39.3
Enemansa	12.6	9.2	9.4
La Loma	10.0	4.0	3.1
Lucena	0.0	0.0	0.0
Biollano		22.8	50.3
Termollano	0.5	0.1	N/A
Total	296.6	310.9	378.4

Recovered waste (%)			
Site	2019	2020	2021
Navia	97.2%	96,8%	96.9%
Pontevedra	99.8%	100.0%	99.9%
Huelva	98.7%	98.2%	99.3%
Mérida	100.0%	100.0%	100.0%
Enemansa	100.0%	100.0%	100.0%
La Loma	99.6%	99.3%	100.0%
Lucena	100.0%	97.6%	100.0%
Biollano	N/A	93.5%	98.5%
Termollano	39.0%	94.7%	N/A
Total	98.7%	98.2%	99.0%

In 2021, the methodology for calculating the total percentage of waste recovery was changed, so the percentages do not correspond to the average of the plants, but is calculated on the basis of the amount of total waste recovered in relation to the amount of total waste generated at Group level.

Air emissions

NOx emissions (t)			
Site	2019	2020	2021
Navia	1,012.8	1,223.2	1,421,7
Pontevedra	649.0	842.0	746.0
Huelva	407.6	521.3	573.7
Mérida	238.5	189.4	209.3
Enemansa	105.8	121.4	120.8
La Loma	140.6	110.3	106.4
Lucena	394.0	390.0	403.0
Biollano	N/A	133.1	206.1
Termollano	0.6	1.2	N/A
Total	2,948.9	3,531.9	3,787.0

Particulate matter emissions (t)			
Site	2019	2020	2021
Navia	111.9	102.4	43.2
Pontevedra	141.5	195.0	90.6
Huelva	13.4	9.1	4.5
Mérida	6.4	5.5	5.3
Enemansa	0.8	1.2	0.5
La Loma	1.8	2.1	2.0
Lucena	36.0	34.6	38.0
Biollano	N/A	0.6	1.6
Total	311.8	350.5	185.7

The decrease is mainly due to the improvements in the reliability of the measurement system with the installation of new stack opacity meters in Navia and the improvement of the electrostatic precipitators in the biofactories.

CO emissions (t)			
Site	2019	2020	2021
Pontevedra	147.5	240.0	152.2
Huelva		826.2	2,138.8
Mérida	152.7	187.2	276.9
Enemansa	84.3	173.1	137.6
La Loma	634.6	498.3	474.1
Lucena	753.0	723.0	743.0
Biollano	N/A	215.9	233.5
Termollano	0.4	0.4	N/A
Total	1,772.5	2,864.1	4,156.1

The increase is due to a higher number of HU41 operating hours in 2021.

SH2 emissions (t)			
Site	2019	2020	2021
Navia	0.6	0.7	0.6
Pontevedra	2.5	2.9	N/A
Total	3.1	3.6	0.6

SO2 emissions (t)			
Site	2019	2020	2021
Navia	98.3	49.7	98.2
Pontevedra	106.5	165.0	66.3
Huelva	93.1	75.0	101.2
Mérida	40.5	51.4	44.3
Enemansa	0.1	0.4	0.2
La Loma	1.5	0.7	0.8
Lucena	115.0	107.0	99.0
Biollano	N/A	1.3	3.2
Termollano	0.3	3.9	N/A
Total	455.3	454.4	413.3

NH3 emissions (t)			
Site	2019	2020	2021
Huelva			16.7
Biollano			19.3
Total			36.0

HCl emissions (t)			
Site	2019	2020	2021
Huelva			4.9
Biollano			4.9
Total			9.8

Productions

Pulp production (t)			
Site	2019	2020	2021
Navia	457,396.8	572,565.1	577,434.8
Pontevedra	454,631.2	434,718.5	431,257.0
Total	912,028.0	1,007,283.6	1,008,691.8

Boosting the rural environment

Supply chain monitoring

Number of monitoring actions by category and type of material			
Sustainability inspections	Carried out	Planned	%
Biomass	335	336	1
Origin verification programme	1	12	0
On-site inspection	22	31	71%
Documentary inspection	141	122	116%
Inspection of zero cost releases (*0 cost in 2021*)	170	170	100%
Others	1	1	100%
Timber	304	168	2
Origin verification programme	6	10	60%
On-site inspection of woodlands	84	60	140%
Documentary inspection	115	95	121%
Forest management	1	1	100%
Chain of Custody	1	1	100%
Madera Justa	0	1	0%
On-site nurseries	3	0	N/A
Others	94	0	N/A

Type of biomass supplied		
Type	2020	2021
Agricultural	34.8%	36.7%
Industrial	21.1%	19.0%
Forestry	44.1%	44.3%

Biodiversity

Listed and/or threatened flora in the woodlands of the north of the peninsula					
Taxon	Dir. 92/43	National catalogue	Galician catalogue	Asturias Catalogue	Red List
Dryopteris aemula			VU		VU
Arnica montana	Annex V				
Narcissus bulbocodium	Annex V				
Narcissus cyclamineus	Annex II	ES	VU		
Narcissus triandrus	Annex IV	PEI			
N.pseudonarcissus Nobilis	Annex II	ES	VU		
Ruscus aculeatus	Annex V				
Woodwardia radicans	Annex II	ES		IE	
Taxus baccata				IE	
Ilex aquifolium				IE	

Listed and/or threatened flora in the Andalusian woodlands.

Taxon	National catalogue	Andalusian Catalogue	Red list of the vascular flora of Andalucía
Armeria gaditana	-	-	VU
Armeria velutina	-	X	NT
Asplenium billotii	-	X	NT
Blechnum spicant	-	-	NT
Carex acuta	-	-	DD
Cynara algarbiensis	-	-	VU
Daveaua anthemoides	-	-	VU
Dianthus hinoxianus	-	V	EN
Erica andevalensis	-	X	VU
Erica lusitanica	-	-	VU
Fuirena pubescens	-	-	VU
Galega cirujanoi	-	-	DD
Isoetes durieui	X	V	VU
Isoetes velatum subsp. velatum	-	-	DD
Lavandula viridis	-	-	DD
Loeflingia baetica	-	X	NT
Osmunda regalis	-	-	NT
Pinguicula lusitanica	-	-	VU
Spiranthes aestivalis	X	-	-
Stipa gigantea subsp. donyanae	-	-	VU
Ulex minor	-	-	NT

Potential vertebrate fauna in the woodlands managed by Ence in the north and south of the Iberian Peninsula with the highest level of protection listed in Annex I of the Birds Directive (2009/147/EC), Annexes II or IV of the Habitats Directive (92/43/EEC) or the Spanish, Galician, Asturian, Cantabrian and Andalusian catalogues of threatened species detected in the woodlands managed by Ence in Galicia, Asturias, Cantabria and Huelva. The corresponding protection categories and catalogues are specified.

Type	Scientific name	Common name English	1	2	3	4	5	6	7
Amphibians	*Chioglossa lusitanica***	Long-tailed salamander	II,IV	VU	VU				VU
	Triturus marmoratus	Marbled newt	IV	RPE					
	Alytes obstetricans	Common midwife toad	IV	RPE					
	Alytes cistemasii	Iberian midwife toad	IV	RPE				*	VU
	*Discoglossus galganoi***	Iberian painted frog	II,IV	RPE					
	Epidalea calamita	Natterjack toad	IV	RPE					
	Pelobates cultripes	Iberian spadefoot toad	IV	RPE				*	NT
	Hyla molleri (arboreal)	European tree frog	IV	RPE	VU	VU	VU		VU
	Hyla meridionalis	Mediterranean tree frog	IV	RPE				*	LC
	*Rana iberica***	Iberian stream frog	IV	RPE	VU		VU		VU
	Rana temporaria	European common frog	V	RPE	VU				VU
	Pelophylax perezi	Perez's frog	V			VU			
Reptiles	*Iberolacerta monticola***	Iberian rock lizard	II,IV	RPE	VU				VU

	*Lacerta schreiberi***	Iberian emerald lizard	II, IV	RPE					
	Zootoca vivipara	Viviparous lizard		RPE	VU				VU
	Coronella austriaca	European smooth snake	IV	RPE					
	Chalcides bedriagai	Bedriaga's skink	IV	RPE				*	NT
	Mauremys leprosa	Spanish pond turtle	II,IV	RPE				*	VU
	Emys orbicularis	European pond turtle	II,IV	RPE				*	NT
	Chamaeleo chamaeleon	Common chameleon	IV	RPE				*	
Mammals	*Galemys pyrenaicus***	Iberian desman	II, IV	VU	VU		VU		VU
	Lutra lutra	Eurasian otter	II, IV	RPE		IntEs			NT
	Felis silvestris	European wildcat	IV	RPE					
	*Lynx pardinus***	Iberian lynx	IV	EN				EN	

** Iberian endemisms

1. Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora. Annex II: species for whose conservation it is necessary to designate special areas of conservation. Priority species are indicated with an asterisk. Annex IV: Species requiring strict protection. Annex V: Species whose collection from the wild and whose exploitation may be subject to management measures.

2. Royal Decree 139/2011, dated 4 February, for the development of the List of Wildlife Species under Special Protection Regime and the Spanish Catalogue of Threatened Species. RPE = included in the List of Wild Species under Special Protection Regime; PE = In danger of extinction and VU = Vulnerable, both in the Spanish Catalogue of Threatened Species.

3. Decree 88/2007, dated 19 April, regulating the Galician Catalogue of endangered species. PE = Endangered, VU = Vulnerable.

4. Decree 32/90 of 8 March 1990, creating the Regional Catalogue of endangered vertebrate fauna of the Principado de Asturias. VU = Vulnerable; SHab = Sensitive to habitat alteration; IntEsp = Special concern.

5. Decree 120/2008, dated 4 December, regulating the Regional Catalogue of Threatened Species of Cantabria. VU = Vulnerable; SHab = Sensitive to habitat alteration; IntEsp = Special concern. PE = Endangered.

6. The Andalusian Catalogue of Threatened Species (Decree 23/2012, dated 14 February, regulating the conservation and sustainable use of wild flora and fauna and their habitats). (*) Included in VU = Vulnerable list. EN = Endangered

7. *Atlas y Libro rojo de los Anfibios y Reptiles de España* (Pleguezuelos et al., 2002) and *Libro Rojo de los mamíferos terrestres de España* (Palomo et al., 2007): CR = Critically Endangered, EN = Endangered, VU = Vulnerable, NT = Near Threatened, DD = Data Deficient.

Woodlands managed by Ence located in protected natural areas (Natura 2000 Network) in the northwest of the Iberian Peninsula

A Coruña	Costa Da Morte	Balares
A Coruña	Serra Do Xistral	Fraga Balboa
		Rua
Lugo	Serra Do Xistral	Castrillán
		Coto Mouro
		Lombo Zarrido
		Maceira
Pontevedra	Tea River	Barcia De Mera
		Santa Marina Castellans
Pontevedra	Lerez River	Gargallons
		Redonde
		Estecheiro
Asturias	Cuenca Del Esva	Rucabo Y La Matina
		Trapa
		Campizo
Cantabria	Oyambre Natural Park	Rubin

Woodlands managed by Ence located in protected natural areas (Natura 2000 Network) in the south of the Iberian Peninsula		
Gil Marquez	Natural site	Sierra pelada y rivera del aserrador
Los Barrancos	Natural Park	Sierra de Aracena y picos de Aroche
Navafresno Y Dehesa Del Carrizal	Natural Park	Sierra de Aracena y picos de Aroche
Risco Del Hombre and others	Natural Park	Sierra de Aracena y picos de Aroche
Corte Sonoble and others	Natural Park	Sierra de Aracena y picos de Aroche
El Palomar	Natural Park	Sierra de Aracena y picos de Aroche
La Zarzuela	Natural Park	Sierra de Aracena y picos de Aroche
Los Agudos	Natural Park	Sierra de Aracena y picos de Aroche
Los Agudos II	Natural Park	Sierra de Aracena y picos de Aroche
Los Umbrizos	Natural Park	Sierra de Aracena y picos de Aroche
Las Aliserillas	Natural Park	Sierra de Aracena y picos de Aroche
Peñas II	Natural site	Peñas de Aroche
Helechoso	Natural Park	Sierra de Aracena y picos de Aroche
Los Benitos	Natural Park	Sierra de Aracena y picos de Aroche
Valdesotella	Natural Park	Sierra de Aracena y picos de Aroche
Santa Eulalia	Natural Park	Sierra de Aracena y picos de Aroche
Dehesa Del Carmen III	Natural site	Sierra pelada y rivera del aserrador
Alcalabocinos III	Natural site	Sierra pelada y rivera del aserrador

Collaborating with the community

Tax contribution

Name of resident entities
COMPANY
ENCE ENERGIA Y CELULOSA SA
SILVASUR AGROFORESTAL SAU
NORTE FORESTAL SA
CELULOSA ENERGIA SA
CELULOSAS DE ASTURIAS SA
IBERSILVA SA
ENCE INVESTIGACION Y DESARROLLO SA
ENCE ENERGÍA PUERTOLLANO S.L.U.
ENERGIA DE LA LOMA SA
ENERGIAS DE LA MANCHA ENEMAN SA
BIOENERGIA SANTAMARIA SA
ENCE ENERGIA SLU
ENCE ENERGIA CASTILLA Y LEON SLU
ENCE ENERGIA CASTILLA Y LEON DOS SLU
ENCE ENERGIA EXTREMADURA SLU
ENCE ENERGIA HUELVA SLU
ENCE ENERGIA HUELVA DOS SLU
SOSTENIBILIDAD Y ECONOMIA CIRCULAR SLU
ENCE ENERGÍA EXTREMADURA DOS S.L.
ENCE ENERGIA CELTA SL
ENCE ENERGÍA ESTE S.L.U.

ENCE ENERGÍA PAMI S.L.U.
FUERZAS ENERGETICAS DEL SUR DE EUROPA XXIX SL
ENCE SERVICIOS CORPORATIVOS SL
ENCE ENERGIA LA LOMA 2 S.L.
ENCE SOLAR 2 SL
ENCE BIOMASA CORDOBA SL
ENCE LEPE SOLAR SL
ENCE HUELVA SOLAR 10 SL
ENCE ANDUJAR I SOLAR SLU
ENCE ANDUJAR II SLU
ENCE JAEN III SLU
ENCE SEVILLA II SLU
ENCE SEVILLA SOLAR I SLU
ENCE SEVILLA SOLAR III SLU
ENCE ENERGIA PUERTOLLANO 2, S.L.U

ANNEX III:

GRI content index

GRI 102-55

(*): the indicators that do not belong to the GRI core version indicated have not been included in the scope of the external assurance

GRI Indicator	Report section/direct response	Pages
GRI 101: FOUNDATION		
101 Principles	Annex I: About this report	131
GRI 102: ORGANISATIONAL PROFILE		
102-1 Name of the organisation	Ence Energía y Celulosa S.A.	
102-2 Activities, brands, products, and services	Getting to know ENCE	6-11
102-3 Location of headquarters	C/ Beatriz de Bobadilla 14 28040 Madrid, Spain	
102-4 Location of operations	The group in Spain	9-10
102-5 Ownership and legal form	Ensuring responsible governance	118-129
102-6 Markets served	Offering sustainable solutions	105
102-7 Scale of the organisation	Getting to know ENCE, Annex II	6-11, 133-137
102-8 Information on employees and other workers	Working with the community, Annex II	109, 133-137
102-9 Supply chain	Boosting the rural environment. Annex II	90-93, 149
102-10 Significant changes to the organisation and its supply chain	The most significant change in the reporting period was the exclusion of the Puertollano solar thermal plant area (Termollano) from the reported information, which Ence sold in December 2020. In terms of organisation, the most significant change has been the rotation of five photovoltaic generation assets in Huelva, Sevilla, Jaén and Granada. Further information on the main acquisitions and divestments of the year can be found in Section 6 of the company's annual accounts.	
102-11 Precautionary principle or approach	Risk and opportunity management	30-33
102-12 External Initiatives	Transforming Ence, Boosting the rural environment, Collaborating with the community	35-42, 75-93, 108-113
102-13 Membership of associations	Boosting the rural environment, Collaborating with the community. In 2020, Ence allocated €443,000 to the payment of association fees.	75-91, 110-113
STRATEGY		
102-14 Statement from senior decision-makers	Interview with the Chairman	3
102-15(*) Key impacts, risks, and opportunities	Getting to know ENCE, Risk and Opportunity Management and Eco-Efficient Operations	6-11, 30-33, 63-66
ETHICS AND INTEGRITY		
102-16 Values, principles, standards, and norms of behaviour	Commitment to sustainability, Ensuring responsible governance	23-28, 118-129
102-17(*) Mechanisms for advice and concerns about ethics	Ensuring responsible governance	118-129

GOVERNANCE		
102-18 Governance structure	Ensuring responsible governance	118-129
102-19(*) Delegating authority	Ensuring responsible governance	118-129
102-20(*) Executive-level responsibility for economic, environmental, and social topics	Eco-efficient operations, Ensuring responsible governance	63-73, 118-129,
102-21(*) Consulting stakeholders on economic, environmental, and social topics	Materiality analysis, Boosting the rural environment, Collaborating with the community	24-27, 75-93, 108-113
102-22(*) Composition of the highest governance body and its committees	Ensuring responsible governance	118-129
102-23(*) Chair of the highest governance body	Ensuring responsible governance	118-129
102-24(*) Nominating and selecting the highest governance body	Ensuring responsible governance	118-129
102-25(*) Conflicts of interest	Ence's internal regulations, and in particular its Board of Directors Regulations (sections 33 et seq.), 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 of Ence's stakeholders on the company's website.	
102-26(*) Role of highest governance body in setting objectives, values, and strategy	Ensuring responsible governance	118-129
102-27(*) Collective knowledge of highest governance body	Ensuring responsible governance	118-129
102-28(*) Evaluating the highest governance body's performance	Ensuring responsible governance	118-129
102-29(*) Identifying and managing economic, environmental, and social impacts	Materiality analysis, Risk and opportunity management, Eco-efficient operations, Annex II	24-27, 29-31, 63-73, 137-148
102-30(*) Effectiveness of risk management processes	Ensuring responsible governance	118-129
102-31(*) Review of economic, environmental, and social topics	Materiality analysis, Risk and opportunity management, Eco-efficient operations, Annex II	24-27, 29-31, 63-73, 137-148
102-32(*) Highest governance body's role in sustainability reporting	Ensuring responsible governance	118-129
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 sustainability concerns addressed by the Board and its delegated committees related to the health and safety of workers and contractors (with particular emphasis on the monitoring of pandemic response protocols) and the environmental performance of the facilities. The Board and its committees also discussed the new regulations applicable to sustainability (European taxonomy of sustainable finance, renewables directive and its transposition into Spanish law), Ence's response to climate change, and equality and diversity of the workforce and management positions.	

102-35(*) Remuneration policies	Ensuring responsible governance	118-129
102-36(*) Process for determining remuneration	Ensuring responsible governance	118-129
102-37(*) Stakeholders' involvement in remuneration	The Company holds meetings with proxy advisors 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: 2019: 24.8 2020: 21.6 2021: 13.1	
102-39(*) Percentage increase in annual total compensation ratio	The annual compensation in 2021 of the highest• paid person decreased by 36.2% while the average annual compensation of the workforce increased by 5.14%. (In calculating the total annual compensation of the highest-paid person, only his/her compensation for executive functions is taken into account)	
STAKEHOLDER ENGAGEMENT		
102-40 List of stakeholder groups	Commitment to sustainability	23-28
102-41 Collective bargaining agreements	Focusing on people	45-56
102-42 Identifying and selecting stakeholders	Commitment to sustainability	23-28
102-43 Approach to stakeholder engagement	Commitment to sustainability, collaborating with the community	23-28, 110-116
102-44 Key topics and concerns raised	Commitment to sustainability, Boosting the rural environment, Collaborating with the community	23-28, 75-93, 108-113
REPORTING PRACTICE		
102-45 Entities included in the consolidated financial statements	This information can be found in the Annual Accounts report, section 2 and Annex I.	
102-46 Defining report content and topic Boundaries	Annex I: About this report	131
102-47 List of material topics	Materiality analysis	24
102-48 Restatements of information	The data contained in this report corresponding to previous years may imply restatements of the information contained in previous sustainability reports issued by the company. These changes may be due to rounding of decimals, differences in measurement methods, or post-report revisions. This report restates the data corresponding to non-hazardous waste from La Loma, Enemansa's consumption of caustic soda, the intensity of GHG emissions and Navia's electricity self-consumption. In the case of the calculation of the carbon footprint, as indicated in the note attached to the results, the data should be considered provisional. Differences with the final data presented in the company's GHG reports may be due to the unavailability of the emission factors and other parameters outside the company updated at the closing date of the report by the corresponding official bodies.	
102-49 Changes in reporting	There have been no significant changes from the previous reporting cycle, although the specific section on Covid-19 response that was exceptionally included in the 2020 report has been omitted from the 2021 report.	
102-50 Reporting period	2021	

102-51 Date of most recent report	2020	
102-52 Reporting cycle	Annual	
102-53 Contact point for questions regarding the report	Annex I: About this report	132
102-54 Claims of reporting in accordance with the GRI Standards	Annex I: About this report	132
102-55 GRI content index	Annex II: GRI content index	154
102-56 External assurance	Annex V: External assurance	180

THEMATIC CONTENTS - ECONOMIC PERFORMANCE		
GRI Indicator	**Report section/direct response**	**Pages**
GRI 201: ECONOMIC PERFORMANCE		
103-1 Explanation of material subject and its scope	2021 Performance. For further information, see the consolidated annual accounts	11-13
103-2 The management approach and its components	2021 Performance. For further information, see the consolidated annual accounts	11-13
103-3 Evaluation of the management approach	2021 Performance. For further information, see the consolidated annual accounts	11-13
201-1 Direct economic value generated and distributed	Performance in 2021	11-13
201-2 Financial implications and other risks and opportunities due to climate change	Defending the climate	95-99
201-3 Defined benefit plan obligations and other retirement plans	Focusing on People; Annual Accounts; Annual Corporate Governance Report, Annual Reports on Directors' Remuneration	45-56
201-4 Financial assistance received from government	Tax contribution	114-116
GRI 202: MARKET PRESENCE		
103-1 Explanation of material subject and its scope	Getting to know ENCE, Strategy	6-13, 20-21
103-2 The management approach and its components	Getting to know ENCE, Strategy	6-13, 20-21
103-3 Evaluation of the management approach	Getting to know ENCE, Strategy	6-13, 20-21
202-1 Ratios of standard entry level wage by gender compared to local minimum wage	Focusing on people	50
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 all of Ence's relevant operation sites are located.	
GRI 203: INDIRECT ECONOMIC IMPACTS		
103-1 Explanation of material subject and its scope	Getting to know ENCE, Strategy	6-13, 20-21
103-2 The management approach and its components	Getting to know ENCE, Strategy	6-13, 20-21
103-3 Evaluation of the management approach	Getting to know ENCE, Strategy	6-13, 20-21
203-1 Infrastructure investments and services supported	Getting to know ENCE, Strategy	6-13, 20-21
203-2 Significant indirect economic impacts	Getting to know ENCE, Strategy	6-13, 20-21
GRI 204: PROCUREMENT PRACTICES		
103-1 Explanation of material subject and its scope	Boosting the rural environment	75-93

103-2 The management approach and its components	Boosting the rural environment	75-93
103-3 Evaluation of the management approach	Boosting the rural environment	75-93
204-1 Proportion of spending on local suppliers	Boosting the rural environment	75-93
GRI 205: ANTI-CORRUPTION		
103-1 Explanation of material subject and its scope	Ethics and compliance	127-129
103-2 The management approach and its components	Ethics and compliance	127-129
103-3 Evaluation of the management approach	Ethics and compliance	127-129
205-1 Operations assessed for risks related to corruption	Ethics and compliance	127-129
205-2 Communication and training about anti-corruption policies and procedures	In 2021, 1,392 employees received training on compliance 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	127-129
GRI 206: ANTI-COMPETITIVE BEHAVIOUR		
103-1 Explanation of material subject and its scope	Ethics and compliance	127-129
103-2 The management approach and its components	Ethics and compliance	127-129
103-3 Evaluation of the management approach	Ethics and compliance	127-129
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 207: TAXATION		
207-1 Approach to tax	Collaborating with the community (Tax contribution)	114-116
207-2 Tax governance, control, and risk management	Collaborating with the community (Tax contribution). Annex II	114-116, 152-153
207-3 Stakeholder engagement and management concerns related to tax	Collaborating with the community (Tax contribution)	114-116
207-4 Country-by-country reporting	Collaborating with the community (Tax contribution)	114-116

THEMATIC CONTENTS - ENVIRONMENT		
GRI Indicator	**Report section/direct response**	**Pages**
GRI 301: MATERIALS		
103-1 Explanation of material subject and its scope	Eco-efficient operations	63-71
103-2 The management approach and its components	Eco-efficient operations	63-71
103-3 Evaluation of the management approach	Eco-efficient operations	63-71
301-1 Materials used by weight or volume	Eco-efficient operations. Annex II	63-71, 137-143
301-2 Recycled supplies	Eco-efficient operations. Annex II	63-71, 137-147
301-3 Reclaimed products and their packaging materials	Eco-efficient operations. Annex II	67-71, 137-147

GRI 302: ENERGY		
103-1 Explanation of material subject and its scope	Eco-efficient operations	67-71
103-2 The management approach and its components	Eco-efficient operations	67-71
103-3 Evaluation of the management approach	Eco-efficient operations	67-71
302-1 Energy consumption within the organisation	Eco-efficient operations. Annex II	67-71, 147-148
302-3 Energy intensity	Eco-efficient operations	67-71
302-4 Reduction of energy consumption	Eco-efficient operations	67-71
302-5 Reductions in energy requirements of products and services	Eco-efficient operations	67-71
GRI 303: WATER AND EFFLUENTS		
303-1 Interaction with water as a shared resource	Eco-efficient operations	69-71
303-2 Management of impacts related to water discharges	Eco-efficient operations	69-71
303-3 Water withdrawal	Eco-efficient operations	69-71
303-4 Water discharge	There were no significant spills in the reporting period.	
303-5 Water consumption	Eco-efficient operations. Annex II	69-71, 143-147
GRI 304: BIODIVERSITY		
103-1 Explanation of material subject and its scope	Boosting the rural environment	83-85
103-2 The management approach and its components	Boosting the rural environment	83-85
103-3 Evaluation of the management approach	Boosting the rural environment	83-85
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	The protected areas nearest (<5 km) Ence's operational centres are the ría de Pontevedra (declared as a sensitive area), the Peñarronda-Barayo SAC (Navia), the SCIs Marismas de Nicoba and Marismas de Santa Ribera and (Huelva), the SCI Río Guadiana and the Sierra de las Cabrerizas SPA (Mérida), and the SCIs Río Guadalimar and Río Guadalquivir (Lucena).	
304-2 Significant impacts of activities, products, and services on biodiversity	Boosting the rural environment	83-85
304-3 Habitats protected or restored	Boosting the rural environment. Annex II	83-85, 149-152
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	Boosting the rural environment. Annex II	83-85, 149-152
GRI 305: EMISSIONS		
103-1 Explanation of material subject and its scope	Defending the climate, Eco-efficient Operations	63-71, 95-99
103-2 The management approach and its components	Defending the climate, Eco-efficient Operations	63-71, 95-99
103-3 Evaluation of the management approach	Defending the climate, Eco-efficient Operations	63-71, 95-99

305-1 Direct GHG emissions (Scope 1)	Defending the climate	95-99
305-2 Indirect GHG emissions (Scope 2) from the generation of energy	Defending the climate	95-99
305-3 Other indirect (Scope 3) GHG emissions	Defending the climate	95-99
305-4 GHG emissions intensity	Defending the climate	95-99
305-5 Reduction of GHG emissions	Defending the climate	95-99
305-6 Emissions of ozone-depleting substances (ODS)	Not applicable, as Ence's activity does not generate significant ozone-depleting emissions. The only emission sources (gas recharges due to refrigeration equipment losses) are intermittent and the amount emitted is negligible.	
305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	Eco-efficient operations. Annex II	67-73, 147-148
GRI 306: WASTE		
103-1 Explanation of material subject and its scope	Eco-efficient operations	67-73
103-2 The management approach and its components	Eco-efficient operations	67-73
103-3 Evaluation of the management approach	Eco-efficient operations	67-73
306-1 Waste generation and associated significant impacts	Eco-efficient operations	67-73
306-2 Management of significant impacts associated with waste	Eco-efficient operations	67-73
306-3 Waste generated	Eco-efficient operations. Annex II	67-73, 146-147
306-4 Waste diverted from disposal	Eco-efficient operations. Annex II	67-73, 146-147
306-5 Wastes sent for disposal	Eco-efficient operations. Annex II	67-73, 146-147
GRI 307: ENVIRONMENTAL COMPLIANCE		
103-1 Explanation of material subject and its scope	Eco-efficient operations	63-73
103-2 The management approach and its components	Eco-efficient operations	63-73
103-3 Evaluation of the management approach	Eco-efficient operations	63-73
307-1 Non-compliance with environmental laws and regulations	Occasional excess noise levels have been recorded at the Navia and Huelva plants. During 2021, Ence has worked on the design and implementation of action plans to remedy this excess.	
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT		
103-1 Explanation of material subject and its scope	Boosting the rural environment	90-93
103-2 The management approach and its components	Boosting the rural environment	90-93
103-3 Evaluation of the management approach	Boosting the rural environment	90-93
308-1 New suppliers that were screened using environmental criteria	Boosting the rural environment. Annex II	90-93, 149
308-2 Negative environmental impacts in the supply chain and actions taken	Boosting the rural environment	90-93

GRI Indicator	Report section/direct response	Pages
GRI 401: EMPLOYMENT		
103-1 Explanation of material subject and its scope	Focusing on people	45-56
103-2 The management approach and its components	Focusing on people	45-56
103-3 Evaluation of the management approach	Focusing on people	45-56
401-1 New employee hires and employee turnover	Focusing on people. Annex II	45-56, 133-137
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Focusing on people	45-56
401-3 Parental leave	Focusing on people. Annex II	45-56, 133-137
GRI 402: LABOUR/MANAGEMENT RELATIONS		
103-1 Explanation of material subject and its scope	Focusing on people	45-56
103-2 The management approach and its components	Focusing on people	45-56
103-3 Evaluation of the management approach	Focusing on people	45-56
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).	
GRI 403: OCCUPATIONAL HEALTH AND SAFETY		
403-1 Occupational health and safety management system	Health and safety	58-62
403-2 Hazard identification, risk assessment and incident investigation	Health and safety	58-62
403-3 Occupational health services	Health and safety	58-62
403-4 Workers participation in regard to health and safety at work	Health and safety	58-62
403-5 Training of workers on occupational health and safety	Health and safety, Focusing on people	58-62, 45-56
403-6 Workers' health promotion	Health and safety, Focusing on people	58-62, 45-56
403-7 Prevention and mitigation of impacts on the health and safety of workers directly linked through business relationships	Health and safety	58-62
403-8 Workers covered by an occupational safety and health management system	100%	
403-9 Work-related injuries	Health and safety. No fatal accidents were recorded in the reporting period. Annex II	58-62, 137
403-10 Occupational diseases and illnesses	Health and safety	58-62
GRI 404: TRAINING AND EDUCATION		
103-1 Explanation of material subject and its scope	Focusing on people	45-56
103-2 The management approach and its components	Focusing on people	45-56
103-3 Evaluation of the management approach	Focusing on people	45-56

404-1 Average hours of training per year per employee	Focusing on people. Annex II	45-56, 133-137
404-2 Programmes for upgrading employee skills and transition assistance programmes	Focusing on people. Annex II	45-56,133-137
404-3 Percentage of employees receiving regular performance and career development reviews	Focusing on people. Annex II	45-56,133-137
GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES		
103-1 Explanation of material subject and its scope	Focusing on people	45-56
103-2 The management approach and its components	Focusing on people	45-56
103-3 Evaluation of the management approach	Focusing on people	45-56
405-1 Diversity of governance bodies and employees	Focusing on people, Ensuring responsible governance	45-56, 118-129
405-2 Ratio of basic salary and remuneration of women to men	Focusing on people. Annex II	45-56,133-137
GRI 406: NON-DISCRIMINATION		
103-1 Explanation of material subject and its scope	Focusing on People, Ethics and Compliance	45-56, 127-129
103-2 The management approach and its components	Focusing on People, Ethics and Compliance	45-56, 127-129
103-3 Evaluation of the management approach	Focusing on People, Ethics and Compliance	45-56, 127-129
406-1 Incidents of discrimination and corrective actions taken	No cases of discrimination were recorded in the reporting period	
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
103-1 Explanation of material subject and its scope	Focusing on People, Ethics and Compliance	45-56, 127-129
103-2 The management approach and its components	Focusing on People, Ethics and Compliance	45-56, 127-129
103-3 Evaluation of the management approach	Focusing on People, Ethics and Compliance	45-56, 127-129
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.	
GRI 408: CHILD LABOUR		
103-1 Explanation of material subject and its scope	Ence's Code of Conduct, Sustainability Policy and Procurement Policy state 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 requires suppliers to adhere to its Code of Conduct and includes specific human rights compliance clauses in its contracts with agroforestry suppliers. No operations or suppliers with risk of child labour cases have been detected in the reporting period	
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 labour		
GRI 409: FORCED OR COMPULSORY LABOUR		
103-1 Explanation of material subject and its scope	Ence's Code of Conduct, Sustainability Policy and Procurement Policy state 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	
103-2 The management approach and its components		

103-3 Evaluation of the management approach 409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	control systems that make this risk not deemed significant. Even so, Ence requires suppliers to adhere to its Code of Conduct and includes specific human rights compliance clauses in its contracts with agroforestry suppliers. No operations or suppliers with risk of forced or compulsory labour were detected during the reporting period.		
GRI 410: SECURITY PRACTICES			
103-1 Explanation of material subject and its scope 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	Ence's Code of Conduct, Sustainability Policy and Procurement Policy state 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, which are held on a regular basis. The last training courses on this matter were held in 2019.		
GRI 411: RIGHTS OF INDIGENOUS PEOPLE			
103-1 Explanation of material subject and its scope 103-2 The management approach and its components 103-3 Evaluation of the management approach 411-1 Incidents of violations involving rights of indigenous people	This does not apply, since Ence does not operate in countries or territories inhabited by indigenous people. Therefore, this aspect is not considered material.		
GRI 412: HUMAN RIGHTS ASSESSMENT			
103-1 Explanation of material subject and its scope 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	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.		
412-2 Employee training on human rights policies or procedures	In 2021, a total of 701 employees received training on Ence's code of conduct, which includes the company's business principles on human rights, including, among other things, the protection of workers' rights and the assessment of human rights compliance in supplier evaluation processes.		
412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights assessment	Companies with which Ence signs significant investment contracts are located in countries where the risk of human rights violations is not deemed significant. In any case, suppliers are required to adhere to Ence's Code of Conduct, which includes a commitment to respect human rights. Contracts with agroforestry suppliers include specific clauses on the respect for human rights.		
GRI 413: LOCAL COMMUNITIES			
103-1 Explanation of material subject and its scope	Boosting the rural environment, Collaborating with the community	75-78, 111	108-
103-2 The management approach and its components	Boosting the rural environment, Collaborating with the community	75-78, 111	108-
103-3 Evaluation of the management approach	Boosting the rural environment, Collaborating with the community	75-78, 111	108-

413-1 Operations with local community engagement, impact assessments, and development programmes	Boosting the rural environment, Collaborating with the community	75-78, 108-111
413-2 Operations with significant actual and potential negative impacts on local communities	Boosting the rural environment, Collaborating with the community	75-78, 108-111
GRI 414: SUPPLIER SOCIAL ASSESSMENT		
103-1 Explanation of material subject and its scope	Boosting the rural environment	90-93
103-2 The management approach and its components	Boosting the rural environment	90-93
103-3 Evaluation of the management approach	Boosting the rural environment	90-93
414-1 New suppliers that were screened using social criteria	Boosting the rural environment	90-93
414-2 Negative social impacts in the supply chain and actions taken	Boosting the rural environment	90-93
GRI 415: PUBLIC POLICY		
103-1 Explanation of material subject and its scope	Collaborating with the community, Ethics and Compliance	112-116, 127-129
103-2 The management approach and its components	Collaborating with the community, Ethics and Compliance	112-116, 127-129
103-3 Evaluation of the management approach	Collaborating with the community, Ethics and Compliance	112-116, 127-129
415-1 Contributions to political representatives and/or political parties	No contributions were made to political parties and/or representatives during the reporting period.	
GRI 416: CUSTOMER HEALTH AND SAFETY		
103-1 Explanation of material subject and its scope	Getting to know ENCE, Offering sustainable solutions	6-11, 105-106
103-2 The management approach and its components	Getting to know ENCE, Offering sustainable solutions	6-11, 105-106
103-3 Evaluation of the management approach	Getting to know ENCE, Offering sustainable solutions	6-11, 105-106
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 (Material Safety Data Sheet) 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.	
GRI 417: MARKETING AND LABELLING		
103-1 Explanation of material subject and its scope	Getting to know ENCE, Offering sustainable solutions	6-11, 105-106
103-2 The management approach and its components	Getting to know ENCE, Offering sustainable solutions	6-11, 105-106
103-3 Evaluation of the management approach	Getting to know ENCE, Offering sustainable solutions	6-11, 105-106
417-1 Requirements for product and service information and labelling	Ence includes a label on its pulp 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.	
GRI 418: CUSTOMER PRIVACY		
103-1 Explanation of material subject and its scope	Digitisation and cybersecurity. Ence's information security procedure includes the requirement to sign confidentiality clauses or agreements with customers and suppliers.	40-42
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.	
GRI 419: SOCIOECONOMIC COMPLIANCE		
103-1 Explanation of material subject and its scope	Getting to know ENCE. Strategy.	11-13, 20-21
103-2 The management approach and its components	Getting to know ENCE. Strategy.	11-13, 20-21
103-3 Evaluation of the management approach	Getting to know ENCE. Strategy.	11-13, 20-21
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.	
INNOVATION AND DIGITISATION		
103-1 Explanation of material subject and its scope	Transforming Ence	35-42
103-2 The management approach and its components	Transforming Ence	35-42
103-3 Evaluation of the management approach	Transforming Ence	35-42

ANNEX IV
Law 11/2018 content index

CONTENTS OF THE NON-FINANCIAL INFORMATION STATEMENT		
Law 11/2018 INF contents	**Standard used (selected GRI)**	**Pages**
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	6-11
	GRI 102-3 Location of headquarters	154
	GRI 102-4 Location of operations	9-10
	GRI 102-6 Markets served	105
	GRI 102.14 Statement from senior decision-makers	33
	GRI 102-15 Key impacts, risks, and opportunities	20-21, 29-31, 63-67
	GRI 102-7 Scale of the organisation	6-11, 133-137
Principle of materiality	GRI 102-46 Defining report content and topic boundaries	131
	GRI 102-47 List of material topics	24
INFORMATION ON ENVIRONMENTAL 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	64-66
	GRI 103-3 Evaluation of the management approach	11-13
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	20-21, 29-31, 66-67
	GRI 102-11 Precautionary principle or approach	64-67
	GRI 102-30 Effectiveness of risk management processes	117-126
	GRI 201-2 Financial implications and other risks and opportunities due to climate change	95-98
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	20-21, 29-31, 66-67
Environmental assessment or certification procedures	GRI 102-11 Precautionary principle or approach Ence has environmental certifications in accordance with the UNE-EN-ISO 14001 and UNE-EN-ISO 50001 standards and the European Eco-Management and Audit Scheme (EMAS), as well as the EU Ecolabel, Nordic Swan and AENOR Zero Waste and SURE environmental certifications. More information in the Eco-efficient Operations section	64-65

Resources dedicated to the prevention of environmental risks	GRI 103-2 The management approach and its components The Eco-efficient operations section contains the details of the environmental investments made by the company during the year. In addition, each facility has a team dedicated to environmental management and environmental risk prevention, coordinated by an environmental manager for the pulp business line and an environmental manager for the energy business line.	11-13
Application of the precautionary principle	GRI 102-11 Precautionary principle or approach	64-66
Provisions and guarantees for environmental risks	GRI 103-2 The management approach and its components The Ence facilities to which Act 26/2007, dated 23 October, on Environmental Liability applies are exempt from providing financial guarantees in accordance with section a) and b) of article 28 of the aforementioned Act because they are members of the EMAS and/or the environmental management system UNE-EN ISO 14001 or because the assessment of the damage potentially caused is less than €300,000. The only exception is the Mérida power plant, for which a guarantee of €839,939.99 has been provided. Ence has also taken out an environmental liability policy with a general limit of €40 MM per claim and in annual aggregate, for all the guarantees and coverages of the policy. Provisions regarding probable or certain liabilities, litigation in progress and outstanding indemnities or obligations of an undetermined amount of an environmental nature, not covered by the insurance policies taken out, are established when the liability or obligation giving rise to the indemnity or payment arises. There are no provisions made for this item at the end of 2021.	

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)	11-13
	GRI 302-4 Reduction of energy consumption	67-71
	GRI 302-5 Reduction in energy requirements of products and services	69-71
	GRI 305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	69-73,147-148
	In the case of noise and light pollution, there is no reference GRI standard. Ence reports its management approach and measures to reduce its impact in the Eco-efficient Operations section of this report	

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)	63-71, 95-99
	GRI 301-1 Materials used by weight or volume	67-71, 140-143
	GRI 301-2 Recycled supplies	63-71
	GRI 301-3 Reclaimed products and their packaging materials	67-71
	GRI 306-3 Waste generated	67-71
	GRI 306-4 Waste diverted from disposal	67-71,147-148
	GRI 306-5 Waste sent for disposal	67-71
	GRI 303-4 Water discharge	159, 70-71, 143-146
Actions to combat food waste	This is a non-material aspect for Ence, since the company's activity has no impact on the production, consumption or distribution of food.	

Sustainable use of resources		
Water consumption and water supply according to local constraints	GRI 303-3 Water withdrawal	69-71
Consumption of raw materials and measures taken to improve the efficiency of their use	GRI 103-2 Management Approach (Environment)	83-85
	GRI 301-1 Materials used by weight or volume	63-71
	GRI 301-2 Recycled supplies	63-71
	GRI 301-3 Reclaimed products and their packaging materials	63-71
Energy: Consumption, direct and indirect; measures taken to improve energy efficiency, use of renewable energies	GRI 103-2 Management Approach (Energy)	83-85
	GRI 302-1 Energy consumption within the organisation	67-71
	GRI 302-3 Energy intensity	67-71
	GRI 302-4 Reduction of energy consumption	67-71
	GRI 302-5 Reduction in energy requirements of products and services	67-71
Climate change		
Greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces	GRI 305-1 Direct GHG emissions (Scope 1)	95-99
	GRI 305-2 Indirect energy generation GHG emissions (Scope 2)	95-99
	GRI 305-3 Other indirect (Scope 3) GHG emissions	95-99
	GRI 305-4 GHG emissions intensity	95-99
	GRI 305-5 Reduction of GHG emissions	95-97
Measures taken to adapt to the consequences of climate change	GRI 102-15 Key impacts, risks, and opportunities	20-21, 29-31, 63-71
	GRI 103-2 The management approach and its components	95-96
	GRI 201-2 Financial implications and other risks and opportunities due to climate change	98-99
Reduction targets voluntarily set in the medium- and long-term to reduce GHG emissions and resources	GRI 103-2 Management Approach (GHG emission reduction)	95-96
Protection of biodiversity		
Measures taken to preserve and restore biodiversity	GRI 103-2 Management Approach (Biodiversity)	88-90
	GRI 304-3 Habitats protected or restored	83-85
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	159
	GRI 304-2 Significant impacts of activities, products, and services on biodiversity	83-85
	GRI 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	83-85
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	63-68, 95-99
	GRI 103-3 Evaluation of the management approach	63-68, 95-99

	GRI 102-35 Remuneration policies	117-126
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	20-21, 29-31, 63-68
	GRI 102-30 Effectiveness of risk management processes	118-127
Employment		
Total number and distribution of employees by gender, age, country and professional classification	GRI 102-7 Scale of the organisation	6-11, 133-154
	GRI 102-8 Information on employees and other workers	110, 133-154
	GRI 405-1. b) The percentage of employees by job category for each of the following diversity categories: gender and age group	45-56, 118-129
Total number and distribution of employment contract modalities	GRI 102-8 Information on employees and other workers	110, 133-154
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. Ence reports the information at the end of the financial year, as the difference between the mean workforce data and year-end data is less than 5%, so both data reflect equivalent and very similar information.	110, 133-154
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) There were 7 redundancies in 2021, as follows, broken down by gender, age and occupational classification: **2021 Redundancies** / **M** / **F** / **Total** General management / 1 / / 1 Over 50 years old / 1 / / 1 Managers / 1 / / 1 From 31 to 50 years old / 1 / / 1 Support and improvement / 1 / / 1 From 31 to 50 years old / 1 / / 1 Technicians / 4 / / 4 From 31 to 50 years old / 3 / / 3 Up to 30 years old / 1 / / 1 **Total** / **7** / / **7**	45-56, 118-129
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 Average remuneration and its evolution are reported in detail in the Remuneration and welfare plans section and in Annex II of this report.	45-56
Pay Gap	GRI 405-2 Ratio of basic salary and remuneration of women to men Information on the pay gap and details the methodology used are reported in the Remuneration and welfare plans section and Annex II of this report.	45-56

Remuneration of equal or average jobs in the company	GRI 405-2 Ratio of basic salary and remuneration of women to men In the Remuneration and welfare plans section and in Annex II of this report, the average remuneration by professional category is reported	45-56
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	117-126
	GRI 405-2 Ratio of basic salary and remuneration of women to men	45-56
	GRI 102-36 Process for determining remuneration	117-126
	GRI 201-3 Defined benefit plan obligations and other retirement plans	45-55
Implementation of labour disconnection measures	GRI 103-2 Management Approach (labour disconnection)	11-13
Employees with disabilities	GRI 405-1. b) Percentage of employees by job category for each of the following diversity categories (iii. Vulnerable groups).	45-56, 118-129
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.	110, 133-154
	GRI 103-2 Management Approach (Organisation of work)	11-13
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)	58-62
Measures aimed at facilitating the enjoyment of work/life balance and encouraging co-responsibility for it by both parents.	GRI 401-3 Parental leave	45-56
	GRI 103-2 Management approach	45-56
Health and Safety		
Occupational health and safety conditions	GRI 103-2 Management Approach (Health and Safety)	45-56
Accidents at work (frequency and severity) disaggregated by gender	GRI 403-9 Injuries due to occupational accidents	58-62
Occupational illness (frequency and severity) disaggregated by gender	GRI 403-10 Occupational diseases and illnesses	58-62
Social Relations		
Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff	GRI 102-43 Approach to stakeholder engagement	23-28, 110-116
	GRI 402-1 Minimum notice periods regarding operational changes	161
	GRI 403-4 Workers participation in regard to health and safety at work	58-62
Percentage of employees covered by collective bargaining agreements by country	GRI 102-41 Collective bargaining agreements	44-55
Assessment of collective agreements, particularly in the field of health and safety at work	GRI 403-4 Workers participation in regard to health and safety at work	58-62
Training		
Policies implemented in the field of training	GRI 103-2 Management Approach (Training and education)	63-68, 95-99
	GRI 404-2 Programmes for upgrading employee skills and transition assistance programmes	45-56
Total number of training hours by professional category	GRI 404-1 Average hours of training per year per employee	45-56
Accessibility		

Universal accessibility for people with disabilities	GRI 103-2 Management Approach (Diversity and Equality of Opportunities and Non-Discrimination)	63-68, 95-99
Equality		
Measures taken to promote equal treatment and opportunities for men and women	GRI 103-2 Management Approach (Diversity and Equality of Opportunities)	63-68, 95-99
Equality plans	GRI 103-2 Management Approach (Diversity and Equality of Opportunities and Non-Discrimination)	63-68, 95-99
Measures taken to promote employment	GRI 103-2 Management Approach (Employment)	63-68, 95-99
	GRI 404-2 Programmes for upgrading employee skills and transition assistance programmes	45-56
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The integration and universal accessibility of persons with disabilities	GRI 103-2 Management Approach (Diversity and Equality of Opportunities and Non-Discrimination)	63-68, 95-99
Anti-discrimination and, where appropriate, diversity management policy	GRI 103-2 Management Approach (Diversity and Equality of Opportunities and Non-Discrimination)	63-68, 95-99
	GRI 406-1 Incidents of discrimination and corrective actions taken	162
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	63-68, 95-99
	GRI 103-3 Evaluation of the management approach	63-68, 95-99
	GRI 102-16 - Values, principles, standards, and norms of behaviour	22-28, 117-126
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	20-21, 29-31, 63-67
	GRI 102-30 Effectiveness of risk management processes	117-126
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Application of human rights due diligence procedures	GRI 103-2 Management Approach (Human Rights Assessment)	63-68, 95-99
	GRI 414-2 Negative social impacts in the supply chain and actions taken	90-93
	GRI 102-16 - Values, principles, standards, and norms of behaviour	22-28, 117-126

	GRI 102-17 - Mechanisms for advice and concerns about ethics	117-126
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)	63-68, 95-99
	GRI 412-2 Employee training on human rights policies or procedures	163
	GRI 412-1 Operations that have been subject to human rights reviews or impact assessments	163
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	GRI 419-1 Non-compliance with laws and regulations in the social and economic area	165
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)	63-68, 95-99
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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	63-68, 95-99
	GRI 103-3 Evaluation of the management approach	6-13, 20-21
	GRI 102-16 - Values, principles, standards, and norms of behaviour	22-28, 117-126
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	20-21, 29-31, 63-68
	GRI 102-30 Effectiveness of risk management processes	117-126
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Measures to fight against money laundering	GRI 103-2 Management Approach (Anticorruption)	63-68, 95-99
Contributions to foundations and non-profit entities	GRI 103-2 Management Approach (Anticorruption)	63-68, 95-99
	GRI 201-1 Direct economic value generated and distributed	11-13
	GRI 203-2 Significant indirect economic impacts	6-13, 20-21
	GRI 415-1 Contributions to political representatives and/or political parties	164
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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	63-68, 95-99
	GRI 103-3 Evaluation of the management approach	6-13, 20-21
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	20-21, 29-31, 63-68
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Impact of the company's activity on employment and local development	GRI 203-1 Infrastructure investments and services supported	6-13, 20-21
	GRI 203-2 Significant indirect economic impacts	6-13, 20-21
	GRI 204-1 Proportion of spending on local suppliers	75-93
	GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	75-78, 108-111
	GRI 413-2 Operations with significant actual and potential negative impacts on local communities	75-78, 108-111
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	GRI 203-2 Significant indirect economic impacts	6-13, 20-21
	GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	75-78, 108-111

	GRI 413-2 Operations with significant actual and potential negative impacts on local communities	75-78, 108-111
Relations maintained with local community stakeholders and the methods of dialogue with them	GRI 102-43 Approach to stakeholder engagement	23-28, 110-114
	GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	75-78, 108-111
Association or sponsorship actions	GRI 102-13 Membership of associations	74-90, 110-112
	GRI 203-1 Infrastructure investments and services supported	6-13, 20-21
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	GRI 308-1 New suppliers that were screened using environmental criteria	90-93
	GRI 308-2 Negative environmental impacts in the supply chain and actions taken	90-93
	GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	162
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	GRI 414-2 Negative social impacts in the supply chain and actions taken	90-93
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	GRI 414-2 Negative social impacts in the supply chain and actions taken	90-93
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	GRI 416-1 Assessment of the health and safety impacts of product and service categories	164
	GRI 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	165
	GRI 417-1 Requirements for product and service information and labelling	165
Complaint systems, complaints received and their resolution	GRI 102-17 Mechanisms for advice and concerns about ethics	117-128
	GRI 103-2 Management Approach (Customer Health and Safety)	63-68, 95-99
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Tax information		
Profits obtained by country	GRI 207-4 Country-by-country reporting	114-116
Income taxes paid	GRI 207-4 Country-by-country reporting	114-116
Public subsidies received	GRI 201-4 Financial assistance received from government	114-116

ANNEX V

SASB Table of Contents

SASB STANDARD: RENEWABLE RESOURCES AND ALTERNATIVE ENERGY SECTOR				
SASB Code-Indicator		**Category**	**Standard used (GRI)**	**Pages**
PULP AND PAPER PRODUCTION (RR-PP)				
Greenhouse Gas Emissions (GHG)				
RR-PP-110a.1	Scope 1 direct GHG emissions	Quantitative	GRI 305-1 Direct GHG emissions (Scope 1)	95-99
RR-PP-110a.2	Short- and long-term strategy or plan for the management of Scope 1 direct emissions, emission reduction objectives and monitoring of these targets	Discussion and analysis	GRI 305-5 Reduction of GHG emissions	95-99
Air quality				
RR-PP-120a.1	Emissions of NOx (excluding N2O), SO2, volatile organic compounds (VOCs), particulate matter and hazardous air pollutants (HAPs)	Quantitative	GRI 305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	68-74
Energy Management				
RR-PP-130a.1	Energy consumed, percentage pertaining to the grid, consumption percentage from biomass generation, percentage from other renewable source	Quantitative	GRI 302-1 Energy consumption within the organisation	67-71
Water management				
RR-PP-140a.1	Water uptake and consumption, and percentage of consumption in regions of high or extreme water stress	Quantitative	GRI 303-3 Water withdrawal	69-71
			GRI 303-4 Water discharge	159
			GRI 303-5 Water consumption	69-71
RR-PP-140a.2	Description of water risk management and discussion of water risk mitigation strategies and practices	Discussion and analysis	GRI 103-1 Explanation of material subject and its scope (Water and effluents)	11-13
			GRI 103-2 The management approach and its components (Water and effluents)	11-13
Supply chain management				
RR-PP-430a.1	Percentage of timber from third parties certified to each certification standard, and certification of timber from other sources	Quantitative	There is no specific GRI standard; Ence reports this information in the Boosting the rural environment section	75-93
RR-PP-430a.2	Percentage of recycled timber purchased	Quantitative	Ence does not use recycled timber in its production processes	
Activity parameters				
RR-PP-000.A	Pulp production	Quantitative	There is no specific GRI standard; Ence reports this information in the Offering sustainable solutions section	105-106
RR-PP-000.C	Wood fibre supplied	Quantitative	Ence does not buy wood fibre, it uses unprocessed virgin wood for pulp production	

FOREST MANAGEMENT (RR-FM)				
Ecosystem services and impacts				
RR-FM-160a.1	Forest area surface certified by a qualified third party and percentage certified to each standard	Quantitative	There is no specific GRI standard; Ence reports this information in the Boosting the rural environment section	75-93
RR-FM-160a.2	Forest area surface classified as protected for conservation purposes	Quantitative	There is no specific GRI standard; Ence reports this information in the Boosting the rural environment section	75-93
RR-FM-160a.3	Forest area surface in protected species habitat	Quantitative	There is no specific GRI standard; Ence reports this information in the Boosting the rural environment section	75-93
RR-FM-160a.4	Description of the approach to optimising opportunities for forest services	Discussion and analysis	There is no specific GRI standard; Ence reports this information in the Business Lines section	75-93
Rights of indigenous people				
RR-FM-210a.2	Description of commitment and good practices on the respect for human rights, the rights of indigenous people, and the local community	Discussion and analysis	GRI 103-1 Explanation of material subject and its scope (Assessment of Human Rights, Rights of Indigenous People, and the Local Community)	11-13
			GRI 103-2 The Management Approach and its components (Assessment of Human Rights, Rights of Indigenous People, and the Local Community)	11-13
			GRI 103-3 Management Approach Assessment (Assessment of Human Rights, Rights of Indigenous People, and the Local Community)	11-13
			GRI 412-1 Operations that have been subject to human rights reviews or impact assessments	163
			GRI 412-2 Employee training on human rights policies or procedures	163
			GRI 411-1 Incidents of violations involving rights of indigenous peoples	163
			GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	75-78, 108-111
			GRI 413-2 Operations with significant actual and potential negative impacts on local communities	75-78, 108-111
Adaptation to climate change				
RR-FM-450a.1	Description of strategy for managing risks and opportunities for timber production and forest management arising from climate change	Discussion and analysis	There is no specific GRI standard; Ence reports this information in the Defending the climate, Forestry R&D&I and Boosting the rural environment sections.	95-99, 75-93, 35-38
Activity parameters				
RR-FM-000.A	Forest area owned, leased or managed by the company	Quantitative	There is no specific GRI standard; Ence reports this information in the Boosting the rural environment section	75-93
RR-FM-000.C	Timber harvest volume	Quantitative	There is no specific GRI standard; Ence reports this information in the Boosting the rural environment section	75-93

BIOFUELS (RR-BI)				
Air quality				
RR-BI-120a.1	Emissions of NOx (excluding N2O), SO2, volatile organic compounds (VOCs), particulate matter (PM10) and hazardous air pollutants (HAPs)	Quantitative	GRI 305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	67-73
RR-BI-120a.2	Number of incidents or non-compliance with permits, standards or regulations associated with air quality	Quantitative	GRI 307-1 Non-compliance with environmental laws and regulations	160
Process water management				
RR-BI-140a.1	Water uptake and consumption, and percentage of consumption in regions of high or extreme water stress	Quantitative	GRI 303-3 Water withdrawal	69-71
			GRI 303-4 Water discharge	159
			GRI 303-5 Water consumption	69-71
RR-BI-140a.2	Description of water risk management and discussion of water risk mitigation strategies and practices	Discussion and analysis	GRI 303-1 Interaction with water as a shared resource	69-71
			GRI 303-2 Management of impacts related to water discharges	69-71
RR-BI-140a.3	Number of incidents or non-compliance with permits, standards or regulations associated with water quality	Quantitative	GRI 307-1 Non-compliance with environmental laws and regulations	160
Lifecycle emissions				
RR-BI-410a.1	Lifecycle GHG emissions by biofuel type	Quantitative	GRI 305-1 Direct GHG emissions (Scope 1)	95-99
			GRI 305-4 GHG emissions intensity	95-99
Sourcing and environmental impacts of raw material production				
RR-BI-430a.1	Discussion of the risk management strategy associated with the environmental impact of raw material production	Discussion and analysis	There is no specific GRI standard; Ence reports this information in the Eco-efficient Operations and Boosting the rural environment sections	63-93
RR-BI-430a.2	Percentage of biofuel produced by third parties certified to an environmental sustainability standard	Quantitative	Ence does not use biofuels produced by third parties. However, Ence certifies the biomass it uses in its facilities with its own sustainability standard (Code for the sustainability of biomass as a fuel) and, since 2021, Ence has been working with the SURE biomass sustainability standard. At the end of the financial year, all of Ence's facilities were certified to this standard. More information in the Boosting the rural environment section.	
Management of the legal and regulatory environment				
RR-BI-430a.1	Subsidies received through government programmes	Quantitative	GRI 201-4 Financial assistance received from government	114-116
RR-BI-430a.2	Discussion of the corporate position on government regulation and proposed policies for increasing the relevance of environmental and social factors on the industry	Discussion and analysis	There is no specific GRI standard; Ence reports this information in the Collaborating with the Community and Boosting the rural environment sections.	75-93, 108-116
Operational safety, emergency vigilance and response				
RR-BI-540a.1	Incidents during operation, and frequency and severity rates of incidents that have occurred	Quantitative	GRI 403-9 Injuries due to occupational accidents	58-62
			GRI 403-10 Occupational diseases and illnesses	58-62

Activity parameters				
RR-BI-000.A	Biofuel production capacity	Quantitative	There is no specific GRI standard; Ence reports this information in the Getting to know Ence section	6-18
RR-BI-000.B	Production of renewable fuel, advanced renewable fuel, diesel from biomass and fuel from pulp	Quantitative	There is no specific GRI standard, Ence does not produce biofuels, it uses residual agroforestry biomass for direct electricity generation and in its biofactories it uses the lignin and biomass left over from the pulp production process as fuel in cogeneration (direct production of steam and electricity).	
RR-BI-000.C	Amount of raw material consumed in production	Quantitative	GRI 301-1 Materials used by weight or volume	63-71
TAXONOMY				
	Requirements of the regulation	Quantitative	ENCE's own methodology based on Article 8 of the European Taxonomy	14-16

ANNEX VI

Independent External Assurance Report

GRI 102-56

KPMG Asesores, S.L.
Pº de la Castellana, 259 C
28046 Madrid

Independent Assurance Report on Sustainability Report 2021 of Ence Energía y Celulosa S.A. and subsidiaries for 2021

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Ence Energía y Celulosa S.A:

We have been engaged by Ence Energía y Celulosa S.A. management to perform a limited assurance review of the accompanying "Sustainability Report 2021" of Ence Energía y Celulosa S.A. (hereinafter, the Parent) and subsidiaries (hereinafter, the Group) for the year ended 31 December 2021, prepared in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards), in its core option (hereinafter, the Report).

In addition, pursuant to article 49 of the Spanish Code of Commerce, we have performed a limited assurance review to evaluate whether the Consolidated Non-Financial Information Statement (hereinafter NFIS) of the Group for the year ended 31 December 2021, included in the Report which forms part of the Group's consolidated Directors' Report for 2021, has been prepared in accordance with prevailing mercantile legislation.

The Report includes additional information to that required by GRI standards in its core option and prevailing mercantile legislation concerning non-financial information, which has not been the subject of our assurance work. In this respect, our work was limited exclusively to providing assurance on the information contained in the "GRI Content Index" and the "Law 11/2018 content index" tables of the accompanying Report, except for the indicators identified with the "*" symbol.

Responsibility of the Parent's Directors and Management

Management of the Parent is responsible for the preparation and presentation of the Report in accordance with the GRI Standards, in its core option, in accordance with each subject area in the "GRI Content Index" table of the Report.

The Directors of the Parent are responsible for the content and authorisation for issue of the NFIS included in the Report. The NFIS has been prepared in accordance with prevailing mercantile legislation and selected GRI Standards based on each subject area in the "Law 11/2018 content index" table of the aforementioned Report.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the Report is free from material misstatement, whether due to fraud or error.

The Directors of the Parent are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the Report was obtained.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including international independence standards) issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team was comprised of professionals specialised in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed.

We conducted our review engagement in accordance with the requirements of the Revised International Standard on Assurance Engagements 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000 (Revised)), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines for assurance engagements on the Non-Financial Information Statement issued by the Spanish Institute of Registered Auditors (ICJCE).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently, the level of assurance provided is also lower.

Our work consisted of making inquiries of management, as well as of the different units and areas of the Group that participated in the preparation of the Report, reviewing the processes for compiling and validating the information presented in the Report and applying certain analytical procedures and sample review tests, which are described below:

- Meetings with the Group's personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these matters and to obtain the information necessary for the external review.
- Analysis of the scope, relevance and completeness of the content of the Report based on the materiality analysis performed by the Group and described in the "Materiality analysis and Sustainability Master Plan" section, considering the content required by prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the Report for 2021.
- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the Report for 2021.

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- Corroboration, through sample testing, of the information relative to the content of the Report for 2021 and whether it has been adequately compiled based on data provided by the information sources.
- Procurement of a representation letter from the Directors and management.

Conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that:

a.) The "Sustainability Report 2021" of Ence Energía y Celulosa S.A. and subsidiaries for the year ended 31 December 2021 has not been prepared, in all material respects, in accordance with the GRI Standards, in its core option, as described in point 102-54 of the "GRI Content Index" of the Report.

b.) The NFIS of Ence Energía y Celulosa S.A. and subsidiaries for the year ended 31 December 2021 has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and selected GRI Standards based on each subject area in the "Law 11/2018 content index" table of the Report.

Emphasis of Matter

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment stipulates the obligation to disclose information on how and to what extent the undertaking's activities are associated with economic activities that qualify as environmentally sustainable in relation to climate change mitigation and climate change adaptation. This obligation applies for the first time for the 2021 fiscal year, provided that the Non-Financial Information Statement is published from 1 January 2022 onwards. Consequently, the attached "Sustainability Report 2021" does not contain comparative information on this matter. Additionally, certain information has been included in respect of which the Directors of the Parent have opted to apply the criteria that, in their opinion, best allow them to comply with the new obligation, and which are those defined in section "Facilitating the transition to a more sustainable Europe" in the accompanying "Sustainability Report 2021". Our conclusion is not modified in respect of this matter.

Use and Distribution

In accordance with the terms of our engagement letter, this Report has been prepared for Ence Energía y Celulosa S.A. in relation to its "Sustainability Report 2021" and for no other purpose or in any other context.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

In relation to the Consolidated NFIS, this report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

KPMG Asesores, S.L.

(Signed on original in Spanish)

Marta Contreras Hernández

28 February 2022