

SUSTAINABILITY REPORT 2022



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INTERVIEW WITH THE CHAIRMAN

GRI 2-22

2022 has been marked by inflation and tensions in the energy and raw materials market as a result of the invasion of Ukraine and post-pandemic logistical constraints. How would you assess the year for Ence?

Indeed, 2022 has brought with it significant challenges, such as higher fuel and other raw material prices, but strong pulp and energy prices have enabled Ence to offset these cost increases throughout the year. In addition, at the end of 2021, Ence made the decision to replace the Navia biofactory's main fuel in order to make the activity independent of natural gas, so we remained immune to the price hikes that this fuel has experienced throughout 2022, which has enabled us to continue operating the plant in a way that is financially viable. As a result of this price hike, many co-generation plants have been forced to stop their activity, resulting in a reduced availability of pomace on the market, which has consequently affected our energy production.

However, despite these challenges, Ence ended the year with solid financial results, strong growth in EBITDA and cash generation, a significant reduction in net debt and an improvement in the operating margin in the pulp area. In this regard, I would also like to highlight the ongoing progress we are making in special products, which already account for 18% of our sales and contribute to improving our differential positioning and competitiveness. Furthermore, we are optimistic about market developments, as the global supply shortage continues to drive pulp prices and we are convinced that the market will continue to grow, as demand for paper products such as tissue continues to increase in countries such as China, where per capita consumption of this product is still far behind other markets such as the US and Europe. Moreover, thanks to R&D, pulp is set to replace more and more plastic materials, and we therefore believe that the future looks bright for our industry. Finally, we are promoting a new project in the town of As Pontes in A Coruña for the production of recycled fibre and biomaterials from recovered paper and cardboard and pulp produced in our biofactories. This project is an example of fair transition and circular bioeconomy, transforming land that used to be part of a coal-fired power plant into an innovative facility used for the recovery and reuse of materials.

We are also optimistic as regards the energy area, which in 2022 has gained its own entity with the creation of the Magnon Green Energy brand for biomass, as we have achieved significant cash generation this year thanks to a higher generation volume and improved sales price. In this sense, we will continue to support the development of renewable projects and contribute towards the decarbonisation objectives set by Europe and the PNIEC in Spain.

2022 has also been an exciting year in terms of growth and new business development. Thus, we have created a new subsidiary, Ence Biogas, which will focus on the production of biomethane from organic agricultural and livestock waste.

This is a new line of activity, consistent with the renewable energy development strategy, with great potential for growth in Spain and based on the circular bioeconomy, which will contribute to the decarbonisation of industries that cannot be electrified, while at the same time solving the issue of waste management in rural areas. On the other hand, we have started to develop a business line based on the sale of industrial heat, in order to help companies subject to the emissions trading system to reduce their expenditure on waste by replacing fossil fuel boilers with biomass boilers.

Climate risks are increasingly relevant for analysts and investors and in 2022, Ence has seen one of them materialise, water scarcity, which has forced the Pontevedra plant to shut down. How has the company reacted to this unforeseen event and what measures will be put in place to ensure that it does not happen again?

The stoppage of the Pontevedra biofactory in order to ensure the ecological flow of the river Lérez and the supply to the population is the materialisation of a climate risk that we had already identified and on which we had been working in recent years by way of a plan to reduce water consumption as a mitigation strategy.

However, the extraordinary drought situation in the summer of 2022 has confirmed that this plan was not ambitious enough, so we have developed an innovative solution to regenerate water from our effluent and from the WWTP adjacent to the biofactory in drought situations to minimise the consumption of water from the river when its flow decreases. This is a pioneering solution in the industry that not only serves to mitigate this risk, but also represents a further step in the circularisation of our processes and the reduction of resource consumption, two of the pillars of our sustainability strategy. In addition, we have set much more ambitious targets at the two biofactories to reduce water consumption to improve the plant's resilience to these situations, which we know will become increasingly frequent due to climate change.

In this regard, it should also be noted that Ence has been working on modelling and assessing its main climate risks for several years. A first analysis of potential financial impacts has been carried out in 2022 and we will continue to focus in this area in order to be better prepared for such risks.

Despite the tensions and instability generated by the conflict in Ukraine, 2022 has shown that Europe remains committed to the green economy, resulting in significant legislative developments in many sustainability-related areas. How is Ence facing this regulatory landscape? What role can the company play in the future that Europe envisages?

The crisis caused by the conflict in Ukraine has not only not been a setback for European green policies, but has reaffirmed that Europe has to be able to be self-sufficient in energy and base its economy and growth on renewable and local resources. In addition, Europe continues to focus on transparency and accountability, with initiatives such as the new sustainability reporting directive and the due diligence directive. All of this means that organisations need to rethink the concept of sustainability and understand that it is not a cost driver, but a competitiveness driver that ensures our long-term.

At Ence, we see this commitment to Europe as a great opportunity, as our business model and growth strategy are fully aligned with this vision. By sustainably harnessing local 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 the green future.

Speaking of sustainability, what milestones would you highlight in this area for Ence in 2022?

This year we have continued to make progress on the roadmap set out in our sustainability master plan, which ends in 2023 and which we will update then. In particular, I would like to highlight the improvements in environmental performance that we have achieved at our plants, despite the extraordinary circumstances we have experienced this year. Thus, we have closed 2022 with a historical minimum of odour minutes in Navia and with a significant reduction also in Pontevedra, and in both plants, we have also achieved significant reductions in water consumption. This year, we have also managed to certify all our centres with the AENOR Zero Waste certificate, proof of the circularity of our production processes. We have also continued to make progress in our commitment to equality, incorporating almost 7% more women to our staff. In terms of biomass certification, all our sites are certified and we have worked on supply chain certification, closing the year with more than 100 certified suppliers. We have also made progress in the area of safety, improving Ence's overall Severity Index by 23% compared to last year.

But undoubtedly, one of the projects of which we can be most proud has been the implementation of our first carbon sink in one of our mountains in the province of Huelva. The forest in question, a former eucalyptus plantation affected by a fire, has been reforested with native species that will not only contribute to restoring the ecosystem values of the territory, but will also generate carbon credits we can trade so that other companies can offset their emissions and thus move towards their carbon neutrality commitments. Moreover, this project will generate a positive social impact, not only

Sustainability Report 2022

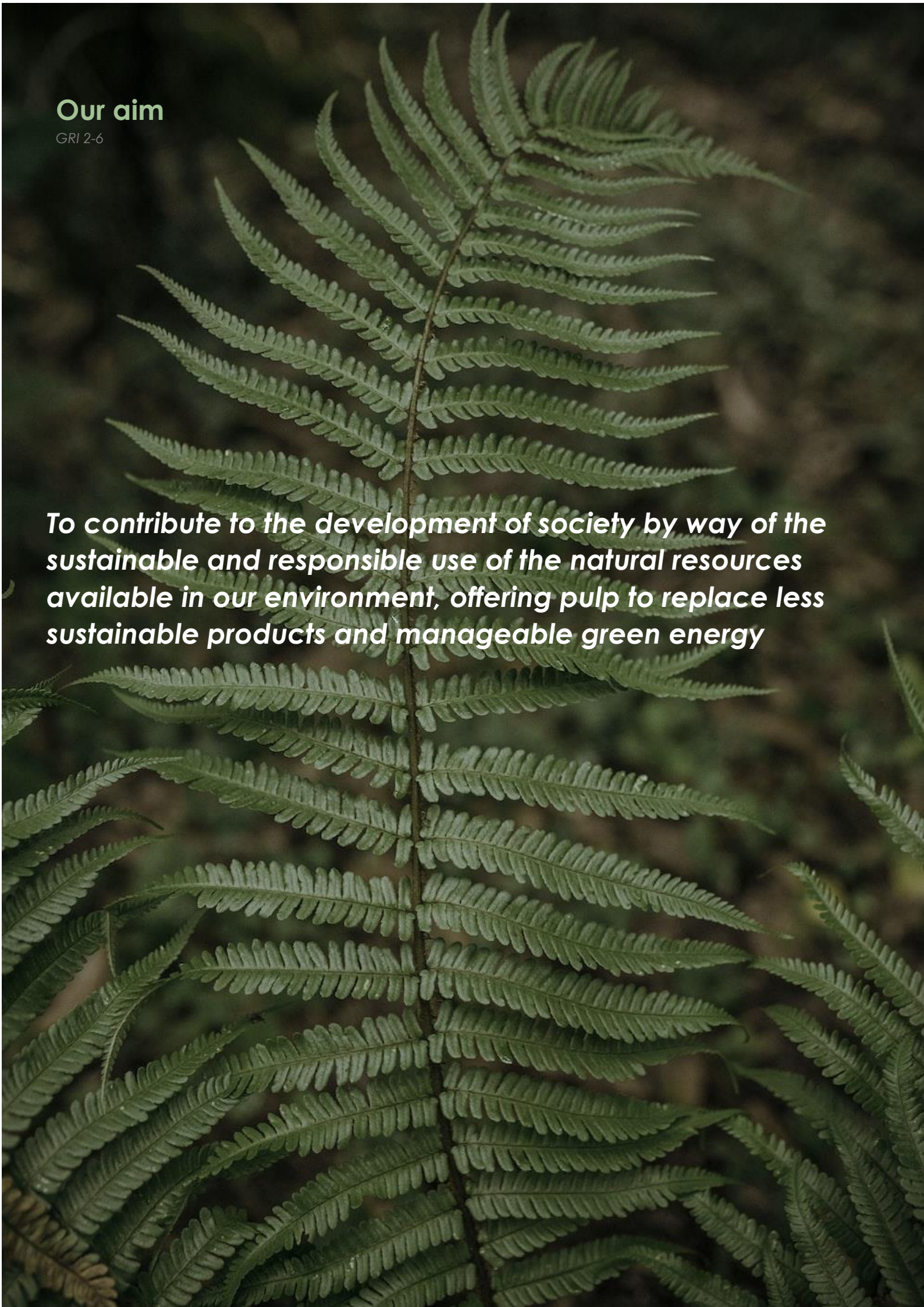
because of the jobs creation the forestry industry to carry out the forestry work, but also because of the possibilities for sustainable exploitation that the forest will offer the community once it is mature. A project that benefits the environment and local community and is profitable for the company, i.e. a clear example that sustainability is synonymous with competitiveness.

In 2022, 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.





GETTING TO KNOW ENCE



Our aim

GRI 2-6

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

Business model and response to global challenges

GRI 2-6

Ence's business model is based on the **use of renewable and local natural resources** to generate **bioenergy and high added value bioproducts**, offering society natural, low-carbon alternatives and promoting the development of the rural environment. As the European Union has acknowledged, climate change and environmental degradation are an existential threat faced by both Europe and the rest of the world. To overcome these challenges, in 2020 the EU defined the European Green Pact to transform the EU into a modern, resource-efficient and competitive economy, ensuring that:

- ✓ there are no net greenhouse gas emissions by 2050
- ✓ economic growth is decoupled from resource use
- ✓ no people or places are left behind

With its business model, Ence **contributes to these objectives** of decarbonising the economy and mitigating climate change through sustainable forestry practices, promoting the circular economy and solving the problem of waste management, creating local employment and re-industrialisation for a just transition. This model is developed by way of **four** complementary **activities** that generate synergies and share the same vision:

PULP

Ence is a European leader in the production of eucalyptus pulp and develops special products with an improved environmental footprint that replace plastic from locally sourced wood



FOREST MANAGEMENT

Ence is the largest private forest manager in Spain, sustainably managing some 65,000 ha of forestland on the Iberian Peninsula, of which it dedicates more than a fifth of it to conservation



BIOGAS

Ence Biogas will transform organic waste into renewable gas (biomethane) and organic fertiliser. To this end, local agricultural, livestock and agro-industrial by-products are used, reducing their environmental impact.



RENEWABLE ENERGY

Ence is the largest generator of renewable energy with biomass in Spain, through its subsidiary Magnon. Biomass plants make use of local agricultural and forestry by-products, reducing their environmental impact and the risk of fires



Business lines

PULP

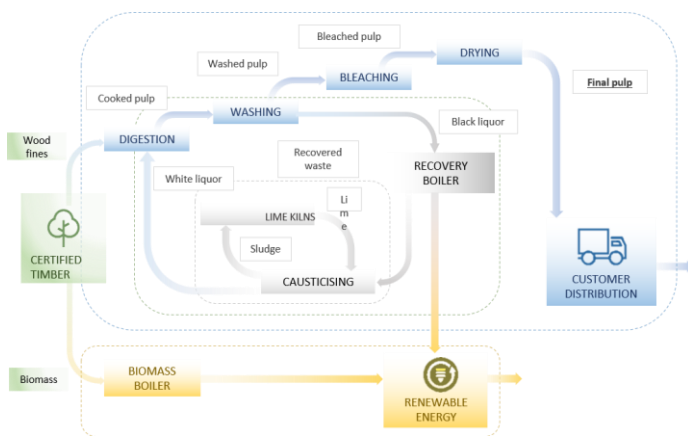
With an installed capacity of 1.2 million tonnes per year, Ence is the leading European company in the production of eucalyptus pulp and is one of the main players in the short-fibre BHKP pulp market.

The company undertakes its activities in its two biofactories located in Navia and Pontevedra, 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.

As regards 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 (mostly small) forest owners, suppliers, transporters, forestry and harvesting companies.

A circular bioeconomy example

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



During 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.

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.

FOREST MANAGEMENT

Forest management at Ence's estate provides raw materials for other business lines, as well as serving as a source of timber supply for third parties and placing the company as a benchmark of best sustainable forestry practices for the sector.

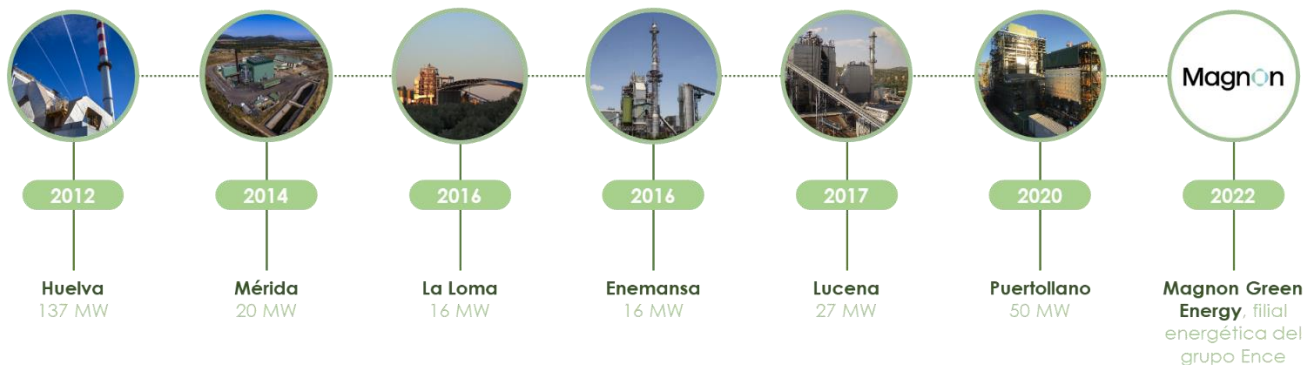
Ence is the leading private forest manager in Spain, with some 65,000 hectares of managed forest area in the Peninsula, distributed between the south (mainly in the province of Huelva) and the Northwest of Spain (Galicia, Asturias and Cantabria). Most of the woodlands we manage are owned by the company, while the rest are part of different types of contracts that Ence signed with private owners, communities of neighbouring woodlands or local councils. These contracts bring value to the hundreds of forest owners with whom Ence has commercial relationships and ensure the profitable and sustainable use of their forests.

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, not only for use in its heritage forests, but also for sale to forest owners. These upgraded plants, the fruit of years of research, improve the productivity of the plantation and are better adapted to climate change. In addition to making these improved plants available to forest owners, Ence also provides advice on selecting which type of plant is most suitable for each particular location and shares best practices to optimise silviculture and forest management.

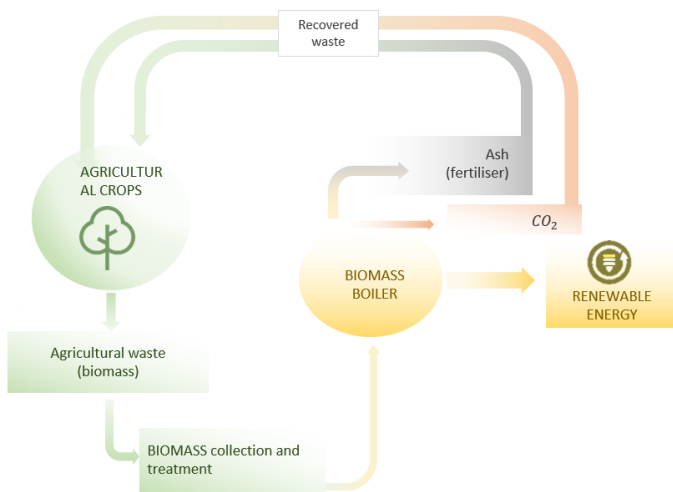
Moreover, to protect its environmental values and ensure the sustainability of its plantations, Ence applies and promotes sustainable forestry certification through internationally recognised schemes both in its own holdings (over 83% of its holdings are certified) and in third-party forests. Ence also promotes this certification by setting targets for the purchase of certified wood for its biofactories.

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. In 2022, this business line was brought together under the Magnon Green Energy brand, the Group's energy subsidiary.



Today, Magnon Green Energy is the largest generator of renewable energy with biomass in Spain, with an installed capacity of 266 MW and a project portfolio of 813 MW in renewables (140 MW in biomass, 373 MW the sale of which, agreed in 2021, will be completed in 2023-24 for an amount of up to €62 M and another 300 MW that are in an early stage of development). Biomass plants use local agricultural and forestry waste, which is why installations are concentrated in regions with an abundance of these resources, such as Andalusia, Castile-La Mancha and Extremadura.



By taking advantage of these agroforestry remains, Magnon's plants not only generate energy in a fully manageable way (without depending on atmospheric factors such as the sun or wind), but also contribute to solving the problem of waste management in the countryside, reducing its environmental impact and the risk of fire.

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.). Thus, all Magnon plants have obtained the AENOR Zero Waste certification, which certifies that at least 90% of the waste generated is recycled or recovered.

Biomass energy generation also generates quality employment in rural areas and revitalises areas affected by depopulation and deindustrialisation. In this sense, the company seeks to contribute to a just transition and therefore its new plants make the most of sites of other industrial activities to maintain local employment, as is the case of Puertollano. In addition to Magnon Green Energy's stand-alone plants, Ence has two cogeneration facilities at its biofactories that use bark and lignin (wood components that can't be used for pulp production) to generate heat and renewable electricity. The group also has a natural gas co-generation facility at the Lucena plant and is developing several photovoltaic projects in different parts of southern Spain.

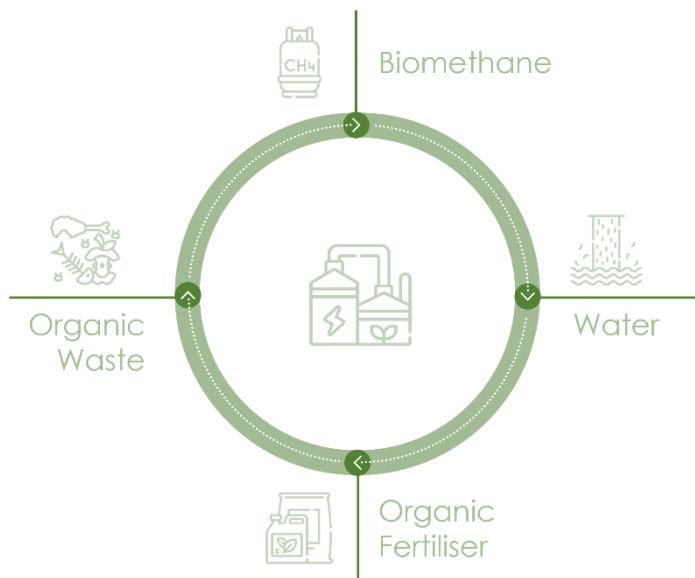
BIOGAS

Ence's new subsidiary, Ence Biogas, was created with the same vision of harnessing local natural resources and generating biomaterials and bioenergy.

Ence Biogas, created to develop biogas and fertiliser production projects in the Iberian Peninsula, will promote the circular economy by transforming organic waste into biogas for injection into the grid. In addition, digestate generated after biogas production will be used for transformation into biofertiliser through composting and water for irrigation.

The renewable gas generated in the process (biomethane) will contribute to the decarbonisation of industries that are difficult to electrify and decarbonise, such as heavy transport and shipping. Moreover, the organic fertiliser produced will replace inorganic fertilisers that generate significant environmental impacts in their production and will contribute to agricultural sustainability and soil improvement in the areas where they are applied. This way, two high added-value products are generated from waste.

Different types of organic waste such as livestock waste, vegetable waste, waste from the agri-food industry and agricultural and agro-industrial waste, will be used as raw material for the process. Biogas plants recycle this waste into renewable gas and a high quality EC fertiliser product (granulated solid organo-mineral fertiliser). This way, Ence Biogas contributes to solving the waste management problem many of these industries face in rural areas.



The process is another example of a circular economy and has been designed to be as energy self-sufficient as possible, with self-consumption photovoltaic plants generating most of the electricity required in the process. In addition, the plants have been designed to minimise the natural resources used, providing for the filtration and purification of water to enable its use for irrigation and reuse in the plant. The process is designed to achieve zero waste. The use of local waste will also be maximised to avoid generating emissions in transport.

In addition to the environmental advantages of the process, biogas plants have an important social impact, as, like the rest of Ence's facilities, they will generate quality employment in rural areas and contribute to a just transition towards the decarbonisation of society.



The Group in Spain

GRI 2-1

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, safety and quality certifications. 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 addition, we continue working on the continuous improvement of other priority environmental aspects, such as the reduction of odour impact.

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 and has the most relevant international certifications such as Nordic Swan or EU Ecolabel. The plant continues to improve its environmental parameters in 2022, with reductions in water consumption.

The biofactory employs more than 400 people and generates more than 5,100 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 MWh. 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.



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 facilitates an annual production of 160 MWh. 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. Ence Mérida became the first facility in Europe to achieve SURE certification for biomass sustainability.



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 IN 2022

Ence at a glance

KEY FINANCIAL FIGURES

GROUP EBITDA €248 M	PULP EBITDA €138 M	ENERGY EBITDA €110 M
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€247 M NET PROFIT

€1,000 M OF REVENUES (+23% VS. 2021)

€250 M FREE CASH FLOW €30 M NET CASH POSITION

PULP




Pulp produced **>800k tAD**

>2.8 Mm³ Timber

18% Sales of special products

ENERGY



Energy sales **1.5M MWh**

>1.6 M t Biomass

140 MW Biomass project portfolio

SUSTAINABILITY HIGHLIGHTS

>64,000 Managed area (Ha)	>22% Protection and conservation of ecosystems	84% Certified asset area
73% Certified timber	87% Certified biomass	

99% Recovered waste	100% Zero Waste certified plants	>500,000 m ³ Recovered water Pontevedra WWTP
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-10% Emissions Scope 1 vs 2021	>500kt Avoided emissions (tCO ₂) from renewable energy sale	>600kt tCO ₂ removed from the atmosphere by heritage forests
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-23% Reduction IG Ence	+7% Women in the workforce vs. 2021	94% Permanent contracts
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1,000 €M Earmarked for suppliers	>95% Local suppliers	19,000 Jobs created
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		98% Approved suppliers
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Financial result statements

Firstly, 2022 results were marked by the decision of the Spanish Supreme Court regarding the extension of the concession of the Pontevedra biofactory. In February 2023, following four years of legal defence, this Court confirmed the validity of the extension until 2073 (see "post-closure events" in the "About this report" section).

The reversal of asset impairments and expense provisions recorded in the pulp business in 2021, following the Spanish High Court rulings in relation to this extension, had a positive net impact of €169 million on net profit in 2022, boosting it to €247 million.

Secondly, the 2022 results were boosted by higher pulp and energy prices, which led to a 23% growth in consolidated revenues to over €1 BN and a strong recovery in consolidated EBITDA, which reached €248 M compared to €107 M in 2021.

The increase in the price of pulp and the improvement in the exchange rate boosted the EBITDA of this business to €138 million, offsetting inflation in the cost of raw materials and mitigating the effect of the suspension of activity in Pontevedra. This biofactory was suspended for 4 months during the second half of the year as a result of the drop in the flow of the river from which the plant is supplied. Faced with this situation, the company has developed an innovative solution for use in drought situations that will enable it to regenerate water from its effluent and from the wastewater treatment plant adjacent to the Pontevedra biofactory in order to minimise the consumption of water from the river in its pulp production process when its flow rate drops.

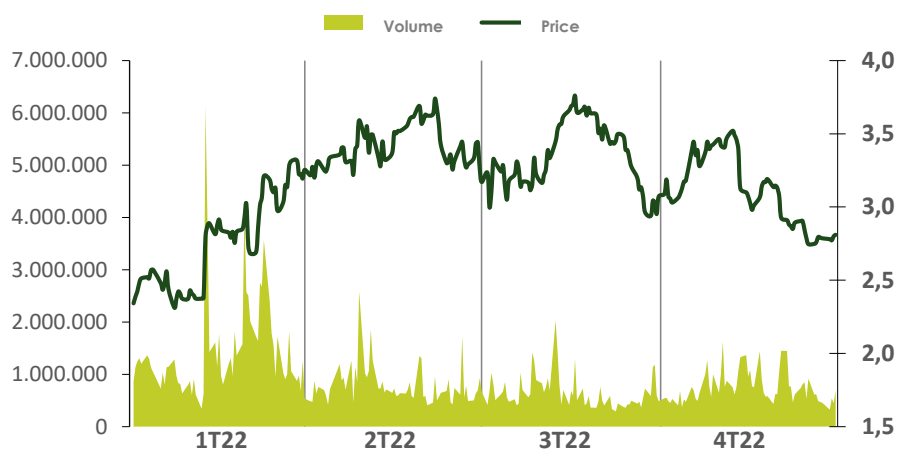
On the other hand, the improvement in the average selling price continued to boost the EBITDA of the Renewable Energy business to €110 M.

The strong recovery in consolidated EBITDA boosted free cash flow generated in the year to €250 M, including a temporary improvement in working capital due to outstanding payments to the electricity market regulator of €85 M, which will be settled during the first half of 2023. Thanks to this strong cash generation, the Company paid a dividend of €67 M during the year, ending the year with a net cash position of €30 M, giving it the flexibility to take advantage of growth opportunities in both businesses.

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 was €2.81/Acc as of 31 December 2022; this represents a 24.1% revaluation compared to the share price as of 31 December 2021. Over the same period, the sector's share prices went down by an average of 10.2%.



ACTION	1T22	2T22	3T22	4T22
Share price at close of the period	3.19	3.26	3.07	2.81
Capitalisation at close of the period	786.6	803.3	756.1	692.0
Ence quarterly evolution	41.1%	2.1%	(5.9%)	(8.5%)
Average daily volume (share)	1,457,945	793,780	657,916	745,786
Sector quarterly evolution*	3.3%	(1.0%)	(8.6%)	(4.0%)

(*) Altri, Navigator, Suzano, CMPC and Canfor Pulp – share prices in euros

Source: Bloomberg

Generated and distributed economic value

GRI 201-1

Ence's activity represents an important source of value generation for society in general and, more specifically, for the interest groups of the company. In 2022, the value generated by Ence amounted to €1.0174 BN, an increase of 21% compared to the previous year.

Most of the direct economic value generated by the company is distributed among its stakeholders, such as the company's employees (€75.9 million) including suppliers and other Ence supply chain components (€91 million euros 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 €	2020	2021	2022
Direct economic value generated	718,866	841,241	1,017,373
Economic value distributed	713,777	777,546	905,618
Operating costs	563,808	642,836	702,162
Salaries and welfare plans for employees	75,253	67,070	75,875
Payments to capital providers and shareholders	23,416	32,565	90,869
Payments to governments (taxes, fees, fines)	47,601	34,780	36,447
Investments in the community	3,699	294	265
Retained economic value	5,089	63,695	111,755



Activities aligned with European taxonomy

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. This classification system (European taxonomy of environmentally sustainable activities) is regulated by the following standards:

- In 2020, the EU published Regulation (EU) 2020/852 that establishes 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.
- Delegated Regulation 2022/1214 was published in 2022, which amends the previous regulations to incorporate economic activities in certain energy industries (nuclear and energy production from gaseous fossil fuels).

Regarding the latter Regulation, Ence's exposure to activities related to the production of energy from gaseous fossil fuels is set out below:

Activities related to gaseous fossil fuels	
4. The company carries out, finances or is exposed to the construction or operation of electricity generation facilities that produce electricity from gaseous fossil fuels	NO
5. The company carries out, finances or is exposed to the construction, renovation and operation of combined heat/cold and power plants using gaseous fossil fuels	YES
6. The company carries out, finances or is exposed to the construction, renovation and operation of heat generation facilities producing heat/cold from gaseous fossil fuels	NO

In this context, in 2022, Ence has carried out an analysis of the eligibility and alignment of its activities in accordance with the aforementioned regulations, the results of which are presented below:

Proportion of sales aligned with taxonomy

Economic Activities (1)	Codes (2)	Total sales (3)	Sales ratio (4)	Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Contamination (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Contamination (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)	Proportion of sales aligned with taxonomy, 2022 (18)	Proportion of sales aligned with taxonomy, 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
																	%	%	E	T
A. ELIGIBLE ACTIVITIES ACCORDING TO TAXONOMY				%																
A.1. Environmentally sustainable activities (aligned with taxonomy)																				
Electricity generation from bioenergy	Y: 4.8	275,599,524	27%	100%	100%	N/A	N/A	N/A	N/A	S	S	S	S	S	S	S	27%	N/A		T
Cogeneration of heat/cold and electricity from bioenergy in Navia	Y: 4.20	65,733,765	7%	100%	100%	N/A	N/A	N/A	N/A	S	S	S	S	S	S	S	7%	N/A		T
Electricity generation using solar photovoltaic technology	Y: 4.1	0	0%	100%	100%	N/A	N/A	N/A	N/A	S	S	S	S	S	S	S	0%	N/A		T
Cogeneration of heat/cold and electricity from gaseous fuels	Y: 4.30	18,126,870	2%	0%	100%	N/A	N/A	N/A	N/A	S	S	S	S	S	S	S	2%	N/A		T
Forest management	Y: 1.3	10,048,321	1%	100%	100%	N/A	N/A	N/A	N/A	S	S	S	S	S	S	S	1%	N/A		T
Sales from environmentally sustainable activities (aligned with taxonomy) (A.1)		369,508,479	37%	95%	100%	N/A	N/A	N/A	N/A								37%	N/A		
A.2. Eligible but not environmentally sustainable activities (activities not aligned with taxonomy)																				
Cogeneration of heat/cold and electricity from bioenergy in Pontevedra	Y: 4.20	7,878,509	1%																	
Sales from eligible but not environmentally sustainable activities (activities not aligned with the taxonomy) (A.2)		7,878,509	1%																	
Total (A.1 + A.2)		377,386,989	38%														37%	N/A		
B. NON-ELIGIBLE ACTIVITIES ACCORDING TO TAXONOMY																				
Sales from non-eligible activities according to taxonomy (B)		625,986,602	62%																	
Total (A + B)		1,003,373,591	100%																	

In 2022, **37% of Ence's sales** corresponded to taxonomy-aligned activities, mostly electricity generation from bioenergy. Most of Ence's sales correspond to pulp production, which is not included among the activities considered eligible, 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. It is expected that this activity could be considered eligible when the criteria for the other environmental objectives are developed, in particular for its contribution to the circular economy.

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The proportion of sales for the activities included in Delegated Regulation 2022/1214 is detailed below. In the case of Ence, these are only activities related to the production of energy from gaseous fossil fuels, specifically the co-generation of heat and electricity from natural gas at the Lucena plant (Cordoba). This activity is considered eligible from 2022 and, in the case of Ence, is aligned with the objective of adapting to climate change.

Eligible economic activities according to taxonomy (denominator)	Amount and proportion					
	CCM+CCA		Climate change mitigation (CCM)		Adaptation to climate change (CCA)	
	Amount	%	Amount	%	Amount	%
Amount and proportion of the economic activity that complies with the taxonomy referred to in section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator	18,126,870	2%	0	0%	18,126,870	2%
Amount and share of other economic activities conforming to the taxonomy not mentioned in rows 1 to 6 in the denominator	359,260,119	36%				
Total Sales	1,003,373,591	100%				

Economic activities aligned with the taxonomy (numerator)	Amount and proportion					
	CCM+CCA		Climate change mitigation (CCM)		Adaptation to climate change (CCA)	
	Amount	%	Amount	%	Amount	%
Amount and proportion of the economic activity that complies with the taxonomy referred to in section 4.30 of Annexes I and II of the Delegated Regulation (EU) 2021/2139 in the numerator	18,126,870	0%	0	0%	18,126,870	0%
Amount and share of other economic activities conforming to the taxonomy not mentioned in rows 1 to 6 in the numerator	351,381,610	0%				
Total Sales	1,003,373,591	100%				

Proportion of Opex aligned with taxonomy

Actividades Económicas(1)	Codes (2)	Capex total (3)	Capex ratio (4)	Substantial contribution criteria						DNSH Criteria						Minimum safeguards (17)	Proportion of Opex aligned with taxonomy 2022 (18)	Proportion of Opex aligned with taxonomy 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)	
				Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Contamination (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Contamination (15)	Biodiversity and ecosystems (16)						
		€	%	%	%	%	%	%	%	N/N	N/N	N/N	N/N	N/N	N/N	N/N	%	%	E	T	
A. ELIGIBLE ACTIVITIES ACCORDING TO TAXONOMY				%																	
A.1. Environmentally sustainable activities (aligned with taxonomy)																					
Electricity generation from bioenergy	4.8	24,495,730	58%	100%	100%	N/A	N/A	N/A	N/A		S	S	S	S	S	S	58%	N/A		T	
Cogeneration of heat/cold and electricity from bioenergy in Navia	4.1	0	0%	100%	100%	N/A	N/A	N/A	N/A		S	S	S	S	S	S	0%	N/A		T	
Electricity generation using solar photovoltaic technology	4.30	620,436	1%	0%	100%	N/A	N/A	N/A	N/A		S	S	S	S	S	S	1%	N/A		T	
Forest management	1.3	76,890	0%	100%	100%	N/A	N/A	N/A	N/A		S	S	S	S	S	S	0%	N/A		T	
Capex of environmentally sustainable activities (aligned with taxonomy) (A.1)				25,193,055	60%	98%	100%	N/A	N/A	N/A							60%	N/A			
A.2. Eligible but not environmentally sustainable activities (activities not aligned with taxonomy)																					
Capex of eligible but not environmentally sustainable activities (activities not aligned with the taxonomy) (A.2)				0	0%																
Total (A.1 + A.2)				25,193,055	60%												60%	N/A			
B. NON ELEGIBLE ACTIVITIES ACCORDING TO TAXONOMY																					
Capex of non-eligible activities according to taxonomy (B)				16,791,349	40%																
Total (A + B)				41,984,405	100%																

In 2022, **60% of the Group's Opex** was accounted for by taxonomy-aligned activities, mostly electricity generation from bioenergy. The Opex ratio for the activities covered by Delegated Regulation 2022/1214 is detailed below:

Eligible economic activities according to taxonomy (denominator)	Amount and proportion					
	CCM+CCA		Climate change mitigation (CCM)		Adaptation to climate change (CCA)	
	Amount	%	Amount	%	Amount	%
Amount and proportion of the economic activity that complies with the taxonomy referred to in section 4.30 of Annexes I and II of Delegated Regulation (EU) 2021/2139 in the denominator	620,436	1%	0	0%	620,436	1%
Amount and share of other economic activities conforming to the taxonomy not mentioned in rows 1 to 6 in the denominator	24,572,619	59%				
Total Opex	41,984,405	100%				

Economic activities aligned with the taxonomy (numerator)	Amount and proportion					
	CCM+CCA		Climate change mitigation (CCM)		Adaptation to climate change (CCA)	
	Amount	%	Amount	%	Amount	%
Amount and proportion of the economic activity that complies with the taxonomy referred to in section 4.30 of	620,436	1%	0	0%	620,436	1%

Annexes I and II of the Delegated Regulation (EU) 2021/2139 in the numerator

Amount and share of other economic activities conforming to the taxonomy not mentioned in rows 1 to 6 in the numerator

Total Opex

24,572,619

59%

41,984,405

100%

Proportion of Capex aligned with taxonomy

Economic activities (1)	Code(s) (2)	Capex total (3)	Capex ratio (4)	Substantial contribution criteria							DNSH criteria							Proportion of Capex aligned with taxonomy, 2022 (18)	Proportion of Capex aligned with taxonomy, 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Adaptation to climate change (6)	Water and marine resources (7)	Circular economy (8)	Contamination (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Adaptation to climate change (12)	Water and marine resources (13)	Circular economy (14)	Contamination (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)					
		€	%	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. ELIGIBLE ACTIVITIES ACCORDING TO TAXONOMY				%																	
A.1. Environmentally sustainable activities (aligned with taxonomy)																					
Electricity generation from bioenergy	Y:4.8	11,310,195	17%	100%	100%	N/A	N/A	N/A	N/A	S	S	S	S	S	S	S	S	17%	N/A		T
Cogeneration of heat/cold and electricity from bioenergy in Navia	Y:4.20	1,865,994	3%	100%	100%	N/A	N/A	N/A	N/A	S	S	S	S	S	S	S	S	3%	N/A		T
Electricity generation using solar photovoltaic technology	Y:4.1	295,335	0%	100%	100%	N/A	N/A	N/A	N/A	S	S	S	S	S	S	S	S	0%	N/A		T
Forest management	Y:1.3	17,282,588	26%	100%	100%	N/A	N/A	N/A	N/A	S	S	S	S	S	S	S	S	26%	N/A		T
Capex of environmentally sustainable activities (aligned with taxonomy) (A.1)		30,754,113	46%	100%	100%	N/A	N/A	N/A	N/A									46%	N/A		
A.2. Eligible but not environmentally sustainable activities (activities not aligned with taxonomy)																					
Cogeneration of heat/cold and electricity from bioenergy in Pontevedra	Y:4.20	52,414	0%																		
Capex of eligible but not environmentally sustainable activities (activities not aligned with the taxonomy) (A.2)		52,414	0%																		
Total (A.1 + A.2)		30,806,526	46%															46%	N/A		
B. NON-ELIGIBLE ACTIVITIES ACCORDING TO TAXONOMY																					
Capex of non-eligible activities according to taxonomy (B)		35,594,863	54%																		
Total (A + B)		66,401,389	100%																		

In 2022, **46% of the Group's Capex** was allocated to taxonomy-aligned activities, mostly in forest management and bioenergy power generation. In the case of Capex, investments corresponding to the activities included in Delegated Regulation 2022/1214 have been considered as non-aligned.

Contribution to the SDGs


Through its activities, both directly and through its value chain, Ence contributes to the sustainable development objectives set in the framework of the 2030 Agenda.

In the environmental field, the company contributes especially to 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.



Impact indicators

In order to materialise Ence's contribution to the different SDGs, impact indicators have been established for those objectives to which Ence can make a greater contribution. The impacts on each of them in 2022 are summarised in the table below:

SDGs	Ence 2022 Impact Indicator
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<ul style="list-style-type: none"> ✓ Renewable energy generated 2312.1 GWh ✓ Thanks to the renewable energy generated by Ence in 2022, the emission of over 598,000 t of CO₂ has been avoided.
 <p>13 CLIMATE ACTION</p>	<ul style="list-style-type: none"> ✓ Company-owned forest plantations have absorbed more than 612,000 tonnes of carbon dioxide equivalent (CO_{2eq}). ✓ New plant clones adapted to climate change at different stages of development
 <p>15 LIFE ON LAND</p>	<ul style="list-style-type: none"> ✓ 73% of certified wood. ✓ 84% of certified privately-owned surface. ✓ 22% of its privately-owned area (more than 14,000 ha) dedicated to conservation.
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<ul style="list-style-type: none"> ✓ A total of 100% of facilities are certified as Zero Waste. ✓ Over 99% waste recovery. ✓ Over 1.6 Mt of biomass reclaimed and used in its plants. ✓ More than 530,000 m³ of water recovered from the WWTP incorporated in the Pontevedra process
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<ul style="list-style-type: none"> ✓ >95% local suppliers and 91% spending on local suppliers ✓ €236 million in purchases from 2,180 forestry suppliers ✓ 98% small forest owners ✓ €83.5 M in purchases from about 841 biomass suppliers for their independent power plants
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<ul style="list-style-type: none"> ✓ 18% sales of special products. ✓ 138 trials in progress within genetic and silvicultural improvement ✓ €3.4 M investment in technological R&D and digitisation
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<ul style="list-style-type: none"> ✓ 94% permanent employees. ✓ 23% Improvement in Ence's overall GI vs. 2021 ✓ +8.3% Training hours vs. 2021 ✓ Approx. 19,000 jobs created as a result of its activity
 <p>5 GENDER EQUALITY</p>	<ul style="list-style-type: none"> ✓ Increased female presence by +6.8% in the workforce in comparison to 2021. ✓ 26% increase in female presence in the workforce (vs. 16% in 2015) ✓ 51% women in new hires in 2022





LOOKING INTO THE FUTURE

Market context and strategy

GRI 203-1

Ence undertakes its activity based on two main businesses: the production of special pulp and the generation of renewable energies. They are two separate but complementary businesses. While pulp production is a cyclical business, renewable energy generation with biomass is a regulated business that provides more visibility of revenues. Both businesses are based on circular bioeconomy and 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, decarbonisation and diversification into new types of pulp and special products in order 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 17 million tonnes per year, of which 6 million tonnes are imported from Latin America.

Ence's access to locally sourced eucalyptus timber from certified responsible sources, in the vicinity of its biofactories, is a significant competitive advantage over other pulp producers that need to import timber from other locations that use other wood species such as pine or birch, which have lower yields. To guarantee the supply of wood, Ence has its own capillary supply team in the vicinity of its biofactories and directly manages over 64,000 hectares on the Iberian Peninsula. In them, Ence applies the best silvicultural practices that it promotes in the rest of the industry, improving the sustainability and performance of the plantations. Ence is a pioneer in the development and reproduction of eucalyptus species that are adapted to climate change.

Ence's forestry assets not only produce pulpwood, but also annually capture more than 600,000 tonnes of CO₂ from the atmosphere and provide other environmental benefits such as promoting biodiversity, regulating the water cycle and protecting the soil. In addition, part of the forest estate produces carbon credits that can be sold on voluntary CO₂ markets to help other companies offset their carbon footprint

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 18% of pulp sales revenues in 2022, up from 16% in the previous year.

In 2022, Ence launched its **Navia Excelente** project with the aim of diversifying the product range and decarbonising the Asturian biofactory. This project envisages the investment of €105 million in the period 2024 - 2027 to boost the manufacture of Ence's differentiated products, diversify its production towards fluff pulp for absorbent hygiene products and decarbonise the plant with an estimated reduction of 50,000 tonnes of CO₂ per year.



The company is also analysing a new project in the A Coruña town of **As Pontes** for the production of **recycled fibre** and biomaterials from recovered paper and cardboard and cellulose produced by Ence.

The option to purchase the land on which the project will be located was signed in January 2023. The project is an example of just transition and circular bioeconomy by transforming land that is part of a fossil fuel-fired power plant into an innovative facility based on the recovery and reuse of natural resources, without increasing the consumption of wood.

The first phase of the project consists of a line for the production of recycled fibre with a capacity of 100,000 tonnes per year, which could be operational by 2027.

Subsequent phases of the project include the installation of a cogeneration plant with certified biomass that will cover all the heat and electricity needs of the facility, in addition to a line for the production of 30,000 tonnes of paper products per year.



Renewable Energy Business Strategy

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 the same context, the European Union aims to increase its biomethane production tenfold by 2030 to 350,000 GWh/year. Spain is the country with the third largest biomethane production capacity in Europe, despite its current production only being 300 GWh/year. In order to meet the European target, Spain aims to reach a production of 10,000 GWh/year by 2030.

Ence's renewable energy strategy also involves growth and diversification. With its stake in Magnon Green Energy, Ence has developed a portfolio of generation projects with a combined capacity of 813 MW. Magnon has 3 projects related to biomass with a combined capacity of 140 MW with which it will be able to participate in the capacity auctions planned until 2030 for a combined capacity of 655 MW.

The PV project portfolio amounts to 673 MW. In December 2021, Magnon agreed to sell 373 MW for up to €62 million, as and when its administrative processing is completed in 2023 and 2024. The other 300 MW of photovoltaics are at an early stage of development

Finally, Ence is analysing several opportunities for the sale of industrial heat with biomass and, in 2022, launched a new subsidiary for the development and operation of biomethane and fertiliser production plants from organic waste.

Ence biogas already has a portfolio of 9 projects under development in Spain with a combined capacity to supply 560 GWh of biomethane per year. It aims to develop 20 plants with a capacity of >1,000 GWh per year by 2030.



Sustainability at the centre

GRI 2-1

Sustainability is key for Ence, not only because the company bases its business model on natural capital, but also because it is committed to positioning itself as a benchmark for a new circular production model based on green energy and bioproducts.

As well as having sustainability integrated into the company's DNA, Ence is committed to active management of environmental, social and governance aspects, making sustainability one of the pillars of its Strategic Plan.

Said commitment to sustainability is demonstrated through the definition of a solid governance system, the strategic planning of ESG actions and a firm commitment to the integration of sustainability into the company's culture.

Policies and governing bodies

Ence has established its principles of action in terms of sustainability and relations with its stakeholders in its Sustainability Policy, approved by the Board of Directors in 2018. In addition to this framework policy, Ence has specific policies in different areas of sustainability, such as the Diversity and Equal Opportunities Policy, the Procurement Policy and the Health and Safety Policy.

Regarding the governance system, 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 function of the committee is to monitor the sustainability strategy and supervise relations with the company's stakeholders, as well as to supervise the information that Ence provides to the market on ESG aspects (full details of the committee's functions can be found in the Ence Board of Directors' Operating Regulations). The commission meets at least once every quarter and in 2022 it has held a total of 5 meetings.

At the executive level, Ence has a Sustainability General Management, with a corporate sustainability team in charge of coordinating transversal projects and information reporting, and a number of

sustainability managers in the business areas, who report functionally to General Management. The Chief Sustainability Officer reports directly to the Chief Executive Officer of the company.

Both the Management Committee and the Board, and in particular the Sustainability Committee, undertake ongoing monitoring of the indicators for monitoring Ence's Sustainability Master Plan and the main projects the company is promoting in this area. These bodies also periodically review the company's climate risk analysis, as well as any changes in the regulatory context that may affect Ence.

The importance of sustainability for Ence as an organisation is also evidenced by the inclusion of sustainability objectives in the variable remuneration schemes of the management teams. Thus, 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.

Ence is also committed to integrating sustainability into the culture of the organisation and making all its employees aware of its strategic role for the company. To this end, Ence carries out a variety of training and awareness-raising activities for its entire workforce every year. In 2022, a total of 778 people (68% of the workforce) have participated in sustainability training activities

Stakeholder dialogue and materiality analysis

GRI 2-29, GRI 3-2

One of Ence's sustainability principles is the creation and maintenance of relationships based on trust and the generation of shared value for all its stakeholders. For this reason, the company has active and fluid communication channels with all of them, in order to learn first-hand about their expectations and concerns and the aspects that are most relevant to their relationship with Ence. The following is a summary of the main stakeholders included in Ence's Sustainability Policy and the channels used by the company to engage in dialogue with them:

Stakeholder	Main channels of dialogue
Shareholders and investors	Specific meetings, roadshows, presentations of results, dedicated space on Ence website.
Employees	Intranet, AUNA platform, 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, participation in industry events.
Partners and suppliers	ARIBA platform, supplier portal, meetings, training sessions, interviews, focus groups, etc.
Forest owners	Visits to Ence forests, specific website, meetings, participation in industry events, interviews, focus groups, etc.
Public administrations and regulatory bodies	Participation in sectoral associations, meetings, participation in industry events, visits.
Community and environment	Site visits, meetings with local associations, interviews, focus groups.
Groups of influence (analysts, media, NGOs, etc.)	Meetings, interviews, focus groups.

In addition to ongoing communication channels, Ence implements specific stakeholder dialogue initiatives when launching new development projects or executing projects of particular relevance at its existing facilities. The company thus informs stakeholders of the characteristics of the project and gathers their opinions and possible concerns in this regard, in order to incorporate them into the project plan.

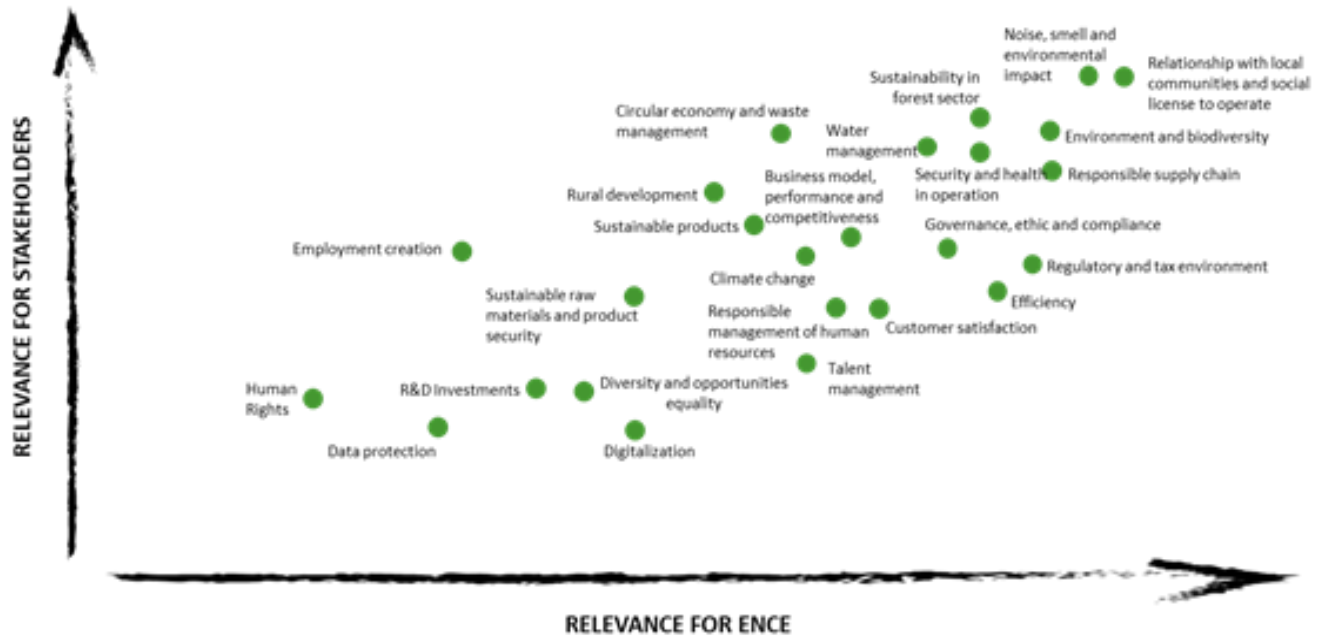
Ence also provides information to its stakeholders through general channels such as the company's website, annual reports and the environmental declarations of its facilities. In addition, Ence also has a whistleblowing channel, so any interest group can contact the company to report possible breaches of its Code of Conduct.

The result of these communication exercises is used to update the materiality analysis that Ence conducted in 2019 with a long-term focus (until 2023), the same time horizon as its strategic plan. In this regard, in 2022, it is worth highlighting the communication exercises that Ence has set up with local stakeholders in the As Pontes area, where the company is going to start up a new plant for the development of new biomaterials from recovered fibre. This year, Ence has also received visits from customers and has held meetings with neighbourhood associations and other groups in the vicinity of the plants.

Among the main aspects addressed in these communication exercises is the environmental performance of Ence's plants, one of the aspects already identified in the original materiality analysis as most relevant. The update of the analysis is completed by reviewing the requirements and priorities of analysts, investors and customers and benchmarking sustainability priorities for action of companies in the forestry, paper and energy sectors.

In 2023, and as part of the update of the company's Sustainability Master Plan (as the current one expires that same year), a new materiality analysis will be undertaken with a dual materiality approach, in accordance with the guidelines set by the new CSRD (Corporate Sustainability Reporting Directive) and, specifically, by EFRAG in its proposal for the European Sustainability Reporting Standards (ESRS).

These standards introduce the concept of "dual materiality" in order for companies to provide sustainability information on material issues, considering two perspectives: firstly, how material issues may impact the financial performance of the company and its value chain in the long term; and secondly, how the company may affect society and the environment. In this sense, an aspect will be considered material to the company if it is relevant from either perspective. The results of this new dual materiality analysis will be reported in the 2023 Sustainability Report.



The most relevant aspects for both stakeholders and Ence are:
































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

These material aspects identified also determine the content of this report in order to respond to the main concerns of stakeholders (see Annex I).



Master Plan and Sustainability Objectives

Based on the identified material aspects, and taking as a framework the Sustainable Development Goals and Targets of the United Nations 2030 Agenda, Ence defined its Sustainability Master Plan for 2019-2023. This plan, which was approved by Ence's Board of Directors in 2019, sets out the company's seven main lines of action and sustainability objectives.

 <p>SAFE AND ECO-EFFICIENT OPERATIONS</p>	<p>0 accidents</p> <p>100% plants adapted to best environmental practices pursuant to BREF guidelines</p>	   
 <p>CLIMATE ACTION</p>	<p>-25% GHG Pulp emissions in 2025</p> <p>Implement CFD recommendations</p>	   
 <p>RURAL AND AGROFORESTRY DEVELOPMENT</p>	<p>100% of agroforestry resources with a guarantee of sustainable management</p> <p>100% Local agricultural and forestry supplies with guaranteed traceability</p>	   
 <p>SUSTAINABLE PRODUCTS</p>	<p>Development of differentiated products with improved environmental profile</p>	 
 <p>PEOPLE AND VALUES</p>	<p>100% compliance with equality plans</p> <p>100% of the workforce trained in sustainability</p> <p>100% Meeting development and talent objectives</p>	   
 <p>COMMUNITY ENGAGEMENT</p>	<p>100% of the communities with relationship plans</p>	   
 <p>GOOD CORPORATE GOVERNANCE</p>	<ul style="list-style-type: none"> Maintain Ence's Corporate Governance system up to date. Incorporate best practice in Good Corporate Governance 	 

Each of the axes has associated lines of action with specific initiatives and annual targets are set to ensure that the long-term objectives set out in the plan are achieved. These objectives are revised on a monthly basis at the level of the Management Committee and reported to the Board of Directors.

The Board's Sustainability Committee reviews the progress of the objectives in detail at its quarterly meetings, inviting project leaders to present the status of their objectives.

The degree of compliance with the main objectives set for the Group in 2022 is summarised in the following table (including those objectives which are considered to be strategic or to have the greatest impact on stakeholders):

Line of action	Objective 2022	2022 Performance
Area 1: Safe and eco-efficient operations		
Reduction of particulate matter emissions	Values depending on the installation	😊
Reduction of water consumption	Reaching 29.8 m3/tAD in Navia and 28.2 in Pontevedra	😊
0 Waste certification	All plants belonging to the Group	😊
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	Lignoenergy project for decarbonisation HC Navia	😊
Area 3: Rural and agroforestry development		
Timber with sustainability certification	75% double FSC® and PEFC certified wood input (License Code PEFC/14-33-00001)	😞
Compliance (regulatory compliance) in terms of timber	100%	😊
FSC® Certified asset area	90%	😞
Biomass with sustainability certificate	80% compliance with the Ence Sustainability Code	😊
Approval of suppliers	100% wood and biomass suppliers and service companies	😐
Area 4: Sustainable products		
Sales of special products	Target depending on product (Naturcell, Naturcell Zero, Powercell)	😐
Area 5: Community engagement		
Visits to biofactories and independent power plants	600 visits	😊
No. of beneficiaries of Navia and Huelva agreements	6,000 benefited people	😊
Reducing the number of complaints	-10% vs. reference period	😊
Area 6: People and values		
Fulfilment of equality objectives	10 objectives in 2022	😐
Improvement of the organisational climate	Improvement of trust index	😊
Promoting internal talent	100% of vacancies advertised on internal channels and 50% filled with internal talent	😊
Area 7: Good corporate governance		
Implementation of good CG practices	Adapt regulations to legal requirements and good governance recommendations	😊

ESG assessments

Ence actively participates in environmental, social and governance assessments undertaken by recognised independent bodies with the aim of promoting transparency towards investors and other stakeholders and highlighting the company's performance in this area.



The agency Sustainalytics, one of the leading ESG analysts, has once more awarded Ence a total ESG score of 91 out of 100 points in 2022, the same score obtained in the previous year. With this valuation, Ence remains the industry leader.

Out of all the aspects assessed, Ence stands out in the social dimension in particular, with a total score of 96 points.

MSCI ESG RATINGS



Ence has also received the ESG Rating assessment from MSCI, another major international rating agency. For the 2022 financial year, Ence is at the "A" rating level.

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FTSE4Good

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 management

Management approach

GRI 2-7

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 System 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 2022:

- 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 responsible for the determination of risk management policy, including tax risks, and for the supervision of internal reporting and 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. In this sense, 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 finalises those that

are no longer considered a risk. In that same process, it also updates the information relating to the mitigation measures 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 responsible for the areas responsible for the risks assess the potential seriousness of the risk in gross terms 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 the "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. Risk managers then assess the risks from the residual point of view, i.e. the gross risk after mitigating measures have been defined.

Later, and once the Risk Map has been updated with the assessments of the business area leads, it 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.

- ✓ The risk category identification exercise carried out in 2022, which will serve as the basis for management in 2023, contains a total of 121 risks grouped into 12 categories, of which 46 have been classified as Critical or Significant. Of these risks, 28% are Environmental, 26% Operational, 19% Legal Compliance, 15% Organisational, 5% Information Integrity, 5% Climate Change and 2% Financial
- ✓ During the year, the Audit Committee was also presented with updated information on the Risk Management Model, highlighting the implementation of a management system and a methodology to maintain adequate traceability, evaluation and evolution of each of the risks, as well as a governance structure for risk management. In addition, a governance model has been defined which directly involves risk owners, risk supervisors and those responsible for action plans, all under the coordination and supervision of the Internal Audit Department.
- ✓ In this respect, a scorecard has been defined and implemented which summarises the evolution of the level of control for each of the critical and significant risks with key risk indicators (KRI) and parameters with the objective of assessing its response to risk. The results are consolidated and reported to the risk owners, the Management Committee and the Audit Committee on a quarterly basis. This work in turn serves as a basis during the process of reviewing and updating the Global Risk Map.
- ✓ This activity reinforces and supports the analysis and evolution of the risks described in the Group's Risk Map, reporting, through specific risk indicators, on risk assessment and the possible materialisation of these risks. Although it has been undertaken steadily throughout the year, combining the function with the audits and tasks included in the 2022 Annual Plan, the greatest efforts were focused on the second and third quarters, coinciding with the half-yearly update of the Risk Register.
- ✓ The results obtained from the Risk Management Model were shared with the Audit Committee in November 2022, concluding that in most cases, the mitigating measures defined by the risk owners have been implemented and the target threshold is above the defined one.

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.

Specifically, during the third quarter of the year, two Crisis Committees were set up as a result of the materialisation of two risks included in the 2022 Risk Map with a very significant impact related to the unavailability of water in the area surrounding the biofactories, in this case Pontevedra, with restrictions on consumption, as well as the influx of salt water into the intake of the Navia biofactory.

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. The mitigation strategies and actions defined by the company are also detailed for each risk. Climate risks are detailed in the Climate Change Mitigation section (chapter "For the climate"), although the following table includes the risks that, being of climate origin, can be included in any of the ERM risk categories (such as water unavailability, which is included in operational risks).

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 (<i>Ence Advanced</i>).
Fiscal risk , derived from the Public Administrations' fiscal policy.	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
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.

Mitigation strategy
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.

Operational risks

Risk
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.

Mitigation strategy
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.
In order to ensure the availability of raw materials, consumables and other industrial supplies, mitigating measures have been implemented to provide greater bargaining power depending on market incidents, a diversification of suppliers of critical supplies has been undertaken, an analysis of substitute chemical products has been undertaken and measures have been implemented to reduce their consumption in operations.

Risk of **wood and biomass 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.
In terms of biomass, different competing situations in the biomass market can lead to tensions resulting in a lack of sufficient material to supply plants or supply at an uncompetitive price for energy production. The company has established different mitigation measures through supply contracts with suppliers that guarantee annual supply, reinforcement of standing biomass purchases and new fuels.

Risk of water restrictions in the operational environment

The availability of water resources may lead to total or partial interruption in the supply to Ence's production centres and, therefore, an impact on the Company's income. To mitigate this risk, Ence sets ambitious targets for reducing water consumption at its facilities, which are reviewed monthly by the Management Committee and the Board and has achieved significant reductions in recent years. Moreover, and as a consequence of the materialisation of this risk in 2022 at the Pontevedra biofactory, Ence has launched a pioneering pilot test in Spain consisting of the installation of equipment that enable the regeneration of water from the nearby WWTP for use in the cellulose production process, thus complementing the water supply. Along the same lines, Ence has launched a project for the recovery and recirculation of process water, so the water inlet requirements are reduced.

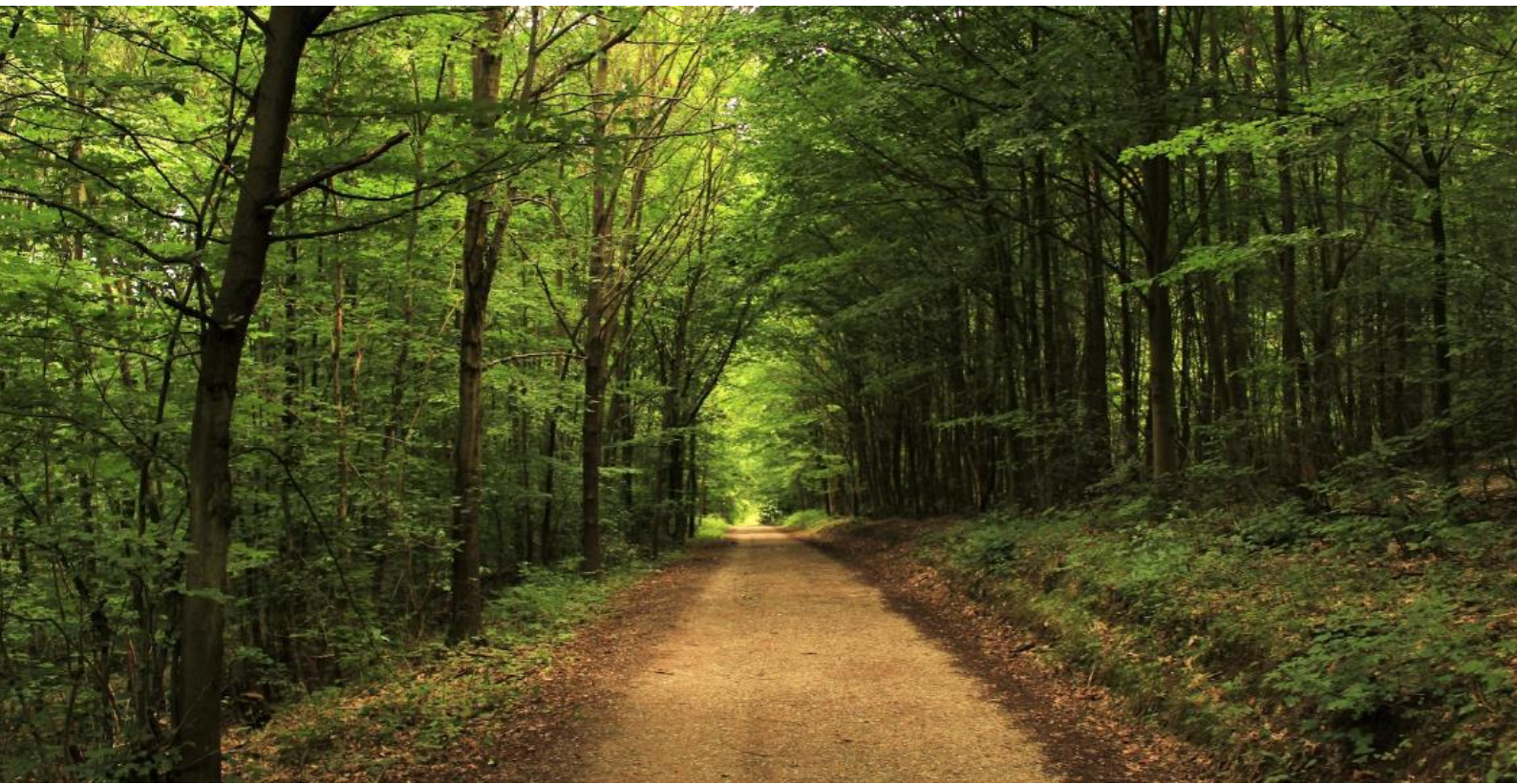
Supply chain, transport and shipping
supplier strikes

Strikes in Ence's supply chain may result in restricting access to the raw materials the company needs for its production processes, as well as to the markets in which the Company sells its products. To mitigate this risk, which materialised during the 2022 financial year, the company has implemented several remediation plans, including a review of tariffs in line with the market and the global economic situation, contingency plans and minimum stocks to guarantee operations, improved communication with transport suppliers, and a study of the current logistics model.

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 in its supply chain in line with the highest international standards.

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



Innovate to transform

R&D

Research, innovation and digitalisation are key elements in ensuring competitiveness in all areas of Ence and are fundamental elements that enable the company to improve processes and take advantage of new opportunities that arise throughout its value chain: from improving forest plantations to developing bioproducts and bioenergy.

Ence structures its R&D&i and digitalisation activities in three areas: innovation in the business lines (forestry, biomass and pulp), digital transformation and transversal innovation projects, and cybersecurity.

Forestry R&D

Ence's Foresta R&D team has once again tackled the company's main challenges and improvement needs, continuing with the programmes it has been undertaking in recent decades. Forestry R&D efforts are focused on combating the main phytosanitary problems caused by fungi and insects, which have made it necessary to expand the plant material base of the **genetic improvement programme** and to develop breeding techniques to ensure and accelerate the propagation and reproduction of improved genotypes on an operational scale.

This strategy has been designed on the basis of the impact analysis linked with the **climate change scenarios** established by the IPCC. Thus, the analysis of climate risk associated with changes in rainfall and temperature patterns is used as a reference in the selection and location of the species and genetic materials used in the reforestations undertaken in the forests that make up Ence's forest assets.

In this regard, it should be noted that in 2022, Ence has initiated a collaboration project with the Universities of Huelva and Santiago de Compostela to develop models to estimate the **impact of climate change on productivity in the areas where Ence operates in the Iberian Peninsula**, obtaining the first results in December 2022.



For the control of the infestation caused by *Gonipterus platensis*, work has continued on improving technologies and tools for the control of insect

populations by means of biological control and the synthesis of aggregation pheromones.

To develop disease resistance and improve the integrated pest management programme, work has been carried out in collaboration with companies, institutions and universities to incorporate fungal resistance tests and the development of new pest control technologies.

In this regard, Ence continues its collaboration with CLONAR Resistência a Doenças Florestais®, a spin-off of the Federal University of Viçosa located at the Technological Centre for Regional Development (CENTEV-UFV) in the state of Minas Gerais (Brazil) to identify early material resistant to the disease caused by *Teratosphaeria nubilosa* by means of laboratory tests. Similarly, the company collaborates with the University of Santiago de Compostela through the Department of Organic Chemistry for the synthesis of semiochemicals that attract the insect *Gonipterus platensis*.

In addition to pest and disease control, forestry R&D efforts focus on forest **improvement**. In this area, Ence has implemented a new system for assessing the fertility levels and nutritional needs of plantations. This system relies on the results obtained from the monitoring of the nutritional status of the plantations and soil sampling. In 2022, sampling work began in each canton of the reforested areas and the results were used to design the best nutritional prescription with the application of more efficient products applied at times of greater physiological assimilation, taking into account the balanced interaction between climate-soil-plant.

As a summary of forestry R&D activity in 2022, the following milestones can be highlighted:

Sustainability Report 2022

- The installation of 11 new experimental plots where a new collection of Eucalyptus and Corymbia materials is being tested. With the trials installed this year, the experimental network has been extended to a total of 138 plots with a total area of 192 ha on which some 640 different plant varieties are being tested.
- The evaluation and characterisation of the resistance to *Teratosphaeria* fungus of commercial and elite clone populations.
- Successful evaluation of the technique of physiological selection of recalcitrant clones for breeding development on a commercial scale.
- The characterisation and nutritional evaluation of a total of 1,493 ha corresponding to 127 cantons of the heritage forests with reforestation works during the year.

The integration of these projects into the company's operations is ensured through the participation and collaboration of the operational staff teams in the action plans, as well as the training sessions and the sharing of results.

In addition, Ence's R&D developments are transferred to the industry through dissemination conferences, private collaborations for the installation of tests and the participation of the team of researchers in the **Showcase Project** launched this year, with which Ence invites other forest owners and other stakeholders in

the forestry industry to learn first-hand about its assets and the research and development activities it carries out there.



R+D Biomass

Magnon Green Energy focuses its R&D efforts on the field of biomass, identifying new recoverable resources and designing optimal operations and logistics for their use. This way, it contributes to the mitigation of environmental impacts caused by the uncontrolled burning of agricultural and forestry waste, while favouring the energy recovery of renewable and local resources. Ence is also diversifying its supply sources, which gives the company greater flexibility and less dependence on specific biomass.

In 2022, the company's efforts are focused on two projects:

Sarmiento Project: the project has been designed to enable the use of biomass from the vineyards of Castilla-La Mancha and the development of its logistics chain, reaching more than 80,000 t of recovered biomass. After four campaigns of work, the project was closed in 2022.

More than 50 local companies collaborate with Ence in this project, which generates 170 direct and stable jobs throughout the year in areas that are at risk of depopulation. At the end of the project, the activity will grow in subsequent years in operational tasks for the use of this biomass, which, in addition to providing continuity to the collaboration with the companies that have been working with Ence for the last four years, will incorporate new collaborators and increase the socio-economic impact of the project.



GEACAM project: the research project agreed in 2021 was developed in 2022 by the public environmental management company of Castile-La Mancha, GEACAM. This project has been based on a number of field tests for the design of methodologies and selection of the optimum machinery for the recovery of forest residues from forest fire protection forestry work. The results have been very positive, providing the company with an important source of residual forest biomass.

With the help of the government and collaborating companies, in 2023 Ence will extend the tests and begin operations to make use of this biomass. This project will create some 20 direct, full-time, annual jobs in rural and forestry environments.

Pulp R&D

In the pulp business, R&D work focuses mainly on the following areas:

- The design of special cellulosic products with improved properties and the search for raw materials that offer improvements in sustainability
- The development of advanced biomaterials, mainly based on lignin and microfibrillated cellulose

Special products and evaluation of new raw materials

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 "For clients".

In this area, Ence has also made progress in developing a process for obtaining cellulose fibre for the tissue market from recovered cardboard, a process that will be undertaken at the new biopant being planned in As Pontes.

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 natural polymers with the most promising applications. Lignin can thus be used as a basis for the production of the following materials, among others:

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

Among the projects in which Ence has been involved in this field in recent years, the following stand out:

CASCATBEL Project: Funded by the EU's FP7, with the aim of producing advanced biofuels.

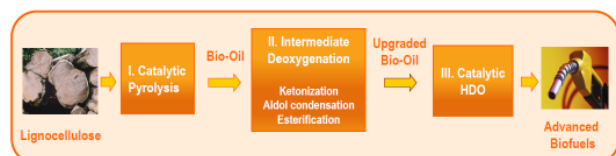
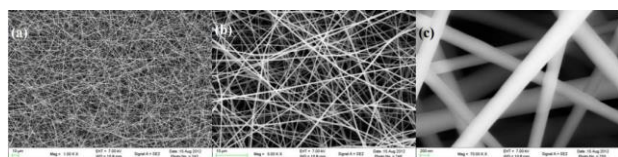
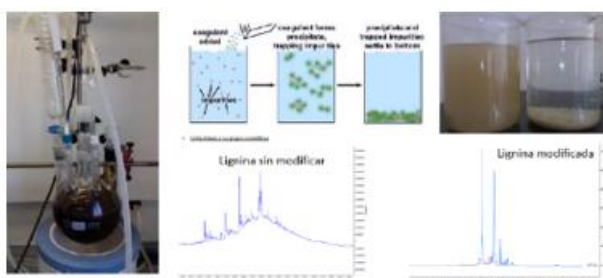
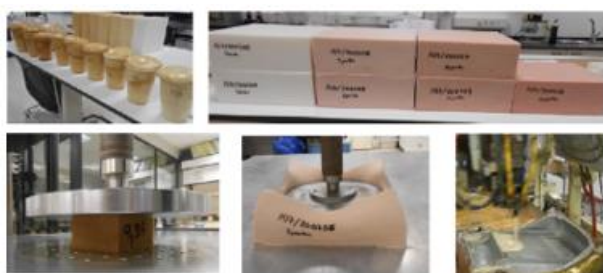


FIGURE 1.2. LIGNOCELLULOSE CASCADE DEOXYGENATION PROCESS FOR 2nd GENERATION BIOFUELS PRODUCTION.

INNVENTIA Project: The project has aimed to develop knowledge and technology (pre-competitive research) and to evaluate market applications for the use of lignin in applications such as adhesives, carbon nanofibres and other applications (functional application research).



LIGNOSPREAD Project: Focused on obtaining high added value products from kraft lignin. The project has verified the potential of lignin as a raw material for the production of polyurethane foams (both rigid and flexible), plasticisers, detergents, flocculants and road binders for natural areas. The project has been developed in the Pontevedra biofactory with financial support from CDTI.



KL-VAINILLINA Project: Focused on the chemical depolymerisation of lignin to obtain simpler molecules of high value in various applications (fragrances, aromas, antioxidants, chemical precursors, etc.). The project was developed in the Pontevedra biofactory with the collaboration of CENER and with financial support from the Government of Navarra.

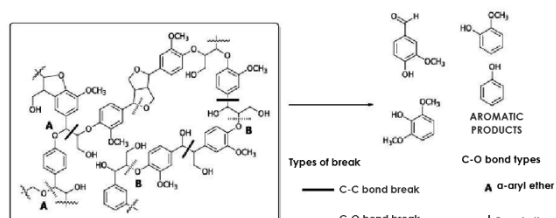
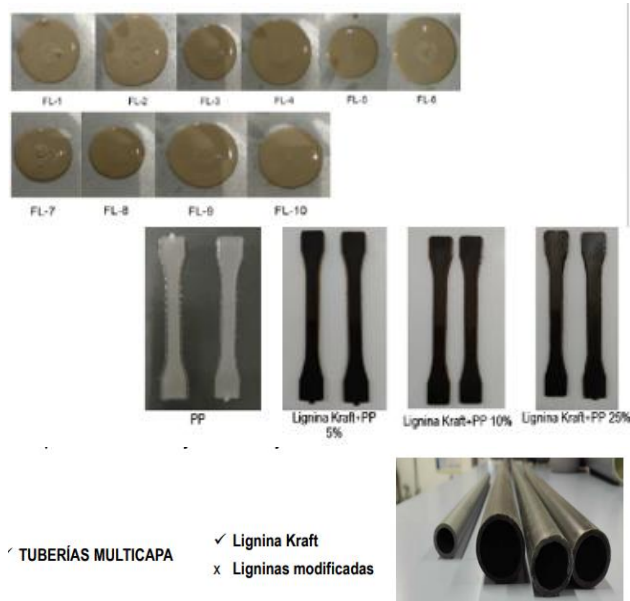


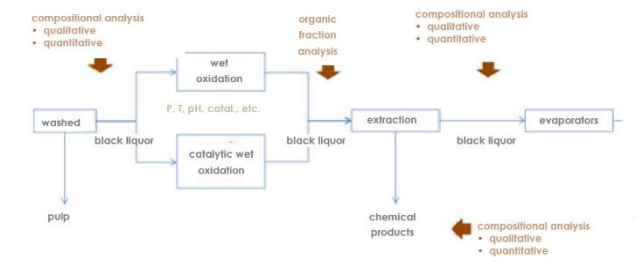
Fig. 5. Major bond breaks in lignin during its depolymerisation and conversion to aromatic-type monomers (Adapted from Binder et al., 2009)



LIGNOPRIZED Project: Focused on the study of lignin extraction, separation and transformation methods, providing materials for the production of bio-oil, polyamides, plasticisers, textile additives and polyolefin processing additives. The project has been developed in the Pontevedra biofactory with financial support from CDTI.



PROQUILIN: Focused on obtaining chemical intermediates from black liquor. The project has been developed in the Navia biofactory with the collaboration of the University of Oviedo, through the IDEPA programme.



DICKENS Project: Project that focuses on comprehensive research and optimisation of composite materials from natural sources. In the framework of this project, 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. The project is being developed in the Pontevedra biofactory with financial support from CDTI.

NOVACELL Project: 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.

The project ended in the first quarter of 2022 and was supported by the CDTI through a CIEN grant.

Other activities

Ence, in collaboration with other companies, is also studying the direct use of black liquor as a base raw material for application in the formulation of fertilisers.

On the other hand, the measurement of wood is another field of interest regarding R+D for Ence. In this sense, it is collaborating with the company Dunakontrol 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 has been delayed due to the shutdown of the Pontevedra biofactory, where the equipment under development is installed.



Figura 4. Diagrama del proyecto DICKENS

OXILIN Project: 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.

This project is being developed between the Navia biofactory and the University of Oviedo and is supported by IDEPA.

Digital transformation

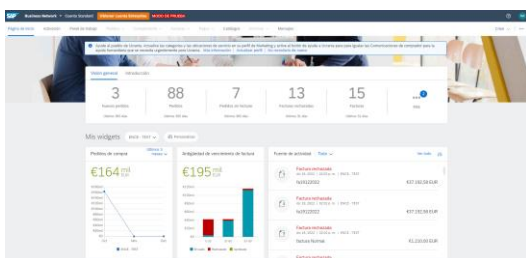
Ence continues to drive a digital transformation process at all levels of the company, focused on ongoing improvement and maximising value creation in all industrial and management processes. To develop in this digital transformation, Ence is based on the following principles:

- ✓ Business orientation, understanding digitalisation as a means to boost the company's competitiveness.
- ✓ Digital management system structured governance bodies, plans and projects, and multidisciplinary work teams, 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 and employee training 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 functional areas themselves. In this area, in 2022, more than a hundred improvements were consolidated grouped in seven major areas transformation areas:

- ✓ **Digitalisation of general and industrial purchasing processes** through the SAP Ariba platform, which facilitates interaction with suppliers through a B2B portal. This also improves 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.

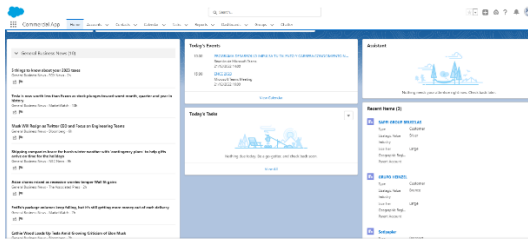


- ✓ **Digitalisation of planning and control processes** through developments in SAP, BW/BPC, BI/SAC that have enabled the simplification and automation of recurring processes, ensuring greater quality of information and providing the area with greater analytical potential.

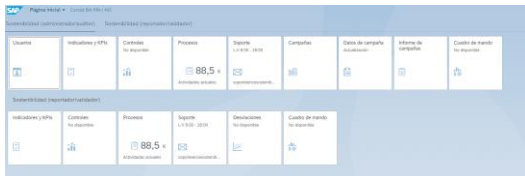
- ✓ **Digitalisation of Health and Safety tools**, consolidating the initiatives of previous years such as the management of TER/TERAS Accidents/Incidents and Work Permits, as well as digitally developing the KPIs of the Occupational Health and Safety area. Improvements also continue to be made in the implementation of intelligent distance meters for chainsaw operators to monitor safety distances in forestry operations.



- ✓ **Digitalisation of Cellulose Commercial Processes**, through the automation and linking of the annual budgeting, planning and order generation processes and the implementation of the Salesforce CRM in order to be able to maintain all the information obtained from the cellulose market in a single, well-structured and digitalised repository.



- ✓ **Digitisation of the Group's sustainability information and reporting processes**, with the SAP PaPm tool, which centralises large amounts of Ence data from different sources to improve the control and quality of the information.



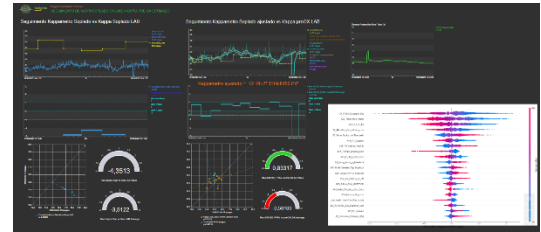
Digitisation of industrial processes

Ence's digital transformation strategy also includes industrial processes, with the goal of protecting the Group's industrial assets, improving their performance and efficiency and anticipating and avoiding anomalous situations, thereby increasing the reliability of production processes.

In the industrial context, the following have been the main lines of action in 2022:

- ✓ **Maintenance 4.0:** work has continued on the sensorisation of critical equipment (rotating equipment, switch cabinets and electric drives) and the analysis of maintenance data with a focus on the early detection of faults and the optimisation of maintenance schedules.
- ✓ **Complete migration from ProcessBook to PI VISION.** The new implemented system is

browser-based, providing users with easy access to operational, environmental and maintenance information. Staff have been trained in the new system and new value-added applications continue to be developed, such as the creation of maintenance dashboards and the monitoring of critical environmental variables, instrumentation reliability or electricity consumption, among others.



- ✓ Maturity of the **anti-accidents project**, a pioneering system to improve safety in Ence plant environments where machinery is moved.



- ✓ Ence is committed to **data science**, and in 2022, the first Machine Learning-based algorithms were developed internally to optimise industrial processes and reduce their variability.
- ✓ **Mobility** is also a clear commitment of Ence as part of its digitalisation strategy. Thus, in 2022, a system has been implemented that enables maintenance tasks such as inspection routes to be carried out using mobile devices.

Cybersecurity

Cybersecurity is another strategic priority for Ence and the company continues to work to strengthen its level of protection against cyber attacks.

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. In 2022, Ence continued to implement its **Cybersecurity Plan (2020-2023)** and developed a specific Industrial Cybersecurity Plan (2022-2024) this year. Both plans have been defined jointly with IBM and tested against the NIST (National Institute of Standards and Technology) Cybersecurity Framework and with standard IEC/ISA 62443.

Cybersecurity Policies and Procedures

Ence has an **Information Systems Security Policy** that has been extended this year to include the security of Industrial Information Systems. This policy 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. In 2022, work was also carried out on the detailed review and updating of the **Contingency Plans** for the application infrastructure and business-critical technology in the event of a serious cybersecurity incident.

Training and Awareness

Ence, aware of the cyber security threats faced by all employees, strives to train and raise awareness among the entire workforce. Thus, in 2022, 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 2022. In terms of industrial cybersecurity, a group of Ence technicians have been certified in the IEC/ISA 62443 cybersecurity standards as part of the established training plan and will continue over the coming years.

Protection technologies

In addition to awareness-raising activities, Ence has focused its cybersecurity efforts to reviewing the parameterisations and detailed functions of all the cybersecurity elements it has implemented in order to ensure maximum performance and protection (e-mail protection platform, device and server protection systems, perimeter protection systems, two-factor, cybersecurity in Intune and Office 365, unified monitoring system for cybersecurity alarms (SIEM), network segmentation, cloud security, and WiFi network security, etc.).

Regarding industrial cybersecurity, the system for secure remote access from outside the company's industrial networks has been consolidated, work has been done on isolating these networks and new technologies are being tested, such as asset monitoring and the implementation of endpoint protection systems, including equipment that is no longer supported by the manufacturer due to obsolescence.



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. In industrial security, we work in cooperation with the ISA (International Society of Automation), which defines cybersecurity standards and has specific training plans.

Ence also continues developing 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 2022, security audits have focused on the following areas:

- Vulnerability analysis of IT assets exposed on the Internet.
- Vulnerability analysis of the internal IT infrastructure.
- Hacking test by Red Team. An expert team from the company Kyndryl spent three months trying to penetrate and hack into Ence's systems to identify weak points to improve the Group's cybersecurity.



A close-up photograph of green grass blades, likely from a lawn or field, covered in numerous small, clear water droplets. The blades are vibrant green and show fine details of their structure. The background is softly blurred, creating a bokeh effect with light spots. A semi-transparent white horizontal band is positioned across the middle of the image, containing the text.

**FOCUSED ON GENERATING A
POSITIVE IMPACT**

Focused on generating a positive impact

Ence generates positive impacts for its stakeholders through its activity, but the company works to maximise these impacts by means of its **Sustainability Master Plan 2019-2023**, which defines lines of action and objectives to enhance these impacts.

For communities: Ence is committed to the development of its local communities, by way of the generation of employment and the creation of value at a local level

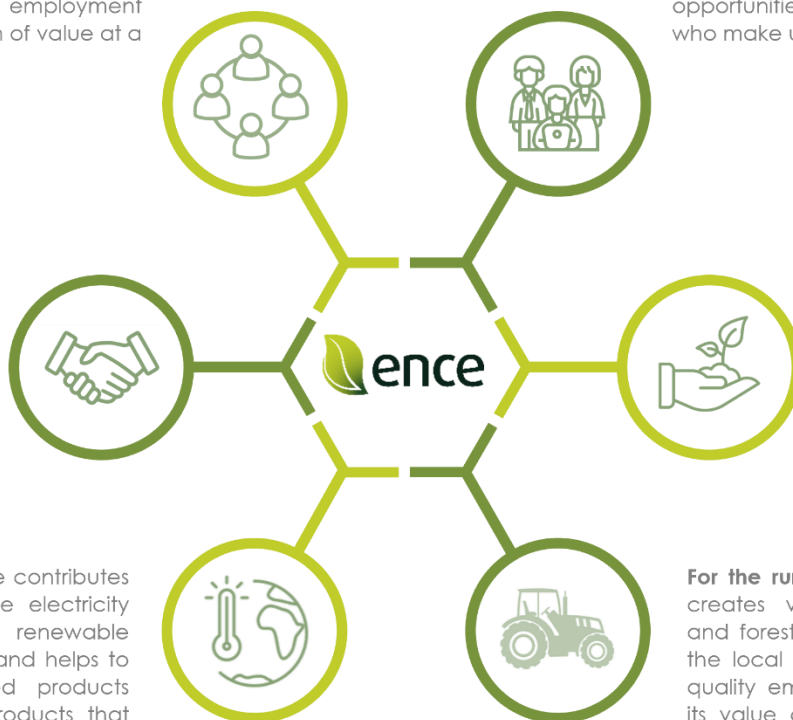
For individuals: Ence is committed to the generation of quality employment, talent development and equal opportunities for all the people who make up its human team

For clients: Ence develops new pulp products with high added value for customers, with marked sustainability attributes to reduce the environmental footprint of the final products

For health and the environment: Ence's priority is to protect the health and safety of all the people who work for the company and to ensure maximum care for the environment in its operations

For the climate: Ence contributes to decarbonising the electricity mix by generating renewable energy at its plants and helps to replace fossil-derived products by creating pulp products that replace plastic

For the rural environment: Ence creates value for agricultural and forestry owners and boosts the local economy, generating quality employment throughout its value chain, preventing the depopulation of the rural environment



The following chapters of the report detail the strategies, principles of action and activities carried out by Ence to **maximise its impacts** in these areas.



FOR PEOPLE



Strategy and areas of action

For Ence, its human capital is the organisation's most valuable asset, which is why commitment to the people who are part of the company is a strategic priority. This commitment takes the form of a commitment to the generation and maintenance of quality employment, the development and promotion of talent and the promotion of equality and diversity in the human team. Ence also aims to create an attractive and motivating work environment for the entire team, improving the climate and boosting pride in belonging.

Strategic People Plan

GRI 2-7

Ence is aware of the key role that people play in achieving its strategic objectives. Thus, the company has defined its **vision** for the human team based on four principles:

- Employees' commitment to Ence's values
- Highly specialised employees
- Work autonomy for all employees
- Cross-sector cooperation

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 aligning staff with the strategy, 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. The main developments in each of the areas achieved in 2022 are detailed below:



Leadership of managers and middle management

In order to consolidate leadership of managers and support leadership development of middle managers, the 360° evaluation has been launched redefining the questionnaire to adapt it to the competencies of the Ence Leader and carrying out leader coach training for the line of command focused on assertiveness and leadership in internal communication.



Empowerment and autonomy

To increase empowerment, ownership and management autonomy, the Importas & Aportas project has been launched and empowerment workshops have continued. Moreover, internal expert committees and counter-mast round tables (operation and maintenance) have been promoted to highlight and disseminate good practices among teams.



Cross-sectoral approach and shared vision

To foster transversality, collaboration, participation and shared vision, the alliances between areas have been reviewed, the dynamic of visits to "internal customers" has been boosted and the annual survey has been launched in which internal customers assess the performance of the areas that provide them services. In addition, awareness campaigns on "Project Launching" have been launched to ensure transversality and agility in project management.



Internal communication

With the goal of boosting internal communication, participatory communication initiatives have been launched, such as working breakfasts, "Take the floor" sessions and Ence Direct presentations, in which the respective areas explain their projects and latest developments to the rest of the company.



Talent attraction and development

In the area of talent development and recruitment, Ence has continued its efforts to raise awareness of the company through visits to universities and educational centres in the local community, as part of the plan to position Ence as an employer. In addition, the Talent Programme has been renewed for another year to promote the professional development and access to employment of young people in the communities where Ence operates. The three-year Development Programmes for high potentials and key people have also been continued, encouraging the participation of women, with the Mentoring Programmes led by internal mentors. In addition, by 2022, a target has been set to publish 100% of vacancies on internal channels and to fill up to 50% of positions through internal promotion.



Industrial relations management

In order to make progress in the proactive management of labour relations, the dynamics of identifying "social irritants" have been monitored through monthly meetings with employee representatives and progress has been made in the LR transparency plan.



Commitment to values

To reinforce the commitment to the Ence values, the company has continued its environmental education and training work, in which Ence employees give training sessions at local schools. In addition, the dynamic of managers presenting Ence values to new recruits has been implemented and work has been executed to support the alignment of contractors with Ence's values and principles of equality. Moreover, volunteer actions associated with Ence's values and focused on the environments in which the company operates continue to be promoted among its employees.



Equality and work-life balance

Participation in professional orientation workshops and presentation of Ence's equality plan and objectives in educational centres has been promoted to promote equality. Internally, meetings to present the plan and round tables focused on this issue have been held in the several operations centres and offices. In addition, the remote working policy has been promoted to facilitate work-life balance. Also, in line with previous years, specific equality objectives have been set and are monitored each month (the objectives are detailed in the diversity and equal opportunities section).



Skill improvement

In order to increase the skills of our human resources, we have continued to develop training and capacity building actions in Ence's strategic priority areas: occupational safety, environment, ongoing improvement, management, technical skills focused on new products/new processes, sustainability and digital transformation. In addition to internal training actions in these areas, active participation in dual vocational training modules regarding pulp and forestry operations has been promoted.

Commitment to stable and quality employment

GRI 401-1

Given that people are Ence's main strategic asset, the company is committed to generating and maintaining stable, quality employment. In this way, by the end of 2022, among Ence's employees, 94% have a permanent contract and 98% work full time.

In 2022, the average headcount of the Group was 1,142.24 people, ending the year with 1,148 people on the payroll, 1,146 in Spain and 2 in Portugal. 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	2022-Spain			2022-Portugal		
	M	F	Total	M	F	Total
Up to 30 years old	2.1	3.1	2.5	17.5	0.0	17.5
From 31 to 50 years old	0.4	0.8	0.5	0.0	0.0	0.0
Over 50 years old	0.1	0.0	0.1	0.0	0.0	0.0
Overall total	0.5	1.0	0.6	0.9	0.0	0.5

Absenteeism in 2022 was 5.9% (111,510.7 hours), including sickness, occupational injury, maternity/paternity, paid and union leave.

In 2022, Ence was forced to apply a temporary lay-off plan (ERTE) to workers at its Pontevedra biofactory for reasons of force majeure, as production had to be stopped due to the drought. The low level of the river Lérez, which supplies the Pontevedra biofactory, led the company to take the decision to stop production in order to preserve the ecological flow of the river and to prioritise at all times the supply of water to the public. Despite having to put this mechanism in place, Ence has applied flexibility measures to minimise its impact, such as allowing the workforce to take holidays during the plant's shutdown period, taking equal rotational shifts to carry out maintenance and start-up tasks, etc. The ERTE was launched at the end of July and lasted until the beginning of November, affecting all 300 workers at the plant (although never more than 60 at any one time). At the Huelva Power Generation and Biomass Processing work centres, a temporary lay-off plan (ERTE) has been agreed with the Workers' Legal Representation, on a rotating basis among the affected

workers from 27 October 2022 to 31 January 2023, for productive and organisational reasons based on the increase in the price of biomass and the scarcity of this raw material.

Talent management

One of Ence's main priorities in human capital management is to attract, develop and retain the talent necessary to achieve its strategic objectives. To achieve this, 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

Attracting the best talent is key to driving growth and developing new lines of business, Ence's strategic objectives. To this end, Ence identifies its profile needs in the short and medium term, in line with its strategy, prioritising the attraction of local talent as a sign of its commitment to the development of the communities where it operates.

Since 2015, Ence has been committed to 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 its local communities, so that they can start their professional careers in various areas of the company. 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 2022, a total of 82 interns participated in this programme, and 24 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 30% 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

After attracting the talent needed to achieve the company's objectives, the next step in Ence's human capital management strategy is to ensure professional development opportunities that enable employees to reach their full potential and develop a sense of pride in belonging to the company.

To manage the development of its human resources, Ence uses two fundamental tools: the Career Plan (medium-term oriented) and the Individual Development Plan (annual), which is established and monitored annually by means of development interviews between each employee and their supervisor. In these interviews, career and individual development plans are reviewed, as well as the annual performance evaluation that superiors carry out on their employees, the achievement of individual objectives is reviewed, 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 2022, a total of 524 people participated in these performance evaluations, representing 46% 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 2022, 301 development interviews were conducted.

Performance evaluations conducted			
Professional group	Men	Women	Total
Clerical workers	3	5	8
Support and improvement Quality Control	5	3	8
Management	51	14	65
Managers	66	23	89
Operators	4	0	4
Team Leaders	59	2	61
Technicians	172	117	289
Overall total	360	164	524

Targets set			
Professional group	Men	Women	Total
Clerical workers	2	4	6
Support and improvement Quality Control	2	1	3
Management	54	15	69
Managers	71	24	95
Operators	2		2
Team Leaders	26	1	27
Technicians	177	125	302
Overall total	334	126	504

Target compensation			
Professional group	Men	Women	Total
Clerical workers	4	5	9
Support and improvement Quality control	2	1	3
Management	55	15	70
Managers	64	23	87
Operators	2		2
Team Leaders	28	1	29
Technicians	172	110	282
Overall total	327	155	482

In addition to career plans and performance appraisals, Ence promotes 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 2022 that the percentage of women participating in these programmes should always be higher than the percentage of women in the workforce (15% more), thus avoiding under-representation.

Ence also wants to avoid bias in promotion processes, and has therefore set a target for 2022 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

Ence is committed to promoting internal talent as the basis for the development of the company's human team. By offering promotion opportunities for the professionals that are part of the workforce, Ence not only honours its values, but also fosters motivation, pride in belonging and a sense of commitment to the company. In line with this commitment, a target has been set for 2022 to post 100% of internal vacancies and to fill at least 50% of them with internal talent. In addition, 74 internal promotions took place this year. Internal promotions are communicated to the entire organisation through internal communication channels to highlight their value and showcase Ence's commitment to its human resources.

Remuneration and welfare plans

Ence's talent management strategy also includes the design of attractive and competitive remuneration policies for employees with individual contracts, 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 transparently 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 their performance. 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 2022, the average effective remuneration of Ence Energía y Celulosa, excluding the Management Committee, was €63,251 per year, including fixed and variable remuneration.

GRI 405-2

Average remuneration 2022 (€)	Ence Energía y Celulosa		
Age:	Men	Women	Total
Up to 30 years old	43,172	39,446	41,205
From 31 to 50 years old	62,006	57,622	60,749
Over 50 years old	88,053	79,633	86,335
Total average remuneration	65,985	56,817	63,251

Average remuneration 2022 (€)	Norfor		
Age:	M	F	Total
Up to 30 years old	-	-	-
From 31 to 50 years old	21,225	24,827	23,798
Over 50 years old	29,743	23,027	24,146
Total average remuneration	24,064	23,927	23,959

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.

The average remuneration of the Management Committee by gender is presented in the table below.

2022 Average remuneration Management Committee	
Gender	€MM
Man	583.6
Women	411.2

Note: all remuneration items are taken into account in the calculation of the average remuneration. All members of the Management Committee (including the CEO) are included.

The starting salary of the lowest category applied in Ence is higher than the minimum wage applicable in Spain. In 2022, the proportionality has been as follows:

GRI 202-1:

Proportionality between the IMW and the lower-level salary at Ence Energía y Celulosa Group			
Gender	2020	2021*	2022*
Men	1.41	1.39	1.49
Women	1.58	1.38	1.40

* Includes Norfor

Pay gap

For Ence, eliminating the gender pay gap is one of its priority equality objectives. To ensure that there is no gender-related bias in remuneration, Ence monitors the gap between comparable positions and, for the annual measurement of the pay gap, since 2018 Ence has been using the methodology described in the "Methodological guide for the evaluation of the gender pay gap in the company", based on the calculation of the hourly pay rate and published by the Club de Excelencia en Sostenibilidad (Sustainability Excellence Club). In 2022, the average pay gap was at 13.8% in Ence Energía y Celulosa.

2022 Pay gap				
Types	ENCE Group		Northern Forest	
	Mean	Median	Mean	Median
Gender pay gap	13.8%	13.3%	0.6%	-7.6%
Gender pay gap in terms of bonus	14.3%	16.1%	-17.5%	-0.3%

This gap is mainly due to the increase in the number of women hired under collective bargaining agreements as a result of Ence's active policies to increase their representation in the workforce. In fact, up to 5.24% of the total pay gap is explained by the impact of the increase in the number of women covered by collective bargaining agreements in the last three years (2020-2022). Eighty per cent of these additions have been in the lowest collective bargaining agreement pay scales where they were under-represented.

In addition to this, the collective agreements for new staff establish an adaptation process whereby in the first year 80% of the basic salary is paid, in the second year 85% and in the third year 90% in Navia, regardless of the gender of the person hired. The remaining 20% of female recruits are at the technical level. Junior staff joining at the technical level, regardless of gender, have set salary paths of three years until they reach the salary level of the technical value proposition, so juniors are paid less than their more senior peers for the first three years. These technical-level additions of junior women account for another 1.38% of the pay gap.

Ultimately, the fact of incorporating a majority of women at the entry levels of the organisation in order to promote equal representation of both genders, means that in the first few years the salaries of these junior women are lower than those of their male counterparts who have been at the same levels for more years. It is expected that as the female population becomes more representative, this gap will narrow. In any case, it is shown that the gap detected is not due to any gender bias in the selection processes or in the remuneration or promotion of any group.

For the **Management Committee**, the average gender pay gap is 5%

Pay gap for the Management Committee in 2022		
Types	ENCE Group (without Norfor)	
	Mean	Median
Gender pay gap	5.0%	13.3%
Gender pay gap in terms of bonus*	11.8%	-0.2%

The remuneration of the members of the **Board of Directors** is regulated by the criteria established in Ence's Remuneration Policy for Directors, which are applicable to all Board members, regardless of their gender or any other personal circumstance. Therefore, the 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 2022*	
Gender	€MM
Man	94.5
Women	81.2
Overall total	88.7

* 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. It also does not include

the Chairman's remuneration for executive functions. The individual remuneration of each Board member can be consulted in Ence's Annual Remuneration Report.



Welfare plans

GRI 401-2

Ence includes in its value proposition for its employees a number of social benefits that helps to retain talent and generate pride of belonging 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

Another of Ence's strategic priorities for the management of human capital is the development of talent and the improvement of the skills of all the people who make up its human team. To materialise this commitment, Ence designs annual training plans based on an analysis of skills improvement needs. Thus, in 2022, 21,960 hours of training were provided in the Group, i.e. Some 19.2 hours of training per employee.

Average hours of training in 2022			
Professional group	Men	Women	Total
Managers	19.8	24.9	21.3
Technicians	16.5	19.8	17.7
Team Leaders	19.7	12.8	19.2
Support and improvement Quality Control	25.9	30.1	28.0
Clerical workers	9.3	8.8	8.9
Maintenance	13.2	32.2	13.5

Sustainability Report 2022

Operators	20.8	26.4	21.4
Management	19.4	24.3	20.5
Total	18.5	21.4	19.2

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

Ence is clearly committed to integrating sustainability at all levels of the organisation. Therefore, training actions include those aimed at the promotion of a culture of diversity and fostering sustainability competences. Thus, throughout 2022, 778 people have participated in **sustainability training** programmes. In 2022, training activities in the field of **digitalisation** also stood out, with training programmes in SAP Ariba, PIVision and Machine Learning.

Training categories 2022		
Training	Participants	Hours
Environmental awareness	181	319.0
Regulatory compliance	2,062	2,330.5
Leadership development	920	4,633.5
Occupational health and safety	3,431	6,393.0
Sustainability	778	858.0
Operation and maintenance technique	7,734	6,190.0
Digital transformation	1,202	1,236.0
Total	16,308	21,960.0

Diversity and equal opportunities.

GRI 405-1

Ence is committed to equal opportunities and the rejection of any type of discrimination, as established in its Code of Conduct, but the company also sees diversity as a lever for generating value, as it fosters innovation and provides different points of view in decision-making. Ence's diversity principles are defined in the **Diversity and Equal Opportunities Policy**, approved by the Board of Directors and publicly available to all the company's stakeholders.

Equality plan and objectives

The commitments established in Ence's Equality Policy are embodied in the Plan and the specific equality objectives defined on a yearly basis. 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. For each year of this period, a total of 10 quantitative and qualitative objectives have been defined:

After the completion of the 2019/2020 Equality Objectives and thanks to the experience and business journey, we set 10 new Equality Objectives for 2021/2023. These goals are more challenging and ambitious, and their main purpose is to diminish traditional gender gaps:

- 1 Professional development**

In regard to the distribution of women in Ence's workforce, to identify active policies to even out gender representation at different levels

Objective 1: Introduce measures to avoid bias in advocacy processes. We encourage the promotion of women in each area in percentages equal to or higher than the total percentage in the area.
Objective 2: We will boost the representation of women in Management Development Programmes and Mentoring and Successor Programmes to promote women's professional development. We will also promote the versatility of women in collective bargaining agreements.
 The number of women in the programme will be equal to or higher than the percentage of women in the group, increasing by 10% in 2021, 15% in 2022 and 20% in 2023.
- 2 New hires**

Promote the attraction and retention of female talent.

Objective 3: One woman in the final shortlist of all selection processes.
Objective 4: 25% of new permanent employees (+/-5%) in biofactories and independent power plants will be women. We will increase this percentage by 5% annually, reaching 30% in 2022 and 35% in 2023.
Objective 5: 50% of new recruits (+/-10%) of Directors and individual contract staff must be women.
Objective 6: Per yer, we will achieve and maintain 50% representation (+/-10%) of women under 30 with a university degree.
- 3 Pay gap**

To ensure internal equity in equivalent positions between the sexes.

Objective 7: We will implement the necessary measures to achieve internal equity in equivalent positions between the sexes, as part of our Zero Pay Gap Objective.
- 4 Work/life balance measures**

To promote rational balance between professional and personal life.

Objective 8: Labour flexibility through the current working time system. Extended flexible working hours, including teleworking for mothers and fathers of children under 12 years of age, provided that the needs of the service are adequately covered.
Objective 9: We will support equal parental leave rights between genders. We will ensure gender equality in the periods of parental leave regardless of gender.
- 5 Visibility and monitoring of equality objectives**

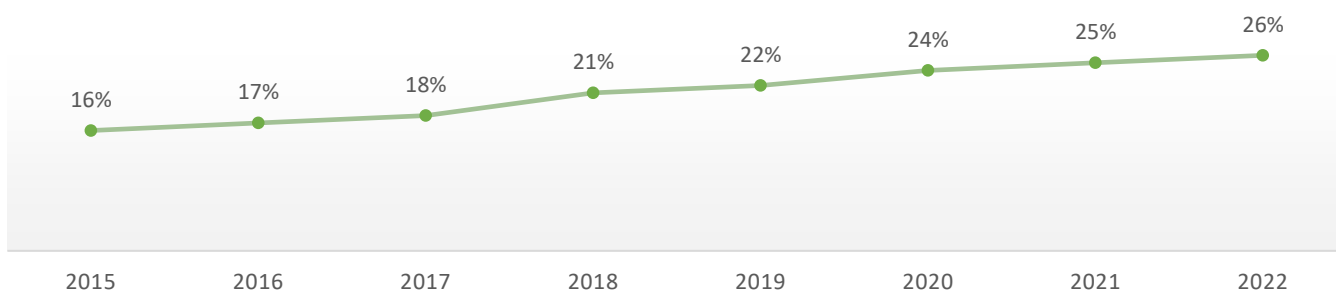
Objective 10: We will increase the visibility of the Equality Plan through the following measures:

 - Quarterly meetings of the Technical Committee on Equality
 - Quarterly publication of results
 - 4 equality meetings per year
 - During 2021 and 2022, Ence's main contractors in the area of Equality will be subject to awareness-raising and evaluation actions. In 2023, equality compliance criteria will be set in the selection processes of contracting companies.

The Management Committee and the Board of Directors monitor these objectives on a monthly basis and the Technical Equality Committee meets at least quarterly to assess compliance and propose complementary measures to promote equality and diversity in the company. By the end of 2022, 8 of the 10 objectives 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 26% by the end of 2022, almost four times more than the percentage of women employed in the industrial sector in Spain. Specifically, in 2022, women accounted for 50% of new recruits under 30 years of age with a university degree.

Evolution of the presence of women at Ence



To go one step further in its commitment to equality, in 2022, Ence has joined the Empowering Women's Talent programme, a programme launched by Equipos&Talento to develop female talent in organisations. Within the framework of this initiative, an ambitious programme is developed that includes

events and activities for all its members, such as the Diversity & Inclusion Day or the Women's Talent Day, an event focused on the development of female talent, equality and diversity. In addition, participation in the programme allows Ence to take part in workshops and breakfasts, as well as in cross-mentoring activities with other participating companies.

Promotion and awareness-raising

Ence's equality plan also includes among its objectives the dissemination and awareness of the company's equality objectives among the entire workforce. To promote this awareness, Ence communicates the annual equality objectives and their level of compliance to the entire team and promotes the active participation of all employees in identifying areas for improvement. Ence also carries out training and awareness-raising activities on equality and co-responsibility, including round tables held at the company's various operations centres. But Ence's commitment to equality awareness is not limited to its internal team, but extends to the environments where the company operates, to promote women's access to studies that enable their incorporation into the industrial sector and thus help to alleviate the lack of qualified female personnel that is demonstrated in many selection processes for industrial positions. Thus, in 2022, Ence held round tables with leading women in the industry at educational institutions in Pontevedra, Navia and Huelva.



Work/life balance

Ence's Diversity and Equal Opportunities Policy establishes among its principles that the company will ensure work-life balance, as this is not only an employee right, but also a lever for retaining talent and generating pride in belonging. To materialise this commitment, Ence applies measures such as flexible working hours, digital disconnection, rationalisation of meeting schedules and remote working.

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. Remote work agreements have also been negotiated with the Workers' Legal Representation in the different work centres for certain positions, giving the opportunity to work from home up to two days a week.

GRI 401-3

In this context, 56 employees took parental leave in 2022, of which 46 were men.

2022 Parental leave		
Category	M	F
Employees who have taken parental leave	46	10
Employees who have returned to their job after parental leave	40	6

Employees who continued in their position after 12 months of parental leave	59	9
Return to work rate	87%	60%
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 2022, Ence had 10 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 this context, in 2022, the company has financed a training project in augmentative alternative communication for teachers in the Northwestern region, which will directly benefit Navia students with cerebral palsy and autism.

Prevention of harassment and discrimination

Ence's Diversity and Equal Opportunities Policy establishes a firm commitment to zero tolerance of any form of discrimination or harassment. To ensure its compliance, 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. In 2022, no harassment complaints were received through the channels established for this purpose.

A great place to work



Another of Ence's human capital priorities is to make the company a great place to work, fostering a positive organisational climate and pride of belonging among all team members. In this context, Ence periodically analyses the perception of its employees and develops action plans for the aspects that employees have highlighted as areas for improvement.

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 fifth edition of the study was launched in 2022. In this edition, the trust index increased by one point compared to 2021, which has enabled Ence to revalidate the Great Place to Work Certification for the third consecutive year.

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

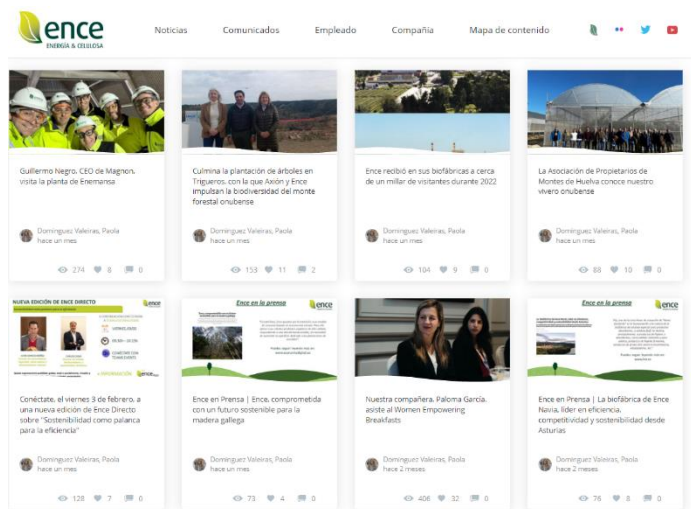
The improvement of internal communication is one of the pillars of Ence's strategic plan for people, as the company understands that one of the keys to aligning all employees with the company's strategic objectives is to promote two-way dialogue and the active participation of the human team.

In this context, in 2022, 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.

Sustainability Report 2022

For the first time in person since the start of the pandemic in 2022, 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, through the "Ence Directo" sessions, in which managers from different areas 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 employees chosen annually 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**. These actions include the Campaign "ENCEndamos la Navidad", the aim of which is to collect toys for families with little resources with the help of Caritas and the Red Cross.



In addition to all these initiatives, Ence maintains various internal communication channels, such as the AUNA platform, the my Ence app and 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 2-30

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

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.

With the aim of promoting proactivity in labour relations, throughout 2022, 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 addition, remote work protocols have been negotiated in accordance with the provisions of Act 10/2021 of 9 July on remote work, having reached an agreement to establish up to two days of remote work per week, and the collective agreements of the Navia Biofactory, Pontevedra Offices, Navia Offices and Madrid Offices have been negotiated.

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, such as the company's **whistleblowing channel**. Employees also have at their disposal information on how these complaints are dealt with in Ence's Complaints Channel Procedure, which is publicly available on its website.



FOR HEALTH AND THE ENVIRONMENT



Safe Operations

The safety of the people who work for Ence, both its own employees and contractors, is a strategic priority for the company. Thus, Ence provides all the necessary means undertake their activities safely and protect the health of its employees and contractors.

With the ultimate aim of achieving zero accidents in its operations, Ence has implemented and is working to improve management systems and pioneering tools to guarantee safety in all its operations.

Security policy and principles

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

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

The protection of people's health and safety is one of the principles of action set out in Ence's Code of Conduct and forms part of the company's **values**. Ence not only sees safety as a fundamental **right** of its workers, but also as a tool to improve the organisation's efficiency, climate, pride of belonging and, ultimately, the company's **competitiveness**.

Ence has set the objective of achieving zero accidents in its operations, extending this vision not only to its employees, but to **all contractors** and other people who provide services to the company. For this reason, when setting improvement targets in the area of safety, Ence includes all external personnel.

Ence bases its management approach in this area on integrating safety into the company's culture in a cross-cutting manner, so that it reaches all levels of the organisation and safe behaviour becomes the natural way of undertaking operations. To promote a culture of safety, Ence focuses on the following aspects:

- ✓ Leadership and management responsibility: Ence promotes 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.
- ✓ Business integration: Ence understands that safety must be integrated into all business processes, so all management decisions and actions must take it into account as a top priority.
- ✓ Accident prevention: Ence encourages the constructive investigation of all accidents and incidents and uses the information gathered to implement improvement measures so they do not recur in the future.
- ✓ Training and education: Ence provides the necessary training and education to each person, so that they are sufficiently qualified to carry out their tasks safely.
- ✓ 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.
- ✓ 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.

Management system and governance bodies

GRI 403-2

Health and safety management at Ence is organised through a **Joint Prevention Service (JPS)** (in line with the requirements of Royal Decree 39/1997, which implements the Prevention Services Regulations), which includes the preventive specialities of occupational safety, ergonomics and applied psychosociology, and health monitoring, with the speciality of industrial hygiene outsourced.

Ence's JPS management model is also 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 Ence's industrial operations centres are certified according to this standard.

This management model is focused on ongoing improvement and on creating a culture of prevention in the company to improve preventive layers, reducing accident rates and ensuring compliance with current legislation.

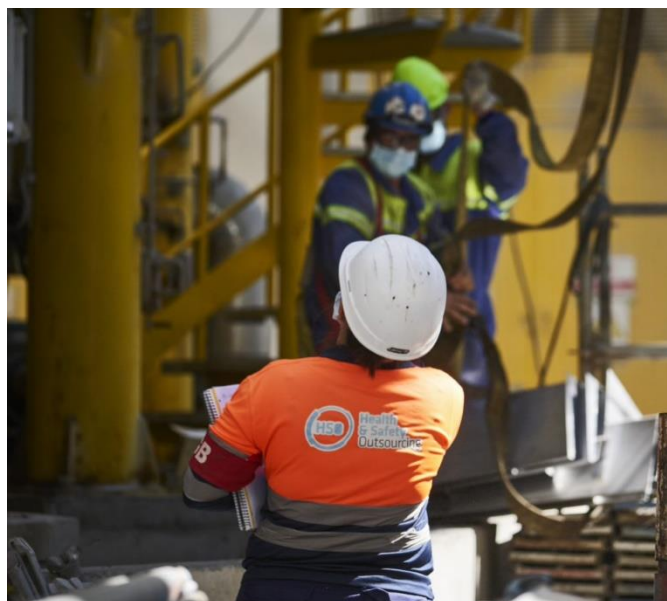
At the level of **governance bodies**, in 2020, Ence created the **ELSE** (Equipo de Liderazgo en Seguridad, Safety Leadership Team) **Committee**, a decision-making body that periodically reviews the company's safety performance and the progress of the main improvement initiatives. This body also approves corporate standards regarding security. The ELSE committee is made up of: the Chairman, the General Managers of Pulp, Magnon, and Finance, the Internal Auditing Director, and the Security Managers of the different Business Units.

Management tools

GRI 403-1

Ence is a pioneer in the use of innovative tools for safety management, some of which are a benchmark in the industrial and forestry sectors. The tools implemented by Ence seek to strengthen the safety layers of the management system and the involvement of all employees in keeping a safe workplace. These include the following:

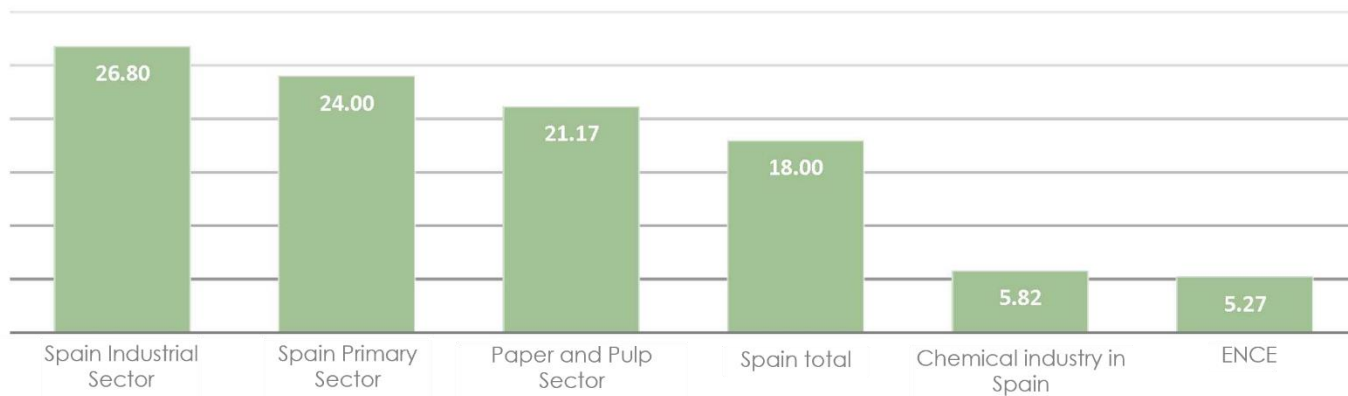
- **Standard Operating Procedures (SOPs):** These procedures are developed for all routine work and describe the tasks to be undertaken, their sequence, as well as the points of special attention from a safety perspective, the main risks of the work and the associated preventive measures to minimise them.
- **Work permits:** Work permits are required for non-routine work. 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, and the agreement of all parties involved.
- **Pre-access training:** Ence requires that all persons accessing its facilities receive prior training in relation to the facility risks and centre emergency plan, 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 assessed according to their safety performance and this assessment 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, defining the risks and specific preventive measures at each stage. In addition, during the execution of these works, Ence's safety team undertakes reinforced supervision.
- **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.
- **Second-party cross-audits:** to ensure the correct functioning of the management system, in addition to the certification audits and mandatory regulatory audits, Ence has established a programme of internal second-party audits, carried out by auditors appointed by the organisation, in accordance with the training programme. This system provides the advantage to an audit process that the internal auditors have a deep understanding of Ence's culture, management tools and working procedures.



Pioneering tools for forest security

Due to their characteristics (high level of subcontracting, mostly SMEs, high staff turnover, lack of training, wide geographical dispersion, and changes in working conditions between operations or from one day to the next as a result of weather conditions), forestry work is a particularly complex challenge in terms of safety management. However, in its desire to protect the safety of all the people who work for the company in all its areas of activity, Ence has developed pioneering tools to improve safety management in forestry work, with which it has managed to position itself as a benchmark in the industry in this field.

Comparative Frequency rates



Source: Ministry of Labour, ASPAPEL, EPIS, FEIQUÉ

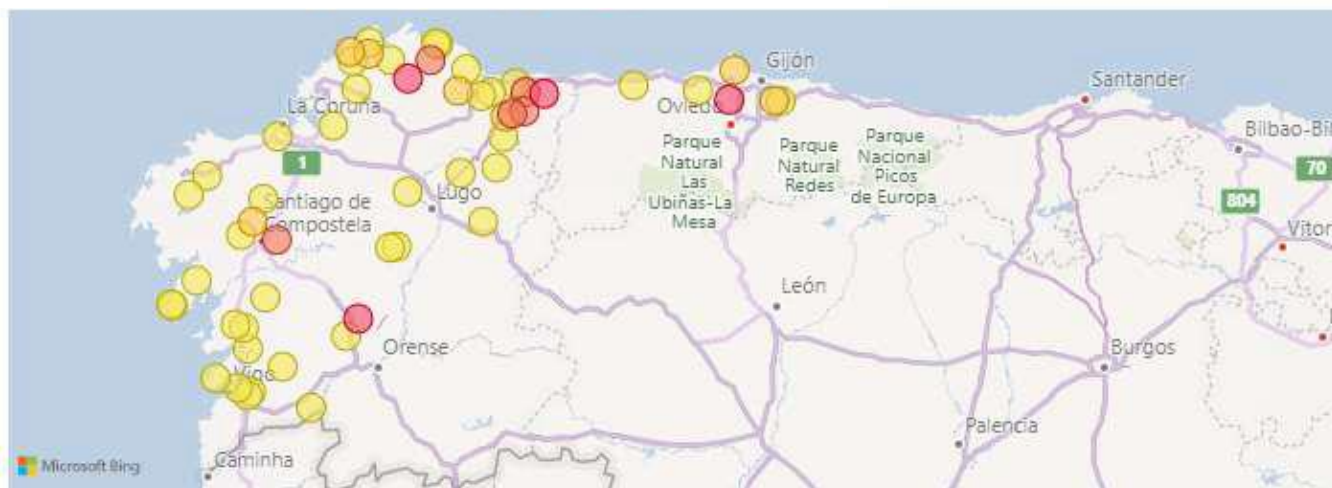
These include those aimed at improving the awareness and preventive training of contractors, through the creation of SOPs in video or practical **safety awareness** days for chainsaw operators.



In this area, Ence also works to promote the improvement of equipment, implementing, for example, **distance meters** to minimise the risk of accidents in forestry work. One of the most important innovations that Ence has implemented is the creation of a **predictive algorithm** which, taking into account meteorological factors and the characteristics of the plot and the work to be undertaken, predicts the probability of an accident per plot for each specific job. This information is forwarded before the start of work to the relevant forestry operations manager so that they can take it into account in the planning of security measures.

General view – Probability of accidents

Low, Medium, High, Very High



In addition to implementing these tools, Ence also works to serve as a driving force for health and safety in the forestry industry, promoting the creation of Forestry OHS working groups in conjunction with institutions such as the Galician Institute of Occupational Safety and Health, the Asturian Institute for the Prevention of Occupational Risks and other companies and associations in the industry.

2022 Performance

Ence uses two types of KPIs to analyse safety performance: 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 targets for improvement in both types of indicators.

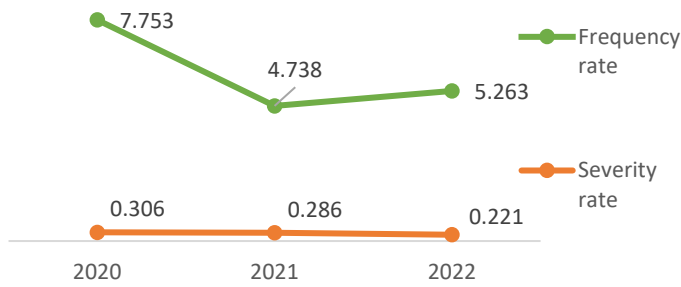
The main performance indicators for 2022 are set out below. Given that Ence considers the safety of the people who work for its contractors to be as important as that of its own employees, the company includes data on both its own and external staff members and sets its targets on global indices, including contractors.

Accidents	Internal Staff		External Staff	
	Men	Women	Men	Women
Accidents with leave	5	2	19	0
Accidents without leave	24	2	26	1
Total	29	4	45	1

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

Contents	Internal Staff		External Staff		Total
	Men	Women	Men	Women	
Frequency Rate					
Pulp	1.900	5.570	0.000	0.000	1.510
Energy	12.970	14.980	3.960	0.000	6.010
Forestry	0.000	0.000	13.030	0.000	9.440
Severity Rate					
Pulp	0.054	0.457	0.000	0.000	0.070
Energy	0.056	0.150	0.228	0.000	0.168
Forestry	0.000	0.000	0.615	0.000	0.446

Index development



In 2022, Ence has managed to reduce the company's total severity index by 23%, although the frequency index has slightly increased. This is due to a small increase in the number of accidents compared to the previous year, but the accidents were less serious.

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

As well as ensuring safety in its operations, Ence also makes it a priority to protect health and promote a healthy lifestyle among its employees.

During the first quarter of 2022, health protection measures focused on the fight against the Covid-19 pandemic, in line with the protocols that Ence implemented in 2020.

CAMINANDO HACIA EL BIENESTAR
SENSIBILIZACIÓN PARA EL DESARROLLO DE LA CULTURA DE LA SALUD

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In addition to the pandemic prevention measures, Ence has continued to work on monitoring the health of its employees and promoting healthy lifestyles, with measures such as annual **medical check-ups** for its employees, following specific application protocols in accordance with the risk assessment for each role, and **flu vaccinations** in the work centres. The "Ence for your health" **informative bulletins** have also continued to be published, addressing general health aspects and promoting healthy habits, and **training** has been promoted through courses on first aid, the use of defibrillators and safe driving workshops.

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 sense, a healthy week was held in 2022, devoting the last week of each month to raising awareness about different diseases. The "Walking to Wellness" campaign has also been launched to promote mobility and combat sedentary lifestyles

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 2022

Eco-efficient operations

Respect for the environment and aiming for efficiency in the use of energy and raw materials in its industrial operations is one of Ence's fundamental principles of action, as set out in its Code of Conduct and Sustainability Policy. Following this maxim, Ence develops its industrial processes with the utmost respect for the environment, applying the best available techniques and continuous improvement to reduce environmental impacts, optimise the efficiency of its operations and guarantee the well-being of neighbouring communities.

Strategy and areas of action

Ence's environmental strategy consists of going beyond the requirements set by the environmental authorisations for its facilities, which is why the company sets annual improvement targets in the main environmental vectors, as resource use, waste recovery, emissions reduction, etc., which are more ambitious than the regulatory benchmark. Ence also sets targets for the environmental aspects which, while not being the most critical in terms of their impact on the environment, are considered relevant due to their impact on neighbouring communities, such as noise and odour.

The set environmental objectives are monitored, reviewed by the Management Committee and the Board and included in the variable remuneration schemes for staff on an ongoing basis.

Environmental management model

GRI 3-3

Ence's environmental management principles are set out in the company's Management Policy and are based on going beyond compliance with current legislation, applying the principles of prevention and precaution and following the principle of continuous improvement. Thus, for over ten years, Ence has applied the TQM (Total Quality Management) model as one of cultural transformation and management, which addresses in an integrated manner the aspects of quality, health and safety, respect for the environment and pollution prevention. An Environmental Policy exists within the framework of this model, which defines 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
- Reducing the impact of our discharges
- 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 (procedures, etc.) have been developed that enable the control and management of possible environmental impacts through the identification and management of risks with the potential to affect the environment. Within the framework of this model and in line with the set OMFs, improvement actions are developed, either on a one-off basis or for the management of the daily activity and control of the stability of the processes, improving the environmental performance of the facilities.

Environmental management tools

GRI 3-3

In addition to the improvement measures established within the framework of the TQM model, Ence has developed its own pioneering tools to improve the environmental management of its facilities, with a special focus on raising awareness and the involvement of everyone who works there, thereby creating a solid culture of knowledge and respect for the environment at all levels of the organisation.

These include the **Environmental Preventive Observations (EPO)**, which aim to raise awareness and improve the environmental performance of operations with the participation of the employees themselves. This tool focuses on detecting actions that are not in line with Ence's environmental management principles in order to correct them constructively. In 2022, more than 1,500 EPOs have been registered at Ence's facilities.

Ence has also designed a management tool for **Particularly Environmental Hazardous Work (PEHW)**, which aims to identify and plan the actions with a potential risk of affecting the environment. Thus, this type of work must be reviewed and

approved by the chain of command and the Environment team of the facilities prior to execution. In 2022, over 150 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 and therefore the performance is not executed.

Environmental certifications

Ence has an **Integrated Management System** to ensure 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 2022, after obtaining certification at the La Loma and Enemansa plants and implementing and certifying the system at the Lucena plant, the company managed to achieve certification of the Environmental Management System, in accordance with the UNE-EN 14001 standard, at all Magnon's plants.

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 be part of this register, the facilities must have their annual Environmental Statement, a document in which the main environmental performance indicators 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** approval 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 Ence 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.

In terms of **circular economy** performance, in 2022, Ence managed to certify all its plants with AENOR's Zero Waste seal, which recognises facilities that are benchmarks in waste management and recovery that recover at least 90% of their waste, with the recovery values of all the plants being above 95%.

Since 2021, Ence has also implemented a management system to prove the sustainability of biomass according to the German SURE scheme. 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 2022, all Ence facilities will have 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	✓	✓	✓		✓	✓	N/A	N/A	✓
Mérida Plant	✓	✓				✓	N/A	N/A	✓
Lucena Plant	✓	✓				✓	N/A	N/A	✓
Enemansa Plant	✓	✓				✓	N/A	N/A	✓
La Loma Plant	✓	✓				✓	N/A	N/A	✓
Biollano Plant	✓	✓				✓	N/A	N/A	✓

Best available techniques and environmental authorisations

One of Ence's principles of action in environmental matters is its commitment to rigorous compliance with current legislation, which establishes 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 2022, 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. Thus, in 2022, the Navia Biofactory has implemented the project that, from 2023, will enable it to reduce HCl emissions in its biomass boiler to values below the proposal of the BREF document of the GIC. 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 environmental performance of its facilities and the efficient use of energy and raw materials of its production processes translates into significant environmental investments every year. In 2022, the company has earmarked some €19.7 million for environmental improvements at its plants.

Within these investments, we can highlight those aimed at improving the acoustic emissions of the Huelva plant and those aimed at reducing the acoustic impact and the abatement of HCl in the biomass boiler of the Navia biofactory.

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 of environmental aspects established by its Environmental Management System. In this way, situations that could cause environmental impact are identified and measures are established to prevent them. In addition, Ence carries out regular internal and external 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.

In addition, as mentioned above, Ence has a specific procedure in place for work involving special environmental risk (TERA), whereby environmental preventive actions must be analysed and planned to minimise the potential impact prior to the work, which will also be specially supervised during execution. These action plans require review and validation by facility management.

In 2022, the company has also elaborated climate risk vulnerability studies for all Magnon facilities. These studies have been conducted using the following methodology:

1. Identification of the main potential impacts due to physical risks associated with climate change.
2. Analysis of the risks associated with the analysed impacts. The probability of occurrence of the different impacts identified is analysed on the basis of two different climate change scenarios developed by the IPCC (RCP 8.5 and RCP 4.5) and the consequences that they may entail are assessed.
3. Analysis of the capacity to adapt to the described impacts, in the event of exposure to these phenomena.
4. Vulnerability analysis based on the information obtained in the previous points.

Transparency

In addition to seeking ongoing improvement and environmental excellence, Ence is also 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.

Moreover, Annex II of this report provides detailed information on the environmental indicators of each plant, in addition to the aggregated information at Group level presented in this section.

Ence also has contact channels so that any stakeholder can inform the company of any concerns or complaints regarding the environmental performance of its plants. These complaints are analysed and managed according to an internal procedure to respond to each and every one of them, and form part of the company's environmental performance indicators.

Circular and efficient industrial processes

In addition to contributing to the circular economy by manufacturing biomaterials, alternatives to plastic products with a larger environmental footprint, 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.

In 2022, a specific work team has been set up at Magnon to study and promote sustainable management alternatives for the waste generated during the operation of the plants. The aim is to optimise waste management from a holistic point of view, based on in-depth knowledge of its characteristics and aptitudes in order to provide it with new opportunities in different processes, both within the company's facilities and in third-party facilities.

Principles such as waste prevention and reuse are being applied, and the mechanisms of business symbiosis and the circularity of materials are being promoted. All this is in order to have a positive impact on the reduction of the consumption of natural resources, the reduction of emissions associated with the processes and, in short, the reduction of

the footprint of the industrial process in general and, in particular, the sustainability of the generation of energy from biomass in an increasingly efficient manner.

Efficient use of raw materials

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

The main materials Ence uses in its production processes are wood and biomass. Wood is consumed in the biofactories, while biomass is consumed in all installations as a source of energy.

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 but in energy surplus. The excess renewable electricity is fed into the grid, helping to decarbonise the national electricity mix.

Wood consumption (Mm³)			
Biofactory	2020	2021	2022
Navia	1.8	1.8	1.8
Pontevedra	1.3	1.3	0.7
Total	3.1	3.1	2.5

The data for the Pontevedra biofactory for the 2022 financial year have been affected by the four months of inactivity of the plant caused by the drought suffered in the region and the consequent unavailability of water for the process.

The process also uses additives (soda, lime, etc.) to separate and treat the pulp, but the process is carried out in a closed cycle, so that most of the additives used are recovered and reintroduced into the process. In addition to these materials that are required for the production process, Ence also uses other reagents to treat the effluents and gases emitted, thus minimising its environmental impact.

All chemical products used by Ence 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. 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 pulp products that require lower consumption of raw materials and chemicals. The best example of Ence's commitment to sustainability is Naturcell unbleached pulp, which does not require bleaching agents, thus eliminating the consumption of a large part of the chemical products used in the process. Also noteworthy is Powercell pulp, a product capable of replacing long fibre in several applications that requires less wood consumption per tonne of pulp produced, as well as less chemical product consumption in its bleaching stage.



In the case of energy plants, the main material consumed is biomass, mainly of agricultural origin (plant waste, pruning, etc.), although forest biomass is also consumed (forest waste from forestry and fire prevention work, mainly) and biomass of industrial origin such as olive marc (from the olive oil industry). The biofactories mainly use biomass of forestry origin (forest residues).

Biomass consumption (thousand of t)			
Plants	2020	2021	2022
Navia	384.7	359.7	364.2
Pontevedra	256.1	279.1	179.5
Huelva	773.4	694.1	885.0
Merida	190.8	203.3	186.1
Enemansa	78.3	102.6	71.4
La Loma	90.1	91.4	83.5
Lucena	106.2	117.6	123.2
Biollano	206.7	283.8	284.8
Total	2,086.3	2,131.6	2,177.6

The data for the Pontevedra biofactory for the 2022 financial year have been affected by the four months of inactivity of the plant caused by the drought suffered in the region and the consequent unavailability of water for the process.

In power plants, as in biofactories, chemicals are also used to treat wastewater effluents or emissions, such as ammonia, which is used to reduce the amount of NOx in flue gases, or lime, which is used to reduce SO2 and HCl emissions. The Huelva plant also consumes sand for the fluid bed boiler.

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

Ence's production model is an example of circularity, as it is based on the use of renewable raw materials (wood and biomass) and applies closed-cycle production processes in which most of the materials used are recovered. Furthermore,

given that the raw materials used are natural and renewable, the vast majority of the waste generated at Ence's facilities is reusable and recoverable in 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 ash from the combustion of biomass can be used in the production of technosoils 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 and currently markets this by-product at several of its plants. Lime sludge generated in biofactories can be used, for example, to replace chemical products in the neutralisation of effluents.

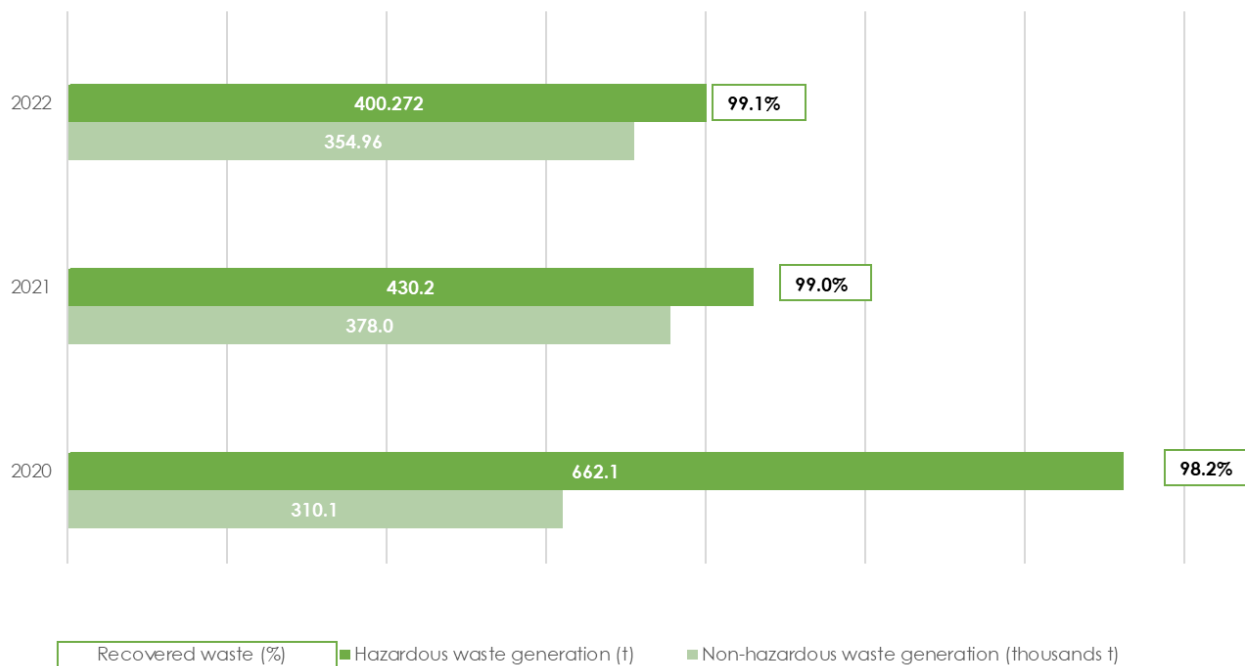
As a noteworthy initiative in the cellulose area this year, the Navia Biofactory has applied to the Government for permission to carry out energy recovery tests on the biosludge from the secondary treatment of its wastewater treatment plant (those from primary treatment are already recovered), thus, in 2022, it has been able to recover 3,350 t of this type of biosludge in the Biomass Boiler, without observing any alteration in the emissions of pollutants through the chimney, and significantly reducing the carbon footprint associated with the transport of this waste.

Thus, Ence recovers more than 99% of its waste, i.e. less than 1% of the waste generated is sent to landfill. This has earned the company the AENOR's Zero Waste certification (Regulation RP-CSG-057), which recognises organisations that are committed to waste prevention, minimisation and recovery. In 2022, all Ence's plants have obtained this certification.

The following initiatives can be highlighted in the area of energy generation:

- ✓ Study for the use of ash from the Huelva plant as a substitute for part of the cement in the backfill paste used in underground mining operations. This is a clear example of collaboration with other companies in the circular economy, where waste is recovered, management costs are reduced and it is turned into raw material, thus avoiding degradation of the natural environment.
- ✓ The return of the inert materials accompanying the biomass entering the process to its point of origin has been started. To standardise its application in all Magnon plants, a procedure has been developed with the aim of preventing soil degradation in the biomass-producing agricultural or forestry operation. The return of biomass supply transport circuits is envisaged, thus contributing to the reduction of atmospheric emissions produced by road transport. This system is fully implemented in our Merida plant and we are working on optimising the rest.
- ✓ Additionally, these fine inert materials are incorporated in composting processes due to their great potential because of their format and composition. There are collaborations with other companies at both the Huelva and Puertollano facilities.
- ✓ Since November 2022, the Merida Plant has been involved in the restoration of a nearby farm with the boiler bottom ash from the facility. After the good response of the Government, as well as the verification of the optimal results of the restoration, the proposal of the Valorisation Team is to replicate this action in other degraded areas near other plants of the group, as we are already doing in Puertollano.
- ✓ Another project in which Magnon has participated with the ashes from the Merida plant is the BIO-ECOMATTER project, which involves the design of a cement-free, sand-free mortar made from the combustion ashes of the biomass plant.

Generated waste and recovery rate



As part of its commitment to circular economy, Ence also actively collaborates with research centres to explore other possible uses for its waste. Ence continues to undertake studies and collaborations with specialised entities, such as the Spanish National Research Council (CSIC), to continue exploring the aptitudes of the residues produced by the combustion of Magnon biomass in different applications, such as the generation of artificial soils and/or technosoils, improvements in construction materials and resin additives, among others.

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.

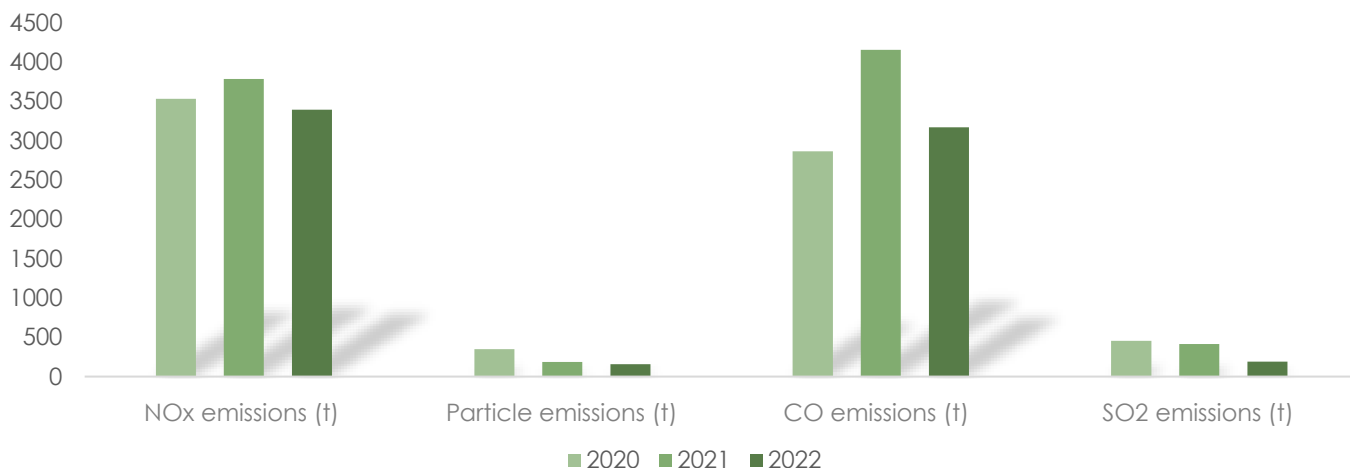
Reduction of atmospheric emissions

GRI 305-7

The reduction of atmospheric emissions is another of the environmental vectors on which Ence focuses its improvement objectives. In this context, 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. Ence has advanced emission purification systems (or pollutant abatement in emissions) such as the catalytic reduction systems (SCR) for NOX emissions at the La Loma and Enemansa plants.

In this regard, it is worth highlighting the action undertaken at the Navia biofactory in 2022, where an abatement system was implemented to reduce the emission of HCl in the biomass boiler. These emissions are produced by the energy recovery of the biosludge that Ence began to use this year, and to reduce them a system has been designed to supply an additive (Sorbacal® SP) to the boiler, which neutralises most of the emissions of this gas. Thus, by the end of 2022, Ence has managed to keep its emissions below the BREF limit regarding the best available techniques.

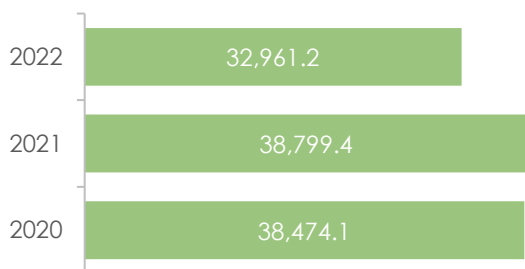
EMISSIONS (T)



Water footprint management

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

EVOLUTION OF WATER CONSUMPTION (THOUSANDS OF M³)



Ence uses water for the pulp production process in its biofactories (mainly at the washing stage), but also in biomass plant cooling systems. Ence's Sustainability Master Plan prioritises the management and improvement of the water footprint of the company, both in terms of consumption of water resources and the quality of its effluents. In particular, reducing water consumption is a top strategic priority for Ence, as it is also a measure employed to mitigate the climate risk of unavailability of water resources, which it has identified as a priority.

So, in biofactories, annual objectives are set for the reduction of specific water consumption (m³/t of pulp produced). In 2022, given the situation at the Pontevedra biofactory, which has been forced to stop its activity due to the lack of water in the river Lérez, a contingency plan has been implemented that will allow it to operate in emergency situations due to drought.

The designed solution is fully aligned with the circular economy, as it is based on the reuse of wastewater from the nearby Placeres WWTP and the treatment of the internal effluent outlet (effluent discharge) for reuse. Thus, as a temporary solution, instead of being discharged into the sea from the wastewater treatment plants (municipal and industrial), once treated and conditioned the wastewater is reused by the biofactory for the production of cellulose. This development requires the treatment and conditioning of the WWTP water and the effluent discharged into the biofactory, so that it can be used in the production process.

As for the Navia biofactory, an ambitious operational improvement plan has also been implemented in 2022 in order to reduce water consumption, the main initiatives being: circuit closures, reuse of condensates, recovery of water from backwashing, reuse of water from scrubbers, etc. Thus, at the end of the year, a reduction of almost 14% was achieved in relation to the consumption ratio of the previous year.



Water consumption (m3/tAD)				
Site	2020	2021	2022	2022 (goal)
Navia	31.4	34	29.5	29.8
Pontevedra	28.3	28.2	27.7	28.2

In the area of energy, the technical and economic feasibility of measures to replace the cooling systems at the Puertollano, Merida and Lucena plants was analysed in 2022, and specific reduction targets (m3/MWh generated) were set for 2023.

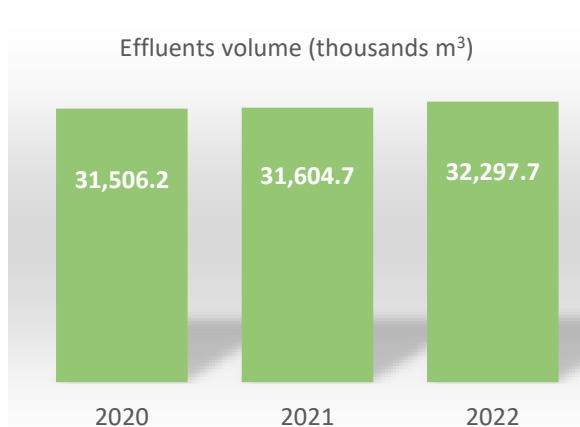
The water that Ence uses in its biofactories and power plants comes from authorised surface water or underground sources, always in accordance with the corresponding environmental authorisations. Ence's facilities with the highest consumption are located in areas at risk of low water stress, according 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 river Lérez and Placeres WWTP wastewater treatment plant	Low (0-1)
Huelva	Surface water. El Sancho dam on the Tinto river	Medium-High (2-3)
Merida	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, being one of the pioneering industrial plants in this type of utilisation.

In 2022, progress was made on two projects to change the location of the discharge point of the La Loma and Lucena plants, thus adapting to requests from the administration to improve the management of the discharge points into the riverbed promoted by the Confederación Hidrográfica del Guadalquivir (Guadalquivir River Basin Authority).

In addition to reducing water consumption, Ence is also working to reduce the quantity and improve the quality of its effluents beyond the requirements set forth 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 2022, improvements in the effluent treatment plant have been consolidated by optimising the biological system and the cooling system.

The operation of the new primary effluent treatment system, consisting of a new dissolved air flotation (DAF) unit, has also been enhanced, to reduce 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.

Regarding liquid waste, the Pontevedra biofactory in 2022 will maintain the results achieved in previous years. All the plant's effluent parameters are well below the limits set in the IEA, including COD (Chemical Oxygen Demand), the main measure of effluent quality, which improved by 58% on the limit set in the discharge permit, standing at 2.9 kg/tAD compared to the maximum of 7 kg/tAD.

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.

Energy use and energy efficiency

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

Ence generates renewable energy at its biofactories and at its power and energy plants, working to improve the energy efficiency of its production processes, promoting self-consumption and reducing reliance on fossil fuels.

Fuel use

Most of the fuels used by Ence are of renewable, mainly biomass. In its biofactories, the main fuels used in the process come from the wood itself (bark and lignin), although fuel oil and natural gas are also used in the lime kilns, and as auxiliary fuels in the boilers. Ence is designing a decarbonisation plan within which some of the main initiatives would be: the use of lignin as fuel in kilns and the use of methanol (obtained from the industrial process) and biomass as alternative fuels to dispense with these fossil fuels and replace them with other renewable fuels.

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.

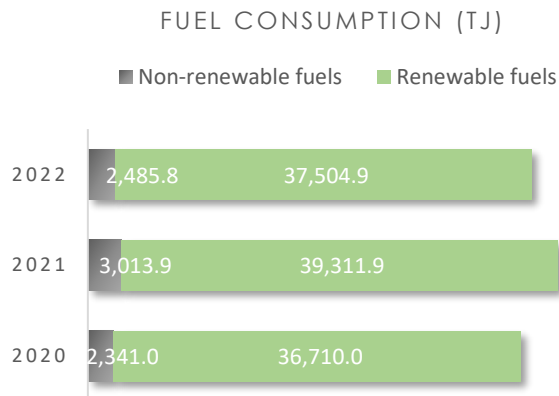
In 2022, at the Navia biofactory and as a result of the exceptional circumstances in the energy market arising from the conflict in the Ukraine (the escalation of natural gas prices and the potential risk of supply disruption), the natural gas used in the lime kilns was replaced by fuel oil to ensure the viability of the plant's operation, although it applied significant improvements and process controls to maintain and reduce its main emissions into the atmosphere.

Ence uses agroforestry biomass as fuel in its power plants 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.

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.

In 2022, the company has plants of this type in operation in Huelva and Merida, and construction has begun on the extension of the Huelva solar plant. Both have generated a total of some 1,600 MWh this year.

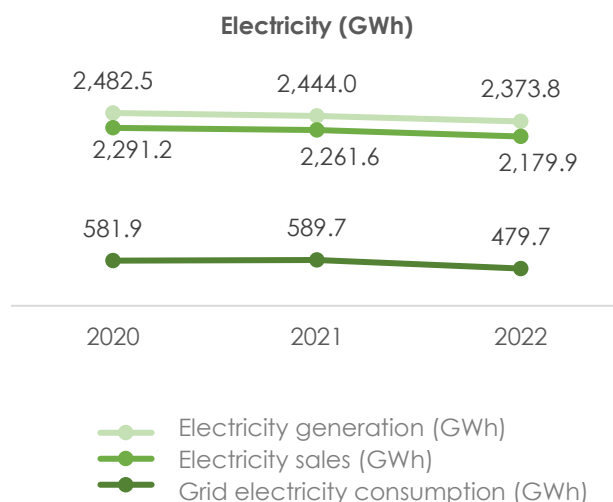
With regard to forestry, the main fuel used is petrol and diesel used by forestry technicians' vehicles and nursery equipment.



Electricity generation and consumption

Ence generates renewable electricity at its biofactories and independent power plants using biomass, 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 the sun or the wind.

Most of the renewable energy generated is fed into the grid, but the plants also use some of it for their own consumption at specific times such as annual maintenance outages and to power certain auxiliary installations, the plants also consume electricity from the grid.



A responsible neighbour

GRI 413-2

For Ence, coexistence and respect for the communities in which its facilities are located are a strategic priority to guarantee the social licence to operate. Therefore, among the priority environmental objectives, Ence focuses its efforts on aspects that may affect local communities, such as acoustic impact, air quality or odour impact 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.

Control of the impact of odours

The pulp production process generates reduced sulphur compounds which, if not properly treated, can cause odorous impacts in the vicinity of the plants. Aware of the importance of properly managing this environmental aspect in order to maintain the social licence to operate, 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 2022, further progress was made in this area and a project was developed at the Navia biofactory in order to control diffuse odour sources, with measures such as odour abatement in the area surrounding the DAF (Dissolved Air Flotation unit of the primary effluent treatment system) using an anti-odour additive, improved operational control of the effluent treatment plant and the installation of new SH₂ meters in the area. Additionally, the investments have been approved, and the engineering for the hooding of the DAF to improve the abatement of vapours from the mixing chamber and the neutralisation of effluents entering the treatment plant, which were two of the points identified as having the greatest diffuse odour desorption, has been put into operation.

Thanks to these initiatives and improvements in operation and process control, significant improvements in odour indicators were achieved in 2022 with a 65% reduction in odour minutes at the Navia biofactory compared to last year. At the Pontevedra factory, work has continued on the Zero Odour Plan, thanks to which the number of odour minutes has been reduced by 25%, compared to the same period last year.

Ence also 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 impact, and in 2022 a predictive mathematical odour model has been developed that will be taken into account in setting reduction targets for the coming years. .

Odorous impact index			
Site	2020	2021	2022
Navia	0.9	0.4	0.3
Pontevedra	0.2	0.1	0.1



Air quality control

Some of the processes carried out at Ence's plants, such as the movement of biomass, can generate particles (dust) which, if not properly mitigated, can cause nuisance to neighbouring communities. In 2022, air quality improvement is maintained as a Fundamental Improvement Objective at all Magnon sites.

In this context, Ence has designed specific plans to mitigate dust emissions, especially in those plants closest to population centres, such as Huelva. This Ence plant 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 2022, the mitigation systems developed in previous years, such as the perimeter textile and vegetation screens at the Huelva plant, remain operational. Ence is also working to raise awareness and train plant personnel to promote operating practices that minimise the generation of dust. In this regard, it is also worth highlighting the extension and improvement of the biomass storage at the Magnon plant in Merida, enabling an increase in biomass reception capacity and reducing the emission of diffuse particles in the internal transfer of materials.

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

Air quality Navia ($\mu\text{g}/\text{Nm}^3$)			
Parameter	2020	2021	2022
Particles*	11.0	10.0	11.0
SO ₂	4.0	5.0	2.0
NOx	8.0	8.0	9.0

*The values for Particles are given in the following unit: PM10 $\mu\text{g}/\text{Nm}^3$

Air quality Pontevedra ($\mu\text{g}/\text{Nm}^3$)			
Parameter	2020	2021	2022
Particles	14.0	10.6	13.0
SO ₂	3.0	2.9	2.8
NOx	9.1	10.6	7.6

Air Quality Huelva			
Parameter	2020	2021	2022
PST ($\mu\text{g}/\text{m}^3$)	369.0	159.0	63.0
PSED ($\text{mg}/\text{m}^2\text{day}$)	564.0	158.0	91.0

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 the reduction of the acoustic impact of its activities. 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 2022, the actions undertaken at the Huelva complex stand out, where the deployment of the noise impact reduction plan has continued, with a new noise measurement and a reassessment of the mitigation actions following the completion of the dismantling of the former pulp mill. The intervention in the ash silo at plant HU41 and the closure of the VGR equipment at plant HU50 have also been completed. The plan will continue through 2023. The first phase of the acoustic attenuation project has been launched in the Navia biofactory, with actions that include the installation of acoustic screens and cladding, enclosure of equipment with high acoustic impact and the installation of silencers. Some of these actions will be closed in March 2023.

Navia (dBK)			
Period	2020	2021	2022
Morning	62.4	64.5	64.2
Afternoon	62.1	65.5	64.0
Night	63.0	62.8	62.1

Pontevedra (dBK)			
Period	2020	2021	2022
Morning	61.7	60.8	63.0
Afternoon	60.5	60.1	62.0

Night	55.1	56.2	53.0
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Huelva (dBK)			
Period	2020	2021	2022
Morning	66.0	66.0	66.0
Afternoon	67.0	67.0	67.0
Night	67.0	67.0	67.0

Data from the last regulatory check

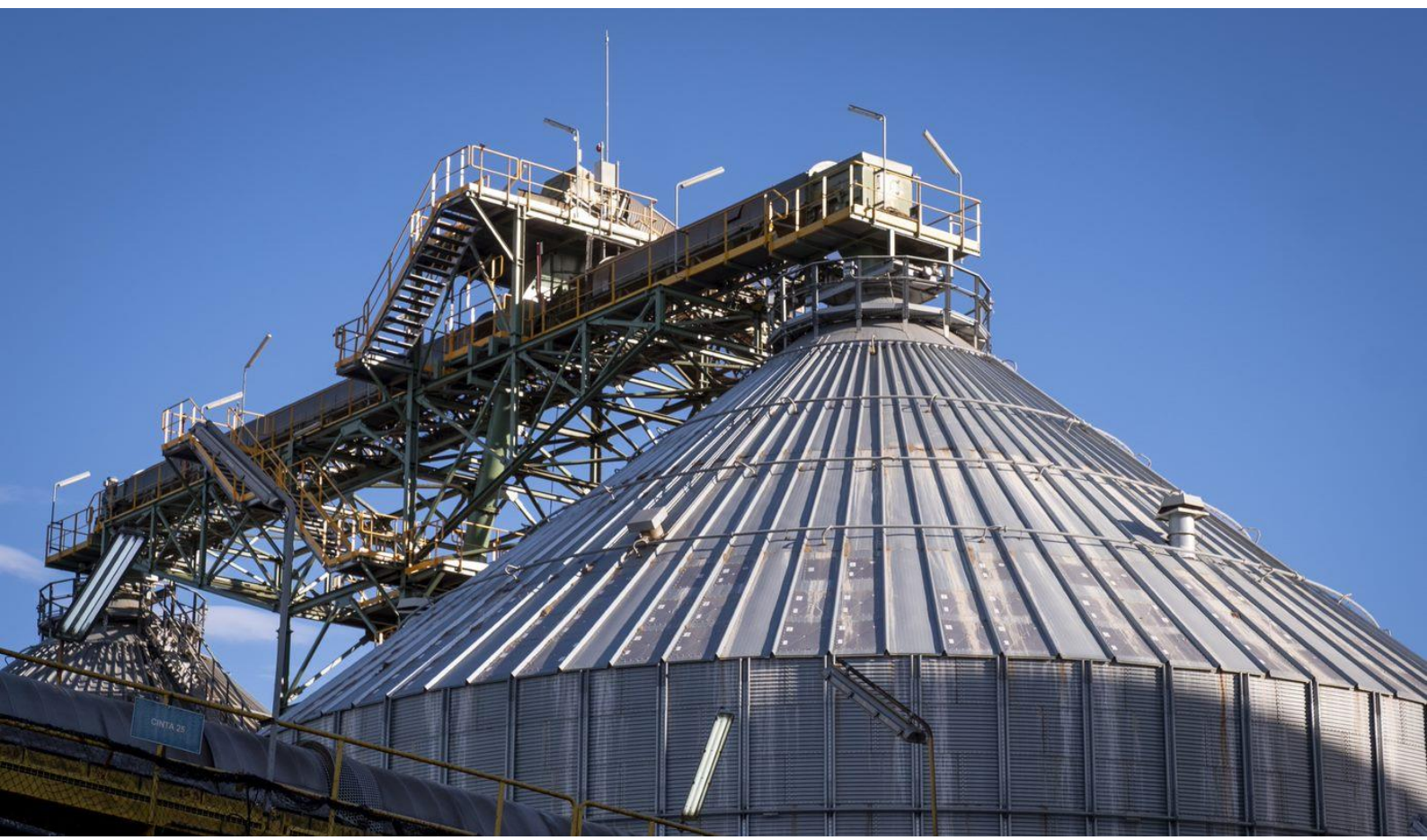
Enemansa (dBK)			
Period	2020	2021	2022
Morning	71.0	55.0	55.0
Afternoon	71.0	55.0	55.0
Night	71.0	55.0	55.0

Data from the last regulatory check

Other environmental aspects

In addition to those mentioned above, Ence also analyses other potential impacts of its activities that can affect the environment or neighbouring communities, 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. In 2022, as in previous years, Ence has not received any complaints related to this from neighbouring communities or environmental administrations either.

In 2022, the **Environmental Risk Analyses** of the Huelva, Merida and Biollano plants were updated following certain modifications made to the plants. These environmental risk analyses are a tool to identify potential emergency situations and scenarios with the greatest impact. Following these analyses, Ence takes the appropriate measures to prevent and mitigate risks and impacts using its various environmental management tools.



FOR THE RURAL ENVIRONMENT



Strategy and areas of action

Ence acts as a benchmark and driving force in the forestry industry, applying best management practices in its areas of direct action (forestry assets throughout the production cycle, and forest harvesting in its standing purchases), extending them to the rest of the industry, 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's commitment to sustainability is one of the principles of its actions both in the forest management of its heritage 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 which are required to make sustainability commitments aligned with those of the company.

Ence is also making progress in enhancing the value of the ecosystem services provided by the company's natural assets. Thus, in 2022, Ence launched a project to establish a **network of forest carbon sinks** that will contribute to climate change mitigation and offer the possibility of offsetting emissions to other organisations.

Ence thus boosts the rural world, offering employment and development opportunities to areas affected by depopulation and deindustrialisation in communities such as Galicia, Extremadura, Castile La Mancha and Andalucía. Furthermore, Ence offers the rural world the opportunity to base its growth on a sustainable, circular, low carbon industry, supported by the renewable natural resources, both agricultural and forestry, which represent the future of the bioeconomy.

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.

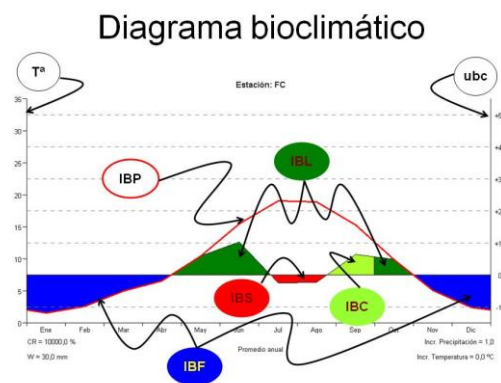
Ence's lines of work within this framework include research and development of the **best plants** in its own nurseries, improving **forestry and operations** and transforming the sector by sharing the **best tools for forestry management production**. Ence also actively participates in industry associations 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**. In this context, in September 2022, Ence signed a three-year collaboration agreement with the University of Huelva to carry out a research project entitled "Models for estimating the impact of climate change on productivity in the areas where Ence operates in the Iberian Peninsula", in which the University of Santiago de Compostela is also participating. The goal of this project is to assess future growth variations in the Ence Estate of the species *E. globulus* and *E. nitens* in the climate change scenarios RCP 4.5 and 8.5 and in which eco-physiological models, specifically the 3PG, will be used to estimate growth. This project is part of Ence's R&D strategy to obtain new genetic materials that guarantee its adaptation to climate change. To this end, in 2022, 11 field test plots were installed in different areas of the company's operation, which together with the 63 installed in previous years, represent an extensive experimental network that will facilitate the selection of new genetic materials with better growth, adaptation to different environments and tolerance to diseases and pests.

In addition, the plan started in 2019 continues, aimed at accelerating the incorporation of new improved plant material on an operational scale, for which 45 pilot plots with the plant material developed within the genetic improvement programme have been installed in Ence Heritage forests and in different environments, and which is in the last phase of evaluation and selection.

Ence shares these technological developments with the rest of the industry, producing improved plants in its nurseries as a result of its research and advising forest owners on their optimal use (for example, recommending the best clone for each plot depending on present and future climatic conditions).

Another of Ence's lines of work consists of **biological control of pests** affecting eucalyptus plantations. Ence has spent years researching and providing solutions that it applies not only to its own assets, but also makes available to third-party



owners. In this regard, during the first half of 2022, within the framework of the integrated control of *Gonipterus platensis* (eucalyptus weevil), 3,519 ha corresponding to Ence's Northern Area and 185 ha of forest owners have been treated, which has meant an increase in the treated area of 27% compared to 2021. This increase is largely due to the improved efficiency of the production process at Ence's biological control biofactory (where the wasps that parasitise the weevil are produced), specifically, the 85% increase in parasitism rates compared to the previous year. Ence also collaborates with the University of Santiago de Compostela to synthesise aggregation pheromones to control the adult population of *Gonipterus platensis* in the field.



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 its environmental values in terms of biodiversity, carbon sequestration, landscape values and other ecosystem services.

In this context, in 2022, Ence has boosted its forests destined for conservation, developing a Management Plan to improve these formations not linked to timber production, which includes actions such as improving drainage networks, eliminating invasive species, training pruning, improving habitat connectivity, etc. New fauna studies have also been carried out in order to improve knowledge of the wild life in the forests managed by Ence. The "Protecting biodiversity" section details the action strategy and actions undertaken by Ence in this area.

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 **ongoing improvement of the health and safety** of people, machinery and operations by promoting and searching for best practices, training and awareness and empowerment of the entire chain. As proof of this commitment, in 2022 and with the aim of **promoting best forestry practices among owners**, Ence created a new department for improving forest management, the main objective of which is to advise forest owners, professionalise the industry and promote joint management among owners.

Ence is also working to **extend the sustainability criteria** adopted by the company (both regulatory and voluntary) to the entire supply chain, mainly using external certifications as a guarantee of compliance and promoting communication and environmental awareness in the industry to enable it to integrate increasingly strict European and national environmental policies. To this end, training sessions have been sent to contractors and training has been reinforced in the bimonthly meetings with harvesting contractors.

The German Sure System certification is the tool implemented by Ence to demonstrate the sustainability of biomass and guarantee compliance with the requirements of the European REDII Directive. Sure certification implies compliance with good agricultural and forestry practices in the supply of biomass, beyond the requirements of the Directive itself and these good practices are extended to the supply chain. By the end of 2022, all Ence facilities had this certification and over 100 suppliers had been certified.

Good agricultural practices in the Sure System:

- ✓ Conserve or improve soil structure.
- ✓ Avoid, where possible, soil compaction, especially taking into account soil type, soil moisture and soil pressure caused by farming equipment.
- ✓ Prevent, where possible, soil erosion, through use adapted to the site, in particular taking into account slope, water and wind conditions and soil cover.
- ✓ Maintain the natural structural elements of the fields, especially hedges, trees growing in the fields, field margins and field terraces, which are necessary to protect the soil.
- ✓ Preserve or maintain the biological activity of the soil through appropriate crop rotation.
- ✓ Preserve the humus content of the soil, in particular by a sufficient supply of organic matter or by reducing tillage intensity.
- ✓ Adapt soil tillage to the site, taking into account weather conditions.
- ✓ Handle and use chemicals responsibly.
- ✓ Use sludge as fertiliser only in permitted cases (administrative permission).
- ✓ Undertake integrated pest management.
- ✓ Protect both surface and groundwater resources.
- ✓ Use water responsibly.

Good forestry practices in the Sure System:

- Not damage the ground with the machinery in use.
- Conserve soil nutrients, organic matter and soil structure.
- Not use fertilisation to increase yield.
- Use plant protection products only as a last resort.
- Protect groundwater resources.
- Manage water resources sustainably

With all this, in addition to having responsibly produced and managed material, Ence encourages the creation and incorporation of new companies in the industry and the loyalty of existing ones by establishing long-term contracts. Ence also accompanies them in their growth and development by supporting investment in machinery and advising on the incorporation and training of personnel, which contributes to the professionalisation of the industry.

In this context, in 2022, Ence held the first **Open Days for Suppliers and Contractors** at its biofactories. Suppliers were able to learn in detail about the pulp production process and visit a series of stands where they were explained different concepts about safety, quality, points programme, traceability and forest management, reception of raw material, final product and nurseries. The **Showcase Project** was also launched in 2022, with which the company opens its doors and organises visits to its forests for different associations in the industry with the aim of transferring technology to the industry and showing the results of the management model applied in its plantations, from plant production to forestry use.



Generating value in the rural environment

GRI 203-2, GRI 204-1



In addition to generating value through the promotion of best forestry practices, 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 purchases, Ence contracts companies to harvest and transport the material. In the case of supplies, Ence works directly with suppliers, who deliver the material to the company's facilities.

Generation of value derived from forest asset activity

Ence's assets produce wood for processing at the biofactories in Navia and Pontevedra and, specifically in its Andalusian forests, wood is also produced for sale 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 €6.6 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 in these regions. 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. In 2022, more than 2.8 million cubic metres of wood were mobilised for the biofactories, thanks, among other measures, to the promotion of actions to encourage the growth and development of small companies in the industry (such as aid to alleviate the cost increases of collaborating companies or the points programme that allows the growth of small companies to be boosted) as well as their professionalisation by collaborating in the implementation of chainsaw operators' courses.

Ence works mainly with local suppliers, reflecting its commitment to creating value in the local areas in which it operates. Thus, around 96% of the wood used by Ence in its biofactories is of local origin. In 2022, the lack of wood supply in northwest Spain caused by the ongoing eucalyptus moratorium in Galicia, the war in Ukraine and the increase in timber exports to central Europe, has led to the need to exceptionally import a small amount of wood 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 forest owners (98% of the total) and small suppliers (85% of the total). Overall, in 2022, Ence has allocated some €236 million to forestry purchases, of which almost 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 nine 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* (<https://viverosence.es/eucalyptus-globulus>).

As for *E. nitens*, the R&D&i department at 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 (*E. nitens* L2, L3, L4 y L5) 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 (<https://viverosence.es/eucalyptus-nitens>).



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.

Ence therefore 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 and offers support to suppliers to recruit and train staff, 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 and in 2022, a number of projects have been launched based on the results of this dialogue.



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.

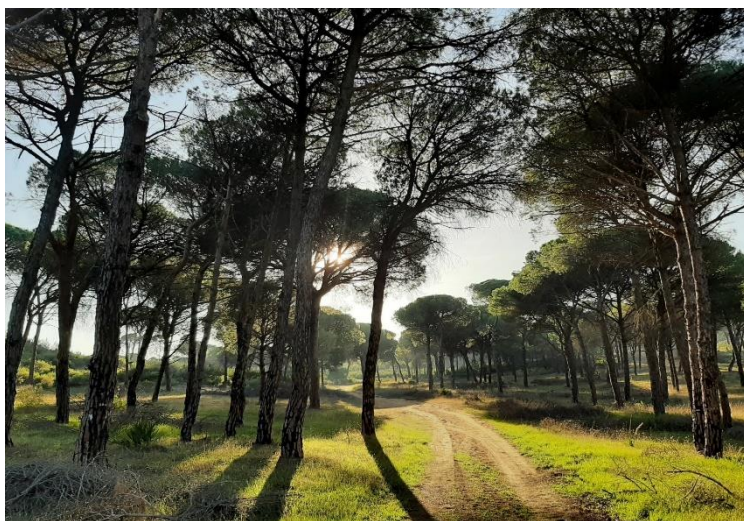
As regards knowledge transfer, **16 workshops** were held to teach owners, forestry students, professionals and companies in the supply chain the basics of sustainable forest management and other useful knowledge regarding Ence's activity. Three of them have been undertaken during visits to Ence's industrial centres, others in the nursery and forests managed by Ence, and others in towns close to the interested parties.

We have also participated in two external conferences, one organised by the Costa Norte association of forest owners (focused on bioeconomy and forest management groups) and the other by the Spanish Association of Mountain Municipalities (focused on bioeconomy and forest management to prevent fires).

Finally, it should be noted that in 2022, Ence has implemented a new **free professional advisory service** for forest owners, focused on improving the productivity and sustainability of their forest management, which is undertaken directly on the owner's farm. This activity is currently focused on the areas most affected by abandonment in Asturias, with the possibility of later extending it to other areas that require it. This team also works with local forestry companies to share knowledge and improve operations on eucalyptus plantations. Advice is available via Ence's call centre (+34 900 100 750).

Contributing to climate change mitigation: forest sinks

Another way in which Ence generates value for society and the planet by means of its forest management is by capturing and fixing carbon in its forests. The forests managed by Ence are an important CO₂ store, both in the wood-producing areas and in the other areas (holm oak groves, cork oak groves, riverside forests, Atlantic forests, serial scrubland, etc.) that form part of its protection area.



Taking into account the requirements of both additionality and absorption and compensation derived from the commitments adopted by the countries present at the different Conferences of Parties (COP), including Spain, Ence has undertaken a programme to identify, analyse, quantify and, where appropriate, certify forest sinks within its assets, with the goal of registering absorptions and offering the corresponding credits to companies interested in offsetting their carbon footprint.

As a result of this commitment, Ence succeeded in November 2022 in registering a first absorption project, creating a forest sink in the "Los Marcos" mountain, in the town of Trigueros (Huelva). The project, with a total area of 26 ha, corresponds to the transformation of a eucalyptus plantation that burnt down in 2019 into a *Pinus pinea* pine forest, which will absorb around 4,000 tn CO₂ over the next 40 years. The forest stand is certified according to FSC® and PEFC standards and has protection areas (around 4 ha) that will benefit as ecological corridors from the implementation of a new forest cover.

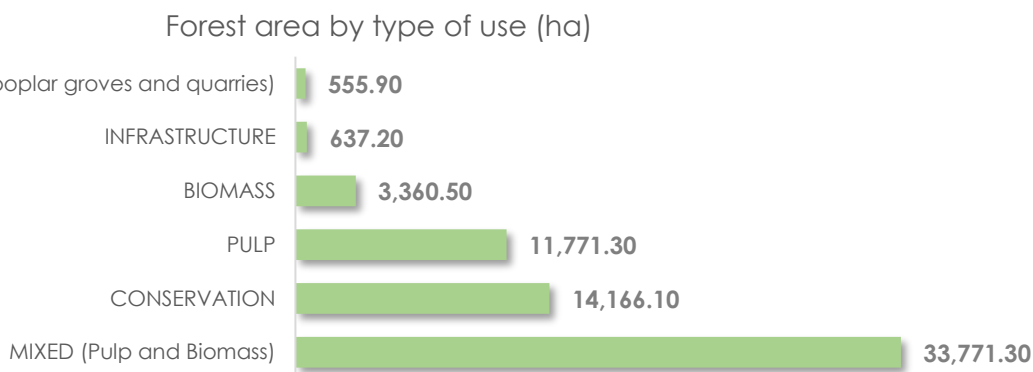
At the end of 2022, Ence began the process of registering a further 3 forest sinks, with a total area of around 300 ha, adopting targets for 2024 to add an additional 1,000 ha.

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 over 64,000 ha, making it one of the largest private forest managers in Spain.



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

Ence's commitment to sustainable forest management certification means that more than 83% 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® (license code FSC®-C099970) y PEFC (license code PEFC/14-22-00010) 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 or forest biomass 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.

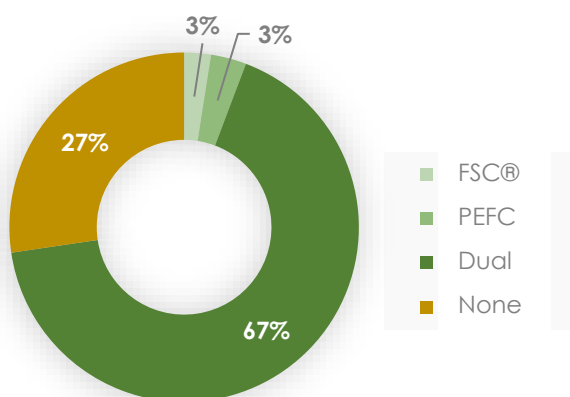
Certified sustainable forest management

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

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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 2022, 83.6% of the forest area managed by Ence was certified according to FSC® or PEFC. In terms of its supply chain, 73% of the wood purchased by Ence in 2022 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).



Protecting biodiversity

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

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.

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.

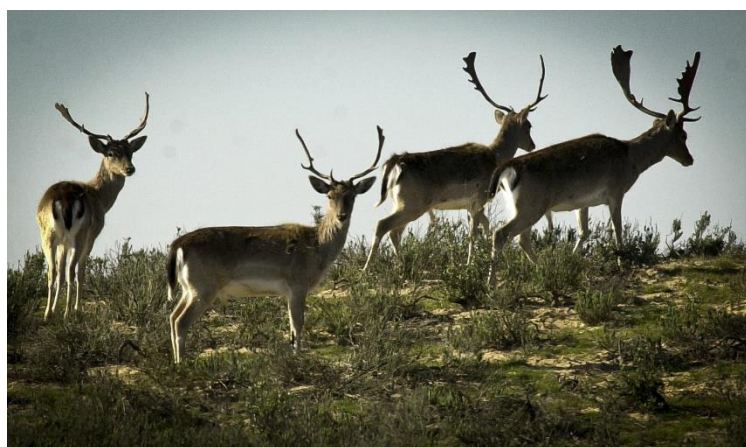
Thus, flora studies have been carried out on more than 55,500 ha of Ence's assets, i.e. 86% of the surface area, identifying the species present in each case and their administrative protection status. These studies also refer to the potential fauna in the inventoried habitats and plant communities. Thanks to these studies, the presence of 8 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).
- IUCN 2022 Red List of Threatened Species.

In addition to these, 15 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:

- 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.
- 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.
- IUCN 2022 Red List of Threatened Species.

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 the specialised consultancy firm 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". In 2022, ARCEA has undertaken fauna studies of vertebrate species in 3 mountains of the Northern Heritage and 3 mountains of the Southern Heritage, and this study will be extended to different mountains managed by the company in successive years. 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 2023 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.

Protection of certified biodiversity

The work undertaken over the last 10 years on the study of native plant communities and forest management that respects them has enabled Ence to identify and certify positive impacts on this ecosystem service. Thus, in 2022, the scope of FSC® Sustainable Forest Management certification was extended in accordance with the **ecosystem services standard** in its biodiversity section at two of Ence's heritage sites:

In the 91.67 ha **Santarandel** mountain, located in the province of A Coruña, the positive impact of Ence's forest management on the conservation of species diversity has been demonstrated according to the FSC® ecosystem services certification procedure.

In the **Aracena Forest Management Unit** in Huelva, with a surface area of 6,279.19 ha, the positive impact of Ence's forest management on the maintenance of a network of ecologically sufficient conservation areas has also been demonstrated according to the FSC® ecosystem services certification procedure.

Ence makes detailed information on these projects available to all its stakeholders on its website: <https://ence.es/proyectos/ugf-aracena/> and <https://ence.es/proyectos/fraga-de-santarandel/>



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.

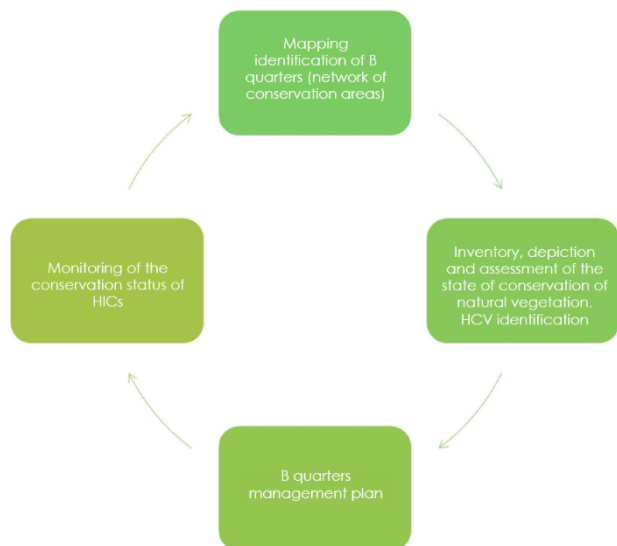
In the northwest, Ence manages forests in the protected areas of Costa da Morte, Serra do Xistral, Río Tea and Río Lérez in Galicia, Cuenca del Esva in Asturias and Parque Natural de Oyambre in Cantabria (Natura 2000 Network sites). The habitats of community interest that Ence manages in these areas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

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.

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.

As a result, 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 avoid 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 for preventing erosion, for the protection of watercourses and natural drainage networks, for the protection of flora and fauna, for the reduction of visual impact and others such as good practices in the prevention of forest fires, the treatment of pests and diseases, the use of phytosanitary products and the correct management of waste.

In addition, Ence's Integrated Forest Management System (IFMS) 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.

Among the practices included in Ence's biodiversity protection system is the **protection of the endangered fauna** present in the forests managed by the company. 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

Another of Ence's areas of activity in the sustainable forest management and biodiversity protection field is the restoration of habitats, especially those affected by forest fires. In this regard, Ence undertakes a five-yearly planning of actions in the conservation areas, although as it is a long-term planning, the actions may vary depending on the observations of the annual monitoring carried out. Among the restoration actions carried out by Ence after a fire are the cutting and removal of burnt wood and the pruning of burnt trees, the protection of regenerated shoots from herbivores and the planting and densification of areas where no regrowth has occurred. This way, Ence contributes to accelerating the regeneration of forests affected by fires.

In areas where no fires have occurred, the main habitat restoration work consists of the control and elimination of invasive species and the removal of eucalyptus trees in areas dedicated to the protection of ecosystems.



Sustainable management of biomass



In addition to wood for pulp production, Ence uses biomass for power generation in Magnon's plants and in its own biofactories as natural renewable fuel. Thanks to the deployment of its energy business unit (Magnon), Ence has become one of the most important players in the biomass industry in Spain in recent years.

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. Much of the biomass consumed by Magnon's plants comes from purchases from suppliers, followed by the purchase of standing timber biomass and the supply of biomass from Ence's forest assets. Over the course of 2022, Magnon's biomass plants consumed more than 1.6 million tonnes, with

Andalusia, Portugal, Castile La Mancha and Extremadura being the regions where most of the biomass comes from.

Biomass with sustainability certificate

Even though it offers great advantages in terms of replacing fossil fuels and waste management in rural areas, Ence is aware that the use of biomass for energy purposes can have negative environmental and social impacts if it is not supplied from responsible and traceable sources. However, when Ence started out in the industry, there were no external standards or certification systems to ensure the sustainability of biomass, such as FSC® or PEFC in the case of wood. That is why, already in 2017, Ence collaborated with different actors in the industry, such as environmental NGOs, in the development of a **voluntary sustainability standard** to ensure this reliable supply. This standard, known as the Decalogue of Biomass Sustainability, has been applied at Ence since 2018, and was last reviewed in 2020.



However, with the publication of the Renewable Energy Directive (EU) 2018/2001, various criteria were established for the first time 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. In 2021, in order to comply with these new requirements, Ence met an ambitious challenge by implementing a new biomass **sustainability certification scheme** (Sure System), and achieved the certification of all its plants under this seal. Ence thus once again became the **industry's pioneering** company in terms of sustainability, as the

Merida plant was not only the company's first facility to obtain this certification in July 2021, but also the first at European level.

Sure certificates are issued for a period of one year and must be renewed annually to demonstrate ongoing compliance with certification requirements. In 2022, audits were carried out for the renewal of the Sure certificates awarded the previous year at the plants, all of which were renewed during the first half of the year. The renewal of the certificates shows that the management system implemented in the power plants complies with the requirements of Sure and the REDII Directive and that the tools implemented and validated in the initial audit process have worked correctly during the months of validity of the certificate.

The certification of installations must be accompanied by **certification of the biomass consumed**, with the goal of ensuring that, from 1 January 2023, at least 90% of the biomass consumed in each plant is certified. Specifically for the Lucena plant and the biofactories, as they are included in the emission allowance trading scheme, the certification of all the biomass consumed must be accredited in order to be considered biomass with a zero emission factor. In this context, the major challenge for 2022 has been the certification of biomass and the supply chain. In order to guarantee the certification of incoming biomass, work has been undertaken along two different lines.

- ✓ In the case of standing purchases or purchases from points of origin, work has been carried out throughout 2022 to ensure compliance with sustainability requirements on the plots of origin for both forest and agricultural biomass. These sustainability requirements are those set by the Sure scheme in compliance with the Renewables Directive, although Sure includes good practice requirements in addition to those stemming from the Directive

itself. As regards standing purchases, 100% of purchases have undergone a documentary review prior to the entry of the material to ensure compliance with sustainability requirements as well as certification requirements in the case of certified biomass.

- ✓ Regarding supplies, the approach has been different, as suppliers must have their own Sure certificate attesting to the certification of the biomass they supply. To this end, in 2022, we worked to provide suppliers with the necessary technical assistance for the implementation of the certification requirements, and accompanied them through the external audit process until they obtained the certificate. By the end of 2022, over 100 suppliers have been certified.

The different types of purchases and the wide variety of biomass with which Ence works have required significant technical work, sometimes in conjunction with the certification body and the Sure scheme itself to adapt the requirements of the scheme to the characteristics of the industry and the materials consumed by Ence, in strict compliance with the certification requirements.

In 2022, work has also been carried out on the required IT developments to be able to take all the certification information associated with the inputs to the SAP management tool, so that the certification information associated with biomass inputs can be systematically monitored and transferred to consumption.

All of the above has been accompanied by the provision of several internal training activities to convey the certification requirements to Magnon employees, thus ensuring that they are aware of the applicable requirements and enabling them to adequately perform their tasks with regard to Sure certification requirements.

Upon certification of the company's main suppliers, there are new challenges to be addressed in 2023: maintaining the certification of biomass purchased directly from the points of origin and guaranteeing the maintenance of the certification of suppliers, as well as promoting the certification of new suppliers.

One Step Further: The Voluntary Code



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.

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

This self-regulation tool has enabled Ence to adapt much more easily to the new regulatory requirements set by the RED II Directive (as several of the sustainability criteria established in the Directive were already included in the Decalogue) and will continue to allow the company to anticipate future legislation in this area.

Throughout 2022, work has been undertaken on the implementation of new indicators of the Decalogue not previously addressed, which has enabled a leap in compliance with indicators in Magnon's power plants, reaching 86% compliance in agroforestry biomasses and 88% in industrial biomasses.

Supply chain monitoring

GRI 2-6



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 way, Ence seeks to guarantee the sustainability and traceability of the materials it works with, ensuring legal compliance and acting with **due diligence** to prevent risks related to its supply chain. To this end, Ence has mechanisms for monitoring the chain, both for wood and biomass and acts proactively to ensure that all links comply not only with legal requirements, but also with the sustainability requirements set by the company.

This, to ensure that the **timber and wood products** 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 can be extended 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 wood products 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

In Ence's supply chain monitoring system, the first step is to approve its suppliers before starting to work with them. Thus, Ence has a mechanism for approving timber and biomass suppliers to ensure that they comply not only with applicable legislation, but also with internal regulations and the sustainability commitments voluntarily adopted by the company. At the end of 2022, more than 98% of Ence's agroforestry suppliers were approved according to this procedure.

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 **risk analysis**, where each supplier is assigned a level of risk. Depending on this level of risk, it is determined whether the supplier should participate 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 Decalogue in force, and throughout 2022, the approvals have been progressively adapted to the new certification criteria according to the Sure scheme.

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,

Traceability of Timber and Biomass Monitoring

In addition to ensuring that the links in its supply chain comply with the company's sustainability criteria, another key element in the monitoring system is to ensure the traceability of all wood and biomass consumed at Ence's facilities.

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 (License code PEFC/14-33-00001), 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.

In the case of biomass, the Sure System, certified too by an independent external entity, also guarantees the traceability of the biomass from its origin (biomass from Ence assets or standing purchases) or supplier.

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, type of material, date and time of weighing, Chain of Custody numbers or Sure certification associated with the supplier, Forestry Management certification 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.

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

In addition to the supplier's self-declaration assurance and contractual commitments, Ence 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.

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 the plant to electricity production by means of a **mass balance system**, certified according to the Sure scheme 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® 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 an independent third party.
- ✓ **Internal audits:** carried out by the organisation itself, either by the sustainability technical team or outsourced means. Depending on their scope, they can be internal Chain of Custody, Sustainable Forest Management, Fair Wood and Sure System audits. These are annual audits to check compliance with the FSC®, PEFC, Sure scheme or Fair Wood scheme 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 carry out a periodic check in order to assess and evaluate the effectiveness of the implementation and management of the requirements undertaken by the company, both voluntary and mandatory, including the Biomass Decalogue.
- ✓ **Wood and biomass origin verification programme:** the aim of the programme is to monitor the levels of compliance with legal and traceability requirements for wood and biomass supplied to Ence in order to reduce supply risk as far as possible and thus anticipate undesirable situations within the scope of the Chain of Custody system or Ence's Sustainability Decalogue. Four types of actions are defined within the framework of 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.
 - Inspections of suppliers, undertaken with own means by the sustainability team, either in documentary form or at the supplier's facilities, in order to verify compliance with Sure certification requirements and the Biomass Decalogue

Results of the audits



In 2022, over 590 monitoring actions were carried out to ensure compliance with sustainability and certification requirements in the supply of wood and biomass and in Ence's own assets.

Control and monitoring of certified suppliers has been reinforced to ensure proper implementation and compliance with certification requirements. Inspection of points of origin has also been reinforced, intensifying sampling in those with the highest potential risk in compliance with Sure's requirements.

Due Diligence in timber procurement

The lack of availability of eucalyptus wood caused by the ongoing moratorium in Galicia, the war in Ukraine and the increase in wood exports to central Europe has meant that Ence has had to import around 4% of the total wood consumed in the biofactories during 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 has been assessed. 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.



FOR THE CLIMATE



Strategy and areas of action

Climate change and adaptation to its consequences is one of the greatest global challenges for the entire society. Aware of this, Ence is responding to this challenge with its own business model, based on activities that contribute to mitigating climate change, such as the generation of renewable energy and the manufacture of bioproducts that replace fossil-based materials.

Beyond the contribution through its own business model, Ence's climate action strategy focuses on two 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.

Climate change mitigation

To contribute to climate change mitigation, Ence is working to reduce the greenhouse gas emissions of its activities, in line with the objectives of the Paris Agreement and the national and European commitments derived from it. Ence also promotes the carbon sink function of its forestry plantations, which capture CO₂ from the atmosphere.

Decarbonisation plan

Within the framework of its decarbonisation plan, Ence is working 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, such as the replacement of coke with biomass in Pontevedra in 2021, which, together with the reduction in fuel consumption, enabled a reduction of more than 20% in the plant's Scope 1 emissions.

However, in 2022, Ence was forced to modify its decarbonisation plan due to the exceptional circumstances in the energy market resulting from the conflict in Ukraine. Specifically, the escalation of natural gas prices and the potential risk of supply disruption led Ence to take the decision to replace natural gas with fuel oil in December 2021 to power the lime kilns at the Navia biofactory. This has ensured the viability of the plant's operation, but on the other hand, the substitution of gas for fuel oil has led to a 25% increase in direct CO₂ emissions compared to the 2021 value. This increase will be temporary and exceptional and the plant will return to its standard emission rate when the energy market returns to normal.

DECARBONISATION

Use of lignin as a substitute for natural gas as a fuel in lime kilns and its use in high value-added products. Reduction of ~50,000 tn CO₂ emissions by 2027

Estimated Capex (€M)	60	2024-27
Annual increase in cellulose production (t)	+30K	2027
Navia cash-cost reduction (€/t)	5	2027



In parallel in 2022, progress continued to be made on the roadmap for decarbonising the biofactory, advancing in the engineering of projects to replace fossil fuels with renewable fuels to begin implementation in 2023. The main project within the framework of this plan for the Navia plant is the use of lignin as a substitute for fossil fuels in the lime kilns, which will not only reduce CO₂ emissions by 50,000 tonnes per year, but will also help to increase the plant's production and reduce cash costs, a clear example of how sustainability is synonymous with competitiveness. The biofactories' medium-term (2030) decarbonisation plan foresees a reduction of over 70% in direct emissions from the plants compared to 2020.

In Magnon plants, the main way forward is to reduce 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. In addition, an emission reduction plan for the plants has been set as a target for 2023.

Avoided emissions and forest sinks

Ence contributes to climate change mitigation not only by reducing its own emissions, but by also preventing them through the generation of renewable energy at its biofactories and independent plants. Thus, thanks to the renewable energy generated by Ence in 2022, the emission of around 598,000 t of CO₂ has been avoided.

In addition, Ence, together with the rest of the forestry industry, also contributes to the goal of achieving climate neutrality by promoting and maintaining forest stands that act as carbon sinks. In this regard, ASPAPEL estimates that

in 2021, the amount of carbon stored in plantations for the paper industry amounted to about 12.9 million tonnes, i.e. more than 47.5 million tonnes of CO₂ equivalent.

Specifically, Ence's forestry plantations absorb more carbon than is removed by their exploitation, which in 2022 offered a positive balance of some 89,000 tonnes of CO₂.



Carbon footprint

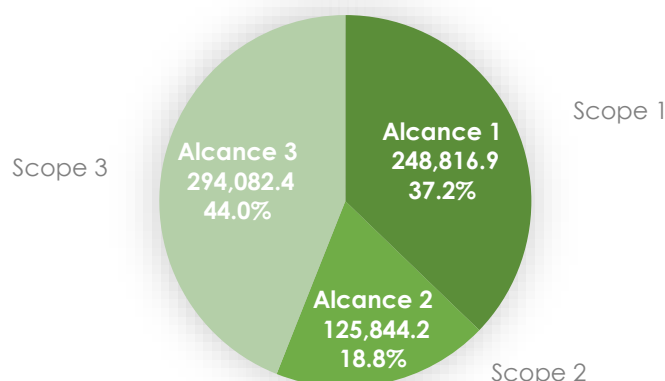
GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4, GRI 305-5, GRI 201-2

The analysis of the company's carbon footprint is the main tool Ence uses to define its decarbonisation strategy, as it highlights the main opportunities for improvement and enables it to analyse the evolution of emissions year after year. In 2018, Ence implemented the calculation of the carbon footprint of the organisation and its main products (pulp and energy generated), the base year for setting reduction targets.

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.

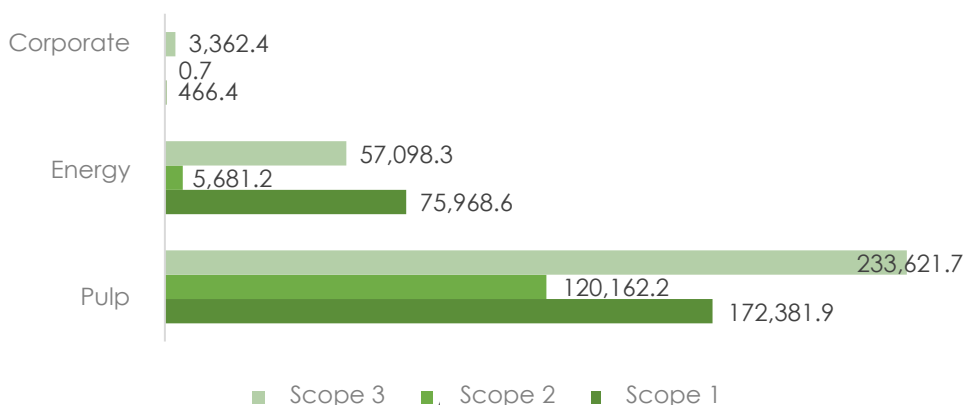
Once they have undergone independent external verification, Ence publishes comprehensive reports with the results of its carbon footprint analysis on the company's website. The main figures of the Ence 2022 carbon footprint are detailed below:

Ence GHG emissions by scope (tCO₂e)



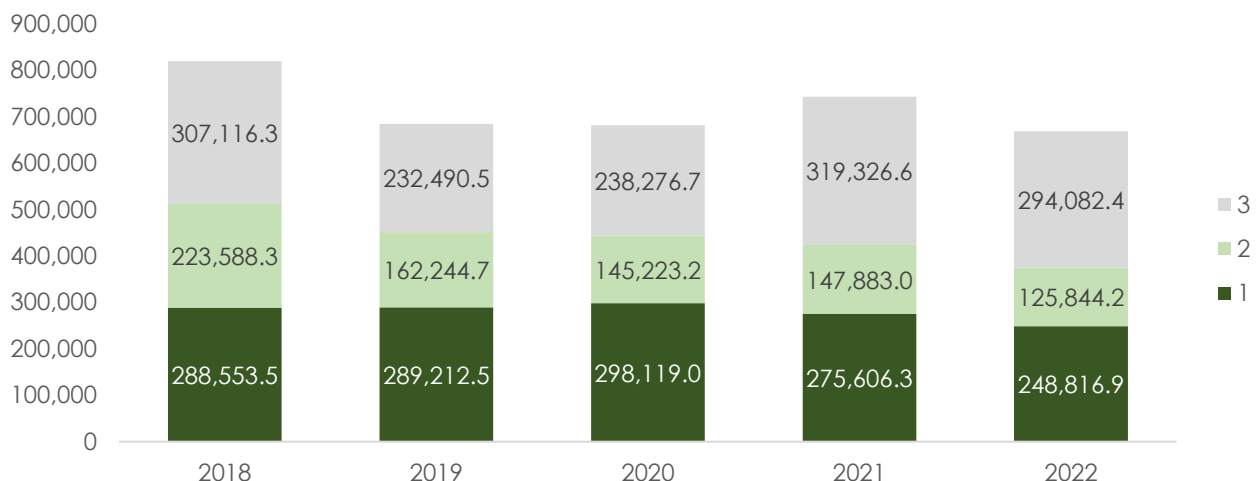
The Group's emissions in 2021 amounted to 668,743.5 tCO₂e, with indirect Scope 3 emissions making the largest contribution, accounting for 44% of the total. This scope includes emissions from forestry and forest harvesting, wood and biomass logistics, emissions associated with raw material consumption, water consumption and waste generation at the mills and emissions from pulp logistics to final customers. Direct emissions (Scope 1) account for 37.2% of the total amount, with emissions from the consumption of fossil fuels standing out within this scope.

GHG emissions by segment (tCO₂e)



By segment, the pulp business line is the largest contributor to the Group's carbon footprint, accounting for almost 79% of the total. This is because this segment concentrates fossil fuel consumption (especially in the lime kilns of biofactories) and emissions from forest management and wood and pulp logistics. The energy segment contributes almost 21%, with emissions from the Lucena natural gas-fired cogeneration plant and the operations of the Huelva complex standing out in this segment, while the corporate segment answers for less than 1% of the company's emissions.

Evolution of the company's carbon footprint by scope (tCO₂e)



By 2022, the company's carbon footprint has been reduced by 10%, with reductions in all three scopes. These reductions were mostly due to lower activity at some of the Group's facilities, specifically, the shutdown of the Pontevedra biofactory due to the drought, which lasted four months in the second half of the year. The reduction of the activity contributes to the reduction of emissions in all scopes, through lower fuel consumption in the plant (Scope 1), lower electricity consumption (Scope 2), and lower mobilisation and consumption of raw materials (Scope 3). The activity of the natural gas-fired cogeneration plant in Lucena, the main source of emissions in the energy segment in 2021, was also reduced.

In terms of **carbon balance**, Ence not only generates GHG emissions, but also contributes to avoiding them and captures carbon from the atmosphere because of the growth of its forests. In 2022, the company contributed to avoiding more than 616,000 tonnes of CO₂ through self-consumption and the sale of renewable energy. In addition, Ence's heritage forests absorbed more than 612,000 tonnes of CO₂ from the atmosphere in 2022, of which (after deducting wood and biomass removals), almost 89,000 tonnes were fixed.

Note: The results of the 2022 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 2021, and should therefore be considered provisional and will need to be updated once the relevant agencies publish updates for 2022. Once the carbon footprint has been recalculated with the emission factors corresponding to 2022, 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

The second pillar of Ence's climate action strategy is based on analysing the risks and opportunities arising from climate change in order to propose mitigation actions that strengthen the company's resilience.

Managing climate change risks and opportunities

GRI 201-2

As a company that bases its business model on natural capital, Ence is aware of its exposure to risks derived from climate change, especially physical risks that may affect the availability of its main raw materials (wood 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.

For this, it is essential for Ence to analyse climate change derived 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). The analysis is developed around four areas: Governance, Strategy, Risk Management and Metrics and targets.

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. 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 Department, work on identifying and prioritising specific risks and opportunities and defining mitigation plans, as well as assessing the impact of risks on operating variables as a basis for calculating the financial impact of these risks.

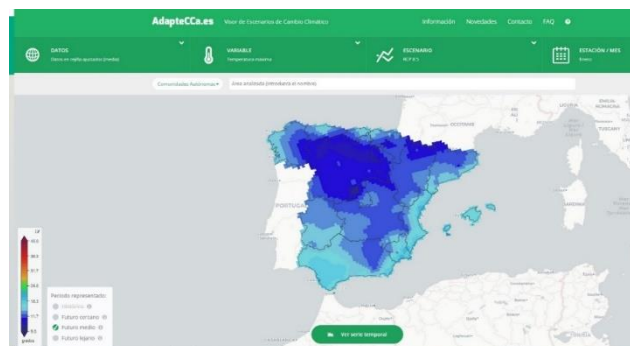
Strategy

Ence has selected different physical and transition scenarios and different time horizons to analyse the impact of climate risks and opportunities on its business model. 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 °C.

Thus, the company works with two of the representative concentration pathway (RCP) scenarios defined by the Intergovernmental Panel on Climate Change (IPCC): RCP 4.5 has been selected as an intermediate scenario (which predicts an average global temperature increase of around 2 °C by the end of the 21st century) and RCP 8.5, which predicts an average temperature increase of around 4 °C by the end of the century, has been selected as a pessimistic scenario. 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. For transition risks, Ence uses projections and scenarios developed by expert industry analysts such as Afry. For the analysis of these risks, different time scenarios are also used: short term (1 year), medium term (until 2030), and long term (2030-2055).

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. To analyse this risk in depth, Ence has used the aforementioned models and has analysed the impacts of the new climatic conditions forecast on the viability of the main eucalyptus species with which it works (*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. This information has been used to define the mitigation strategy for this risk, which consists of adapting the forestry R&D and breeding programme to respond to the new climatic conditions, producing plants that are more resilient to climate change and promoting adapted forest management techniques (for more information, see the section on forestry R&D). However, this risk also represents an opportunity for Ence in two ways: on the one hand, the models predict an increase in the potential viable area for certain eucalyptus species, which may increase the availability of wood. On the other hand, Ence can leverage the opportunity to market improved plants adapted to climate change through its nurseries.



Another of the main physical risks that have been identified is the reduction in the availability of water resources in the areas where Ence operates. Despite the mitigation measures that Ence has been implementing in recent years, focused on reducing water consumption in its plants, this risk has materialised in 2022 in the Pontevedra biofactory: the lack of rainfall, coupled with the high temperatures recorded in the summer months, drastically reduced the flow of the Lérez river, from which the biofactory is supplied. In order to ensure the ecological flow and prioritise supply to the population, Ence was forced to temporarily stop the plant's activity until the river flow situation normalised. As a mitigation strategy, Ence has revised its plans and set increasingly ambitious targets for reducing water consumption at its facilities. In addition, Ence has designed measures that would allow it to

operate in emergency drought situations based on the reuse of water from the neighbouring WWTP, which after a conditioning process could be used in the pulp production process.

Transition risks

The main transition risks that Ence has identified fall into two categories:

1. Regulatory risks: in this category, Ence has identified several risks, such as the increase in the price of emission allowances under the EU ETS and the inclusion of the maritime industry in the emissions trading scheme (which could lead to higher logistics costs if operators pass this new cost on to customers). The mitigation strategy for these risks is to establish a decarbonisation plan to reduce emissions and thus the need to buy ETS allowances. Other relevant regulatory risks are related to potential regulatory changes affecting operations, for example, in terms of restrictions on the use of certain fuels or tightening of sustainability criteria for biomass, as proposed by the European Commission in the revision of the Renewable Energy Directive (RED III). To address these risks, Ence maintains a fluid dialogue with industry associations at national and European levels such as APPA and Bioenergy Europe 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 2022 to certify its supply chain in compliance with the requirements of the directive.
2. Market risks: this category includes risks related to a possible increase in the price of raw materials and energy (including fuels) and risks related to the need to move towards low-emission technologies, which may lead to increased competition for the supply of biomass with other players such as cement companies, biofuel producers, etc. The strategy to mitigate these risks involves diversification in the feedstock supply chain and even changes in the fuels used (as has been done in Navia due to the high price of natural gas in 2022, despite this being due to the conflict in Ukraine and not to climate change). Regarding the risks of competition for biomass, the mitigation strategy consists of a reinforcement of the supply network to increase biomass mobilisation capacity and the definition of a diversification strategy to be able to use different types of biomass that are not subject to so much market stress.

Opportunities

While aware of the risks, Ence understands that adapting to climate change, and specifically the transition to a low-carbon economy, presents more opportunities than risks for the company. The main opportunities that Ence has identified and on which it is focusing its future growth strategy are:

1. Growth in renewable energies: the boost that the European Union is giving to the deployment of clean energies, which is translating into increasingly ambitious targets for renewable generation, represents an opportunity for Ence, which is why the company has focused its growth strategy on the generation of

renewable energy with biomass and diversification towards other technologies with a special focus on photovoltaic.

2. Demand for low-emission **industrial heat**: the decarbonisation of industrial sectors that cannot be electrified is a challenge that represents a great opportunity for Ence, as its experience in managing biomass facilities places it in a privileged position to become a benchmark player in the production of low-emission industrial heat. This line of business, which Ence has opened in 2022, consists of operating biomass boilers to replace fossil fuel-fired equipment in industrial facilities, thereby reducing their emission rights costs.
3. **Offsetting emissions**: in line with the European roadmap, more and more organisations are taking on carbon neutrality commitments that can only be achieved by offsetting emissions that they have not been able to reduce. In this context, as Spain's leading private forest manager with assets of some 65,000 ha, Ence has a magnificent opportunity to develop carbon sinks and trade these offset credits. In fact, in 2022, Ence has already registered its first sink in the MITERD national registry and has closed an agreement with a private client for the sale of these rights.
4. **Biogenic CO₂**: In the context of decarbonisation, biogenic CO₂ has become a feedstock of high interest to produce biofuels and other products that replace fossil-based materials in combination with green H₂. In this sense, Ence is also in a privileged position to take advantage of the opportunity, as both the company's biofactories and independent power plants produce large quantities of this biogenic CO₂ per year. Ence is already working with several potential partners on the development of projects to use CO₂ from biomass in different applications.
5. **Low-carbon pulp products**: in the pulp business area, Ence has also identified interesting opportunities regarding decarbonisation in the paper market. Ence is therefore working on the development of low-carbon and even carbon-neutral cellulosic products that can help customers reduce the carbon footprint of their end products. The reduced footprint unbleached pulp Naturcell and its carbon neutral version Naturcell Zero are a clear example of how Ence has seized this opportunity.
6. **Plastic substitute bioproducts**: also in the cellulose business area, Ence is exploring different opportunities for the production of plastic substitute materials and other petrochemical derivatives, for example, based on lignin. Throughout 2022, Ence worked on the engineering of the lignin extraction and purification project at the Navia biofactory and, in parallel, established contacts with various partners to analyse potential chemical and industrial applications of this material.

Risk management

Ence manages the risks derived from climate change by integrating 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, the work focused on the detailed assessment of the financial impacts of the main risks identified and their reflection in the company's income statement.

Metrics and objectives

In line with the TCFD recommendation, Ence develops metrics and targets regarding climate change mitigation and the main climate risks identified for the company. Thus, the main set of metrics related to climate change mitigation 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:

- ✓ KPIs and targets related to the forestry R&D strategy (more details in the chapter on Innovate to Transform).
- ✓ KPIs and targets for water consumption reduction in biofactories and power plants (more details in the chapter on Eco-Efficient Operations).
- ✓ KPIs and targets for sales of special products intended to replace plastic products (more details in the chapter on For customers).



FOR CUSTOMERS



Strategy and areas of action

Ence offers society alternatives to materials from fossil resources such as plastic by producing pulp from responsible, local sources. This way, Ence contributes to the urgent and necessary transition towards a circular economy based on natural and renewable products.

In this context, Ence's strategy is to develop new pulp products with greater added value for customers, which can be used in new paper and non-paper applications with marked sustainability attributes to reduce the environmental footprint of end products. Thus, Ence not only seeks to achieve a differential positioning in the industry, but also to offer solutions to its customers to advance in the design and development of increasingly sustainable products.



Ence's pulp, present in countless products in our daily lives

GRI 2-6

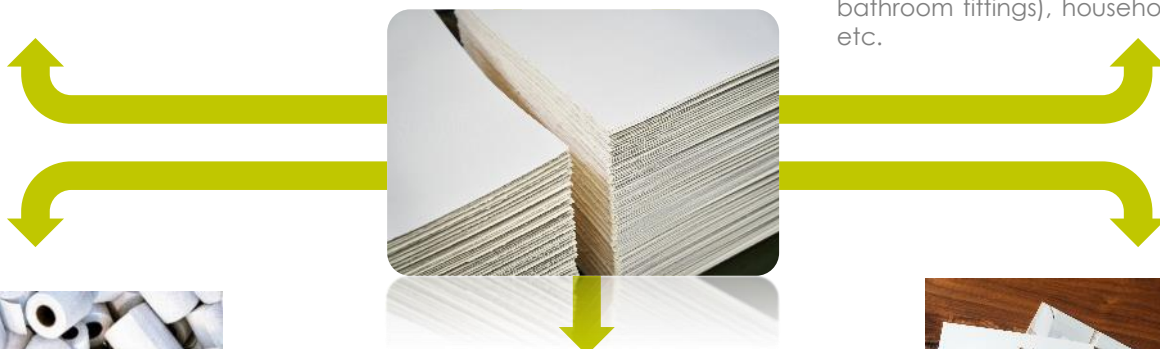
The pulp that Ence produces at its biofactories in Pontevedra and Navia is used by its customers in the manufacture of **hundreds of end products**, from a wide range of tissue articles to special papers for packaging or decoration, which in many cases **replace other more polluting and non-renewable materials, such as plastics**. The main product categories for which Ence's pulp is used are:

Packaging, such as medicine boxes, perfumery items, shoes, etc.



Non-paper specialities:

Pulp applications which are not used in the paper industry, e.g. construction materials or moulding powders, material used in the manufacture of electrical goods (switches, plugs, etc.), packaging, sanitary material (toilet seat covers, bathroom fittings), household goods, etc.



Tissue paper: this is a fine paper with a high softness and absorption capacity. This category includes products for home use such as toilet paper, tissues or kitchen towels; and "away from home" products, such as napkins, paper towels and hand towels for the hotel and catering industry. Most of the pulp produced in Pontevedra is destined for these applications.



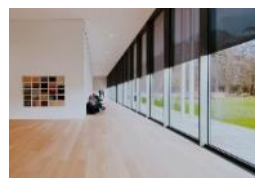
Flexible packaging: used in packaging for food, cosmetics and medicines (sachets, flexible packages, etc.)



Paraffined papers: non-stick and greaseproof paper. It is used in hamburger wrappers, cold meat wrappers, etc.



Printing and writing paper: coated or uncoated for applications such as sheets of paper, magazine paper, books, brochures, etc.



Décor papers: used in the manufacture of laminates (decorative flooring for floors, furniture, etc.)



Labels: adhesive paper for cans, bottles, food packaging, etc.



Thermal papers: heat-reactive papers that are printed without the need for ink. They are used for example in receipts. This category includes transfer paper used to print designs or patterns on other materials, such as textiles, wood, etc.

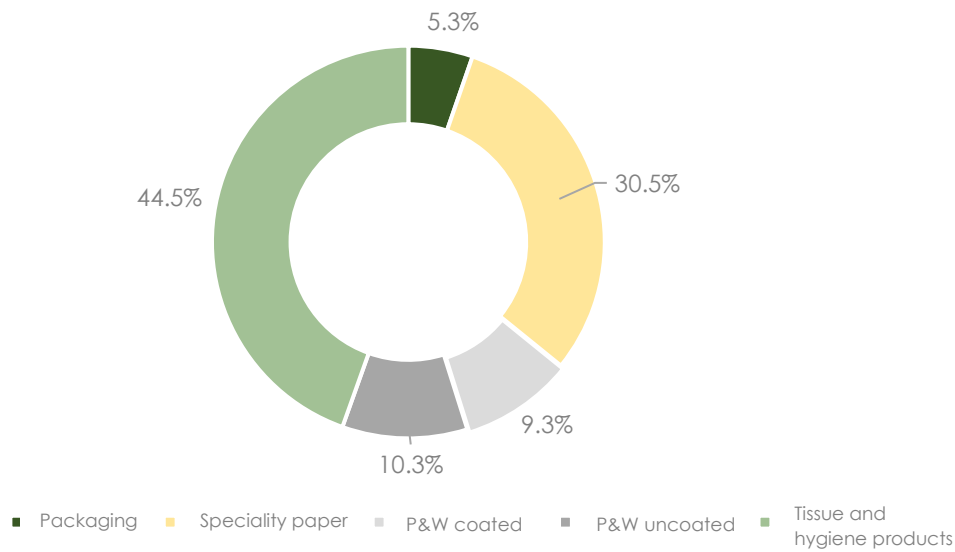


Other speciality papers: this category includes speciality papers for very specific uses, such as filter papers, wallpapers, security papers, cigarette papers, etc.



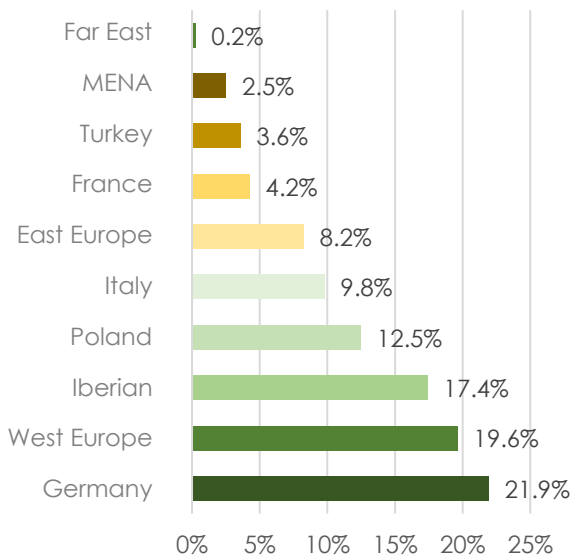
Silicone papers: waterproof paper used in applications such as plasters, compresses and baking paper.

In 2022, most of Ence's sales were concentrated in the tissue paper segment. After that, the most representative categories are specialities, printing and writing (I&E) and packaging.



Focus on the most demanding markets

Ence concentrates sales of its products in European markets with the highest demands in terms of quality and environmental performance of the products provided, such as Germany and the Scandinavian countries. Ence has achieved this position thanks to the high quality of its pulp, produced mainly from eucalyptus from the Iberian Peninsula, the environmental certifications that ensure compliance with the strictest standards of care for the environment, its customer service and its logistical excellence.



Moreover, the fact that most sales are concentrated in markets geographically close to Ence's production centres gives the company a clear competitive advantage in terms of delivery and customer service, as it can deliver its products in very short lead times compared to transatlantic competitors. Ence's proximity to the market and its "just-in-time" logistics model also enable it to maintain a very broad and diversified customer portfolio. This capillarity helps to reduce the risk of dependence on a small number of customers and also reduces supply chain risks for its customers.

In 2022, Ence's total sales of pulp products amounted to 827 KtAD. The decrease compared to previous years is mainly due to the shut down of the Pontevedra biofactory because of the drought. The main destination markets for this production are in Europe, with Germany, Western Europe and the Iberian Peninsula being the geographical areas where most sales are concentrated.

High value-added products

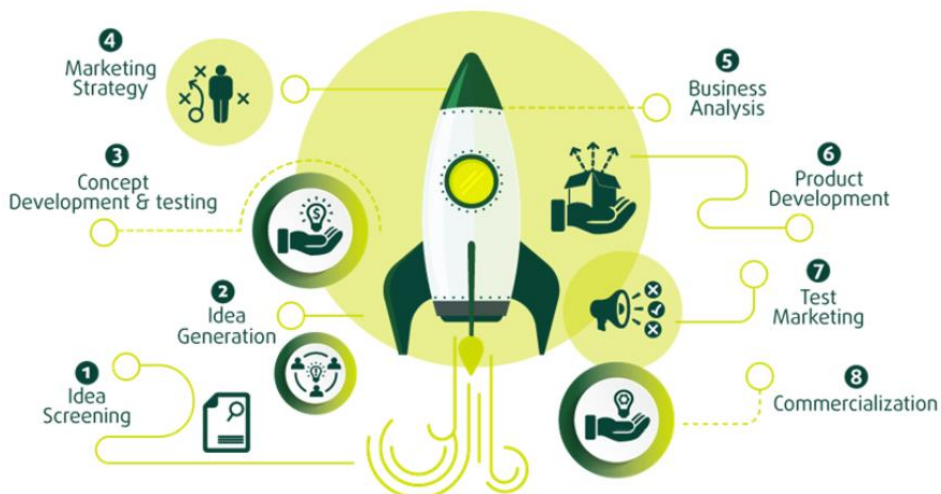
Based on the vision of providing maximum added value through its products, Ence has defined a strategy that aims to decommoditise its product portfolio and offer customers a comprehensive value proposition, designing products together with them to meet their specific needs. In this strategy, one of the pillars is the improvement of the sustainability features of products, to help customers reduce the environmental footprint of their end products.

Thus, Ence 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).

This strategy materialised in the launch in 2019 of the Ence Advanced brand, which serves as an umbrella for the special products the company develops.

Special product development process

The development of special products is the result of years of work in market research, R&D&I and industrial development in conjunction with Ence's customers to ensure that final products will be perfectly adapted to detected needs.



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.

Special products portfolio

The Ence Advanced product portfolio includes some references that are already fully marketed, such as Naturcell or Powercell, and others that are in earlier stages of development.



made to fit



naturcell naturcell Zero

Unbleached pulp with high strength and **lower environmental footprint** as no bleaching chemicals are used in its manufacture and the process requires less water and energy. Naturcell can be used in the manufacture of unbleached tissue paper and in packaging to **replace plastics**.

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

powercell

Unique product, which due to its strength characteristics can **replace long fibre** while maintaining the required mechanical properties. It offers a **cheaper alternative for the customer and is more efficient** in the use of natural resources, as less wood is required to produce the same amount of pulp. This product is used in specialties and tissue paper.

high white

High whiteness pulp redesigned for use in applications such as moulding powders, paper for the outer layers of carton packaging or high quality printing and writing papers.

high bulk

Ence Advanced's **new high-density product** is optimal for adding body to end products and is ideal for use in a variety of specialties, such as tissue, printing paper, thermal or labels.

closecell

Low porosity paste with optimised properties for application in barrier papers or labels, as well as for the **replacement of plastic materials in flexible packaging** and food wrapping.

porocell

Product specifically designed to **increase porosity**, making it ideal for use in applications such as filter papers.

decocell

Decocell, thanks to its exceptionally **low wet expansion**, is particularly suitable for the manufacture of several materials such as décor paper or food trays.

softcell

A special cellulose pulp that makes tissue paper **softer** without increasing the number of plies, which is **more efficient and economical** for the customer.

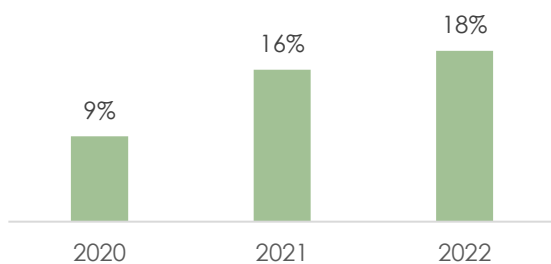
photocell

Pulp product specially designed to guarantee excellent performance on **photographic papers**.

opacell

Opacell is designed to give **high opacity** to the paper without increasing the grammage, which is **better value for customers and reduces material consumption**.

%Added value products



Since their launch, special products have experienced strong growth and in 2022, they will account for 18% of the Group's total sales. This growth consolidates Ence's commitment to focus its commercial strategy on products with greater added value and a smaller environmental footprint.



To present this new range of products to the market, Ence participates in the industry's leading events. Thus, in 2022, Ence has been present at the Specialty Papers Europe 2022 fair in Amsterdam, where Ence's Head of Product Development gave a lecture on the latest developments of Ence Advanced and specifically on Naturcell unbleached pulp.

By promoting Ence Advanced products, Ence not only contributes to positioning itself in a segment with greater added value in its industry, but also favours the transition from a linear consumption model to the circular economy and the decarbonisation of industries such as the manufacture of containers and packaging.

Certified Transparency

In addition to designing and developing products with differential sustainability attributes, Ence seeks to assess the environmental characteristics of its products objectively and impartially and to make the results of these assessments available to its customers and other stakeholders in a transparent manner.



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 products. 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.

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.

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. In 2022, Ence has updated the EPDs of these two products with the latest available data and the latest versions can be consulted on the website:

- ✓ Naturcell: <https://www.environdec.com/library/epd6638>
- ✓ Encell Totally Chlorine Free: <https://www.environdec.com/library/epd6639>

In addition to EPDs, Ence also works on the analysis and certification of other environmental characteristics of its products. In 2022, Ence undertook gap analysis audits for food safety certification in accordance with ISO 22000, IFS PAC Secure and BRC Packaging standards at its two biofactories and also conducted a pre-assessment for end-of-life certification (biodegradability or compostability) of its products.

Excellence in verified sustainability



In addition to transparently publishing the environmental characteristics of its products, Ence also voluntarily submits to sustainability performance assessments requested by customers. In this regard, Ence participates in Ecovadis, one of the leading platforms in the evaluation of ESG aspects in the supply chain. Ecovadis assesses the performance of companies in four areas: environment, labour and human rights, ethics and sustainable procurement by means of a questionnaire adapted to the industry (in the case of Ence, it contains issues specific to the paper industry, such as sustainable forest management and the consumption of certified wood).

Once the answers have been analysed, Ecovadis provides a report with an overall ESG score and scores for each of the four areas of assessment. In 2022, the company achieved a gold medal rating with 74 points on the overall ESG performance indicator. This rating represents an improvement of 6 points compared to the previous year's assessment.

Customer Relationship

Another pillar of Ence's commercial strategy is to build long-term relationships of trust and partnership with its customers, based on collaboration and quality of service. To achieve this objective, 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:

- ✓ **Reciprocal visits:** Ence teams periodically visit customers' facilities to gain first-hand knowledge of their production process, their experience with Ence products and to discuss any technical aspects on site. In the same way, Ence invites customers to visit the company's production centres, nurseries and forestry operations, so that they can learn about the entire production cycle, from sustainable forest management to pulp production. During these visits, Ence also presents customers with the latest developments in product development, as well as other company milestones.
- ✓ **Opinion questionnaires:** every year, Ence launches opinion questionnaires for its customers to find out their perception of the most relevant aspects of their commercial relationship, such as service, delivery time, product quality, attention from the sales department and 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.

In addition to these channels, Ence's commercial team, and in particular, the technical assistance department, maintains a fluid relationship with its customers and responds promptly to any requests for information they may require by means of questionnaires, forms, etc.

Complaints and claims management

To guarantee optimal customer service, Ence not only works to maintain fluid communication with its customers, but also uses all the means at its disposal to ensure that any complaint or claim is adequately addressed and resolved in a timely manner.

To ensure the resolution of any possible incidents, Ence has a system for registering and monitoring all complaints and claims that serves as a basis for managing and answering them. This system is regulated by the internal procedure for customer non-conformities due to quality. In the system, 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. To distinguish them, 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 15 complaints and 5 claims were registered in 2022 on a total of more than 9,000 pulp sales transactions.

In order to analyse and resolve the incidents received, Ence draws up a follow-up report (8D Report). This report contains a detailed description of the problem, the containment actions implemented 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.

FOR COMMUNITIES



Strategy and areas of action

One of the pillars of Ence's sustainability strategy is to contribute to the development of society, with a special focus on the communities where it operates. For this reason, relations with local communities are a priority line of action in which it works on two levels: on the one hand, Ence seeks to create a positive impact on the community by creating wealth and employment in the surrounding area, and on the other, the company wants to listen and respond proactively to the concerns and expectations of the different stakeholders with whom it has a relationship.

Creating value in the environment

GRI 203-2, GRI 413-1

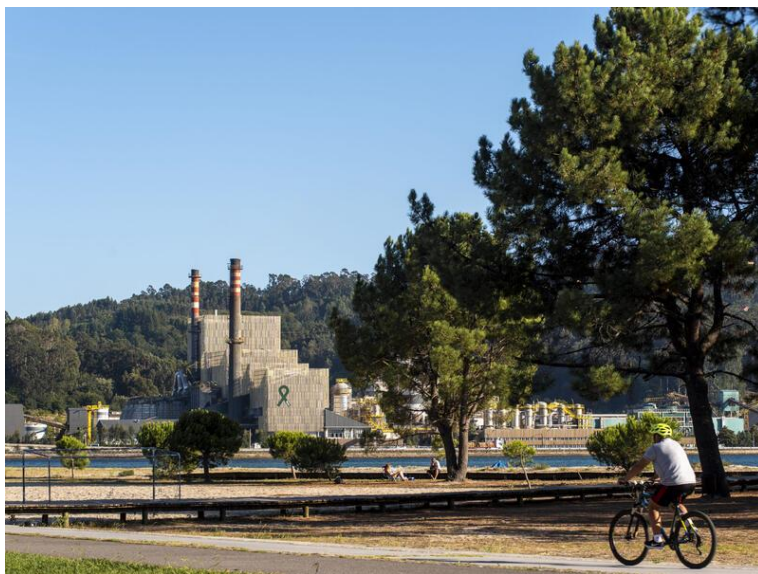
Ence's activity in its three business lines (forestry, pulp and energy) is an important driver of job creation and value for the communities in the areas where it operates, as the company is clearly committed to hiring local employees and suppliers and to local supply. Furthermore, thanks to its forestry extension policies and the establishment of long-term relationships with suppliers and industrial partners, Ence stimulates and contributes to preventing the deindustrialisation and depopulation of the rural environment.

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.

Thus, in 2022, Ence worked with more than 5,700 suppliers, of which more than 95% were local, and the volume of its purchases amounted to more than 1,000 million euros. Of these, 91% 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.

Relationship with the communities



The local communities around Ence's facilities are the stakeholders closest to the company and those most likely to be affected by its activity. This is why Ence establishes relationship plans with them based on closeness, transparency and commitment, in addition to guaranteeing respectful coexistence, avoiding any type of nuisance or negative impact derived from its activities.

In addition to generating value for the communities through its own activity, Ence wishes to contribute proactively to socio-economic development and to improving the environmental quality of its neighbouring communities.

To achieve these two objectives, Ence 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

Ence's community relations plans are based on ongoing dialogue and transparency towards its stakeholders. 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.



Thus, in 2022, Ence held several meetings with groups around As Pontes, business associations and neighbours, to present the project that the company is studying to install a bioplant of recovered fibre and biomaterials, and to gather their opinions on the project.

In this area, throughout 2022, meetings also continued to be held with stakeholders in the communities neighbouring the existing plants, such as Armental, Coaña, San Juan del Puerto (Huelva), Puertollano (Ciudad Real) and Navia. In these communities,

meetings are also held with local councils to monitor the projects developed within the framework of the agreements signed with the administrations.

Another of the keys to Ence's community relations plans is to promote awareness of its activity among its stakeholders, which is why the company organises visits to its operations centres with a special focus on students. After two years, 2020 and 2021, in which these visits were organised online as a result of the pandemic, face-to-face visits were resumed in 2022. Throughout this year, Ence has increased the number of visits, exceeding 1,170 at its centres in Navia, Pontevedra, Huelva and Puertollano.

Ence also carries out specific listening and dialogue projects with its stakeholders as part of its stakeholder engagement strategy. In this regard, in 2022, it continued the dialogue project with the local administrations of the Andalusian municipalities in which it is developing photovoltaic projects, which began at the end of 2021.

In addition to these direct dialogue initiatives, Ence maintains a proactive relationship with the local, regional and Spanish media to communicate relevant information on the company's activity and keep all its stakeholders informed.

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, anyone can contact the company and, where appropriate, report any incidents or problems, which Ence manages and resolves as soon as possible. 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 2022, Ence received a total of 15 complaints, most of them about odour or noise. This was a clear improvement on the previous year, with a 37.5% reduction in complaints.

A Committed Neighbour

Ence also promotes the development of the communities where it operates by supporting social, environmental and cultural initiatives.

Thus, 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. In 2022, Ence has also signed an agreement with the Puertollano City Council. Within the framework of these agreements, over 70 cultural, social, sporting and environmental initiatives have been developed, with a total of 16,300 beneficiaries.

Ence has also been developing a Social Plan in Pontevedra, which it hopes to resume in the short term, pending the court decision on the continuity of the biofactory. This Plan was the largest social initiative of the company, with the investment of €3 million 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 the initiatives developed within the framework of these agreements, Ence also promotes corporate volunteering actions for social and environmental purposes in the communities where it operates, such as fundraising campaigns for charitable purposes, in collaboration with social organisations. Of particular note were the actions undertaken to collaborate with those affected by the conflict in Ukraine, through the donation of food, clothing and other basic products, as well as those that took place as part of the Christmas campaign, such as "Encendamos la Navidad" (Let's Light Up Christmas), to collect toys for families with few resources, the donation of toys to the Red Cross in Huelva and the area around Navia, or the campaign "Reyes Magos de verdad" (Real Three Wise Men) in the Madrid offices.

In addition to these actions, Ence also collaborates in dissemination and awareness-raising activities focused on sustainability aspects. Thus, in 2022, it has collaborated in the V Edition of the Forum "Citech. Industry 4.0 and Sustainability", organised by Conecta Industria in Gijón and participated in the "Sustainable Business" Forum in Vigo, organised by the Pontevedra Business Confederation.

Institutional Relations

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 2022, 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. At a Spanish level, through ASPAPEL and APPA, industry associations of which Ence is a member, we have contributed through allegations to the drafting of the Spanish Forestry Strategy and the Spanish Forestry Plan, currently underway.

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.

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 collaborates with the rest of the industry for its development through numerous meetings, working committees, joint arguments, communication actions and other projects.

Also in Galicia, Ence is a member of the Monitoring Committee of the Forest Industry Promotion Agenda promoted by XERA (Galician Forest Industry Agency), in the original definition of which it also participated at the time. XERA is focused on supporting the Galician forestry industry through competitiveness and innovation, and in mid-2022, it has become part of the Regional Ministry of Rural Affairs.

Ence has also had an noteworthy participation in the Galiforest Forestry Fair of Galicia, one of the forestry fairs of reference, through a stand where it has been able to share with visitors the activity and some of the products developed by Ence, its improved plant, and documentation of interest, becoming one of the most celebrated meeting points of the fair by visitors.

In the **Asturian forestry industry**, Ence works to strengthen the industry and increase the value it generates, maintaining ongoing and systematic contact with the various forestry associations of owners, service companies, auctioneers and industry, especially within the FADE (Asturian Federation of Entrepreneurs) Forestry Board, of which it is a member and the activity of which it currently coordinates. This Board is also part of the Asturias Forestry Council. Since 2020, Ence, together with the rest of the industry, has been working to make valuable contributions to the revision of the Asturias Forestry Plan currently being processed, which is expected to be approved in 2023. Pending this approval, given the urgent need for alternatives for owners in certain plantations of *E. globulus* with development problems for several reasons, Ence has collaborated with the FADE Board and the Administration to enable the alternative of *E. nitens*, whose authorisation until now had been systematically denied due to technical criteria that are now obsolete.

In 2022, concern about the advance of forest abandonment and lack of management, even in eucalyptus plantations in some areas, has led Ence to develop actions to share with forest owners the best way to care for their plantation and obtain value in a sustainable way and to promote joint work between owners through management grouping figures. In this context, several workshops have been held with landowners and associations, visits to forests managed by Ence and even a free advisory service has been implemented in the areas with the greatest need.

Ence is also committed to the technological development of the industry and is vice-chairman of the Board of Trustees of CETEMAS (Asturias Forestry and Wood Technology Centre), one of the leading technology centres at national level. Also in 2022, a collaboration has been launched between the Asturian Institute for Risk Prevention, with

Ence and the associations of the Asturian wood value chain involved in forestry operations (ASMADERA and ASYMAS), in order to improve the safety indices of the industry through shared tools and joint improvement actions.

Institutional relations in the energy and paper sectors

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. In addition, in 2022, Ence has joined the Energy Club, an important meeting point and reference forum on energy issues at national and international level. The company is also a member of the Spanish Photovoltaic Union, in line with its commitment to business diversification.

In the pulp industry, Ence belongs to 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.

Another important annual milestone was Ence's membership of the Oviedo Chamber of Commerce. This recent alliance seals the company's interest in promoting sustainable employment, activity and development in Asturias. Through this agreement, both entities will work together on aspects related to the strategic attraction of investments or the fight against depopulation of rural areas, providing Ence, as a company that generates activity and employment, collaboration and support within the framework of its activity.

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.

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 applicable 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 2022				
Tax Jurisdictions	Spain	Portugal	Uruguay	Total
Number of resident entities	37	1	3	41
Number of Employees (31/12/2022)	1,146	2	0	1,148
Revenue from sales to third parties (thousands of €)	1,003,297	77	0	1,003,374
Revenue from intra-group transactions between and with other tax jurisdictions (thousands of €)	0	577	0	577
Tangible assets other than cash and cash equivalents (thousands of €)	1,146,391	82	132	1,146,605
Corporate income tax settlement	Spain	Portugal	Uruguay	Total
Accounting result before tax (thousands of €)	254,395	(-781.0)	(-24.1)	253,590
Net amount (Tax on profit paid) (thousands of €)	22,717	0	0	22,717
Profit tax (expense / (income))	Spain	Portugal	Uruguay	Total
Current tax (thousands of €)	10,730	0	0	10,730
Deferred tax (thousands of €)	4,725	0	0	4,725
Effective rate (2) (%)	20%	21%	25%	
Nominal rate (%)	25%	21%	25%	

Most of Ence's activities are carried out in Spain. A breakdown of ENCE's direct and indirect tax contribution in 2022 by Autonomous Community is provided below:

Thousands of €	Spain					Madrid	Portugal	Total
	Galicia	Asturias	Andalucía	Extremadura	Castile La Mancha			
Property Tax	70	25	396	0	7	0	0	498
Trade Tax	323	241	627	15	71	0	0	1,277
Fees	1,714	85	625	0	7	0	0	2,431
PTT and Stamp duty	0	0	0	0	0	0	0	0
Environmental levy	913	302	359	35	320	0	0	1,929
Corporate Income Tax	0	0	2,115	0	2,043	18,559	0	22,717
Tax on electricity generation	0	0	0	0	0	0	0	0
IH purchase of fuel	215	328	0	0	0	0	0	543
Special taxes on energy purchasing	195	337	18	3	0	0	0	553
Social security contribution	5,412	6,528	2,601	429	108	1,190	0	16,268
Withholdings	12,178	6,666	4,884	356	163	3,554	0	27,801
VAT	254	41,422	30,217	5,438	10,507	0	8	87,846

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Special taxes on energy sales	46	52	0	0	0	0	0	98
Social security - worker	1,164	1,374	546	85	21	485	0	3,675
Total	22,484	57,360	42,388	6,361	13,247	23,788	8	165,636

Grants

GRI 201-4

Grants				
Project title	Company	Site	Amount of aid	Agency
Idae fn-pgesi-2018-001506	Ceasa	Navia	829,006	IDAE
Indirect costs CO ₂	Ceasa	Navia	1,777,757	Ministry of Industry, Trade and Tourism
Indirect costs CO ₂	Ence	Pontevedra	1,327,651	Ministry of Industry, Trade and Tourism
Electro-intensive	Ceasa	Navia	429,549	Ministry of Industry, Trade and Tourism
Electro-intensive	Ence	Pontevedra	377,057	Ministry of Industry, Trade and Tourism
Gas-intensive	Ceasa	Navia	200,000	Ministry of Industry, Trade and Tourism
Gas-intensive	Ence	Pontevedra	200,000	Ministry of Industry, Trade and Tourism
Idae fn-pgesi-2018-002696	Ence	Pontevedra	1,361,700	IDAE
Idi-20160902 lignoprized	Ence	Pontevedra	166,195	CDTI

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

No grants have been received in any country other than Spain.



RESPONSIBLE GOVERNANCE

GOOD CORPORATE 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 2022 on the following lines of action:

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

In 2022, the company's General Shareholders' Meeting approved the amendment of the internal regulations to the Capital Companies Act, in accordance with the provisions of Act 5/2021 of 12 April, approved by Royal Legislative Decree 1/2010 of 2 July, and other financial regulations, with regard to the promotion of long-term shareholder involvement in listed companies (the "Act 5/2021"). Specifically, the amendment of the Articles of Association, the regulations of the General Shareholders' Meeting and the directors' remuneration policy were approved.

The Ence Board of Directors has also carried out:

- The approval at its February meeting of the amendment of the Board of Directors' Regulations and the new shareholder remuneration policy.
- At its May meeting, it approved the Audit Engagement and Auditor Relations Policy.

The amended Policies and regulations 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 2-17

Following the practice recommended by the CNMV in its Technical Guide 1/2019 on appointments and remuneration committees 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 is 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. The latest update of the competency matrix was reviewed and reported favourably by the nomination and remuneration committee at its meeting in March 2022 and approved by the Board of Directors at its meeting in the same month.

Competencies	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
Members of the Board												
Ignacio de Colmenares	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓
Maria Paz Robina				✓	✓	✓	✓		✓	✓	✓	
Javier Arregui	✓	✓			✓							✓
Óscar Arregui	✓	✓										
Ángel Agudo Valenciano				✓	✓	✓	✓		✓	✓	✓	✓
José Ignacio Comenge	✓	✓		✓	✓	✓			✓	✓	✓	✓
Gorka Arregui				✓	✓	✓	✓					
Carmen Aquerreta				✓	✓	✓	✓	✓		✓	✓	✓
Rosa María García			✓	✓	✓		✓		✓		✓	✓
Irene Hernández					✓	✓	✓			✓	✓	✓
Rosalía Gil-Albarellos	✓	✓	✓		✓				✓	✓	✓	
José Guillermo Zubía Guinea				✓	✓	✓	✓		✓	✓		
Fernando Abril-Martorell	✓	✓		✓	✓	✓	✓	✓		✓	✓	✓

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 2022, 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 2022, special emphasis has been placed on ESG aspects, in particular, specific classroom training has been provided on Due Diligence on the occasion of the forthcoming approval of the Directive on due diligence of companies on sustainability, as well as in relation to climate change.

This programme joins Ence's existing Welcome Programme to introduce new directors joining the company to the internal regulations and general rules of operation of the governing bodies and the securities markets.

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. Moreover, gender diversity within the Board of Directors is still one of the priorities in the refreshment process of the Board and its Committees.

The presence of women on Ence's Board of Directors remained at 38% in 2022, with all committees, except the executive committee, chaired by independent female directors.

The company remains focused on meeting the 2020 target set in its Director Selection Policy, to the extent that Board renewals make it possible to move in this direction, as well as on implementing measures to encourage the company to have a significant number of senior executives.

Thanks to the efforts that Ence has been making over the last few years to promote equality, in 2022 the company remains a member of the Ibex Gender Equality, the first index that measures the presence of women in management

positions in Spanish companies. The Ibox 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. This is why, in 2022, the General Shareholders' Meeting has approved the inclusion of the regulation of the Sustainability Committee, created in 2018, in the Company's Articles of Association.

Ownership structure

GRI 2-1

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. Its share capital and number of shares are as follows:

Share capital (€)	221,645,250
No. of shares	246,272,500
No. of voting rights	246,272,500

By 31 December 2022, Ence's shareholder structure was as follows:

Shareholder	% on 31/12/2022
Mr. Juan Luis Arregui / Retos Operativos XXI, S.L.	29.44
Mr. Víctor Urrutia / Asúa Inversiones, S.L.	7.29
Jose Ignacio Comenge / La Fuente Salada S.L.	6.38
Treasury stock	1.56
Board members with participation < 3%	0.62
Free Float	54.71
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 in charge of Ence's regular and permanent communication with the different capital market agents: shareholders and equity investors, bond holders and fixed income investors, brokers and financial analysts, credit rating agencies, etc. Its main objective is to keep the different market agents appropriately informed about the financial situation, management development, business strategy and any other relevant Company fact, ensuring the integrity, veracity, immediacy, equality and symmetry of the information.

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

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.

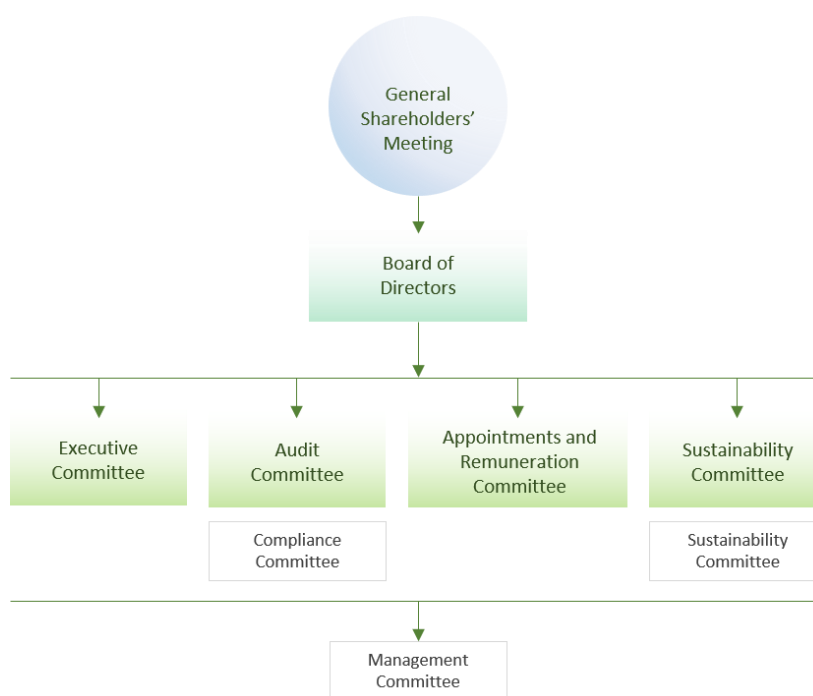
The Investor Relations Department also deals with queries from shareholders, bondholders, institutional and private investors, financial analysts and other market agents on a permanent and individual basis by e-mail, ir@ence.es, and on the shareholder's telephone line (+34 91 337 8553).

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 governing bodies

GRI 2-9, GRI 2-13, GRI 2-12

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 Shareholders' Meeting was held on 31 March 2022, at which the following resolutions were adopted:

Sustainability Report 2022

- ✓ 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 (2021 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 Irene Hernandez Alvarez as an Independent Director, Fernando Abril-Martorell Hernández as another External Director and José Guillermo Zubía Guinea as another External Director.
- ✓ Appointment of Angel Agudo Valenciano, as Proprietary Director and Carmen Aquerreta Ferraz and Ms Rosalía Gil-Albarellos Marcos as independent directors.
- ✓ Approval of the amendment to the Articles of Association.
- ✓ Approval of the amendment to the regulations of the General Shareholders' Meeting.
- ✓ Approval of the directors' remuneration policy for the financial years 2022, 2023 and 2024.
- ✓ Authorisation to the Board of Directors to acquire own shares.
- ✓ Authorisation for the Board of Directors to issue negotiable securities with simple fixed income or debt instruments of a similar nature, including preference shares, as well as fixed income securities exchangeable for or convertible into shares, with the power in the latter case to exclude pre-emptive acquisition rights up to the legal limit.
- ✓ Delegation of powers to interpret, supplement and formalise the agreements
- ✓ Advisory vote on the Annual Report on the Remuneration of Directors for 2022
- ✓ Report on the amendments made to the Company's Board of Directors Regulations since the last Annual General Meeting of Shareholders.

The average percentage of votes in favour of the agreements was 95.5%. The Meeting was held in Madrid, in the Rafael de Pino Auditorium in person, allowing and enabling the necessary means for the remote attendance of shareholders and the casting of electronic votes. 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 2-9, GRI 2-11, GRI 2-12, GRI 2-14

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 56 years
- ✓ The average length of service on the Board is 4.3 years.

Ence's Board of Directors



1 Chief Executive Officer



5 Independent Directors
1 Coordinating Director



5 Proprietary Directors



2 Other External Directors

The Independent Coordinating Director

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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 him.

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 2022

The Board dealt with the most relevant issues for the proper management of the company, among others:

- Approval of the procedure and provision of the means for holding the General Shareholders' Meeting. 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.
- Strategic reflection. Navia Excelente, fluff, decarbonisation and special products
- Update of the risk map.
- Situation of the Pontevedra biofactory in relation to water availability.
- Approval of Investments.
- Pulp business innovation projects
- Approval of the 2023 sustainability objectives.
- Approval of the Audit Engagement and Auditor Relations Policy.
- Approval of the shareholder remuneration policy.
- Approval of the amendment to the Regulations of the Board of Directors.
- Approval of the payment of the first cycle of the ILP 2019-2023.
- 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.

Selection and assessment

GRI 2-10, GRI 2-18

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.

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 annual self-assessment lead to an action plan for the following year.

Remuneration:

GRI 2-19, GRI 2-20

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 2022-2024 was approved by the company's shareholders at the General Meeting held on 31 March 2021, with 98.79% 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 14 to 17 of the Regulations of the Board of Directors. Details of these functions can also be found in the Annual Corporate Governance Report 2022

		2021 Committees composition and meetings			
Directors	Legal category Council	Executive Commission	Audit Committee	Appointments and Remuneration Committee	Sustainability Commission
Mr. Ignacio de Colmenares	Chief Executive Officer	C			
Ms Irene Hernández	Independent Coordinating Director	F	C	F	
Mr Javier Arregui	Proprietary Director		F		F
D. Óscar Arregui	Proprietary Director	F			
José Ignacio Comenge	Proprietary Director	F			
Mr Gorka Arregui	Proprietary Director	F		F	
Angel Agudo	Proprietary Director				F
Ms Rosalía Gil-Albarellos	Independent Director			F	F
Ms Rosa María Garcia	Independent Director		F		C
Ms Carmen Aquerreta	Independent Director		F		
Ms Maria Paz Robina	Independent Director			C	F
Mr. Fernando Abril-Martorell	Other External Director	F		F	
Mr. José Guillermo Zubía	Other External Director	F	F		
% of women	38%	14%	60%	60%	40%
% of independent ones	38%	14%	60%	60%	40%
Independent Chairperson			✓	✓	✓
2022 Meetings	13 (Council)	7	7	9	5
% attendance	98.8% (Council)	98%	100%	97.6%	93.3%

M: member; C: chairperson

The main points addressed by the Committees during the financial year 2022 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
María José Zueras Saludas	Managing Director of Human Resources

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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 Celulosa

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 2-23, GRI 2-26

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 included, among other changes, the capacity for the Secretary to receive multiple claims in addition to the Chairperson of the Audit Committee.

In 2022, only 1 claim related to potential breaches of the Code of Conduct were received. Ence carried out the appropriate investigations, 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.

In 2022, Ence has also developed a Corporate Policy that regulates the internal communication channel and the Whistleblowing Channel Procedure has been reviewed, updated and adapted to the Law regulating the protection of persons who report regulatory infringements and the fight against corruption, which transposes Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law.

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 34 audit reports were completed in 2022.

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 2022, the supplier adherence and approval process has been 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. During the year, internal regulations were reviewed, updated, developed and implemented in order to create control mechanisms that minimise the risk of crime and reinforce Ence's Crime Prevention System, specifically, the Code of Conduct, the Whistleblower Channel Procedure and the Anti-Corruption and Fraud Policy.

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.

During the third quarter of the year, the **Crime Prevention Model was audited** for the first time internally, with the aim of reviewing the effectiveness of the controls defined in Ence's Crime Prevention System, as well as the degree of implementation and operation of the existing control mechanisms. In addition, the criminal risk and control matrices and the Criminal Risk Map 2022 were reviewed and updated this year, including new applicable offences. The issued audit report assessed the process as adequate and included a series of recommendations with the aim of reinforcing the Crime Prevention System, updating the Criminal Risk Matrix, including the latest regulatory modifications, as well as incorporating best practices in criminal compliance.

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 2022, 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 transmit the company's commitment to integrity in all its operations to all the people who work in the company. To this end, Ence implements a variety of initiatives to raise awareness in this area and every year carries out training activities on ethics and compliance for its employees.

In 2022, 663 people (58.2% of the workforce) took part in training actions on Compliance.

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 3-1

The information included in the 2022 Sustainability Report pertains to **all the activities carried out by Grupo Ence Energía y Celulosa S.A.** from 1 January 2022 to 31 December 2022. 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 Law 11/2018 of 29 December, which amends the Commercial Code, the revised text of the Law on Capital Companies approved by Royal Legislative Decree 1/2010 of 2 July, and Law 22/2015 of 20 July, on Accounts Auditing in the area of non-financial information and diversity.

Annex V 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.

This report also responds to the disclosure requirements set out in **Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council** of 18 June 2020 on establishing a framework to facilitate sustainable investment (**Taxonomy**). Specifically, the report breaks down the degree of eligibility and alignment of the economic activities of the Ence Energía y Celulosa S.A. Group in relation to climate change mitigation and adaptation goals. The report has been prepared in compliance with the specifications set out in Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of the information to be disclosed by companies subject to Articles 19a or 29a of Directive 2013/34/EU regarding environmentally sustainable economic activities, and specifying the methodology for complying with the disclosure obligation. The guidelines set out in Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy industries and Delegated Regulation (EU) 2021/2178 as regards public disclosure of specific information on these economic activities have also been followed.

Reference standards

GRI 1

The 2022 Sustainability Report has been developed in accordance with the Global Reporting Initiative (GRI) GRI Standards. 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 2022 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 **principle of materiality**, the process followed by Ence to identify and prioritise the material aspects for its stakeholders and for the company itself as well as the updates pertaining to financial year 2022 are detailed in the "Materiality Analysis" section of this report.

With this materiality analysis, Ence ensures that both the priorities set out in its 2019-2023 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	For communities

Reduction of odour, noise and other impacts	For health and the environment
Protection of the environment and of biodiversity	For health and the environment / For the rural environment
Sustainability of the forestry sector	For the rural environment
Occupational health and safety	For health and the environment
Water management	For health and the environment
Responsible supply chain	For the rural environment
Waste management and circular economy	For health and the environment
Corporate governance, ethics and compliance	Responsible government
Business model, performance and competitiveness	Business model
Regulatory and tax environment	Business model / Responsible governance
Efficiency	For health and the environment
Rural development	For the rural environment
Products with sustainability attributes	For customers
Climate change	Defending the climate
Customer satisfaction	For customers
Talent management	For people
Job creation	For individuals / For communities
Sustainable materials and product safety	For customers
Diversity and equal opportunities	For people
R&D investment	Innovate to transform
Digitisation	Innovate to transform
Data protection	Innovate to transform
Human Rights	Responsible governance / For the rural environment

This report also includes an Annex (V) with a list of the **Sustainability Accounting Standard Board (SASB)** indicators applicable to the Ence Energía y Celulosa S.A. Group based on the activities carried out by the company, 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

Post-closure events

On 7 February 2023, the news was posted on the website of the General Council of the Judiciary that the Fifth Section of the Administrative Chamber of the Spanish Supreme Court upheld the appeals filed by Ence and other entities against the judgements of the Spanish High Court which annulled the Resolution of 20 January 2016, of the Director General for Sustainability of the Coast and the Sea, which granted Ence a 60-year extension of the concession for the occupation of a strip of public maritime land for the cellulose pulp mill in Pontevedra, thus endorsing the 60-year extension of the concession for the Pontevedra biofactory.

Contact information

GRI 2-3

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 - Environmental and social indicators

Focusing on people

Information on employees and workers

Workforce at the end of 2021 by professional group, age, gender and country					
Professional group/Age	SPAIN		PORTUGAL		TOTAL
	Men	Women	Men	Women	
CLERICAL WORKERS	16	45	0	0	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	0	0	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	0	0	62
From 31 to 50 years old	28	10			38
Over 50 years old	20	4			24
MANAGERS	60	21	0	0	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	0	0	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	0	0	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	0	0	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 2022 by professional group, age, gender and country					
Professional group/Age	SPAIN		PORTUGAL		TOTAL
	Men	Women	Men	Women	
CLERICAL WORKERS	15	40	0	0	55
Up to 30 years old	2	1			3
From 31 to 50 years old	6	28			34
Over 50 years old	7	11			18
SUPPORT AND IMPROVEMENT	47	42	0	0	89
Up to 30 years old	3	4			7
From 31 to 50 years old	26	23			49
Over 50 years old	18	15			33
GENERAL MANAGEMENT	54	15	0	0	69
From 31 to 50 years old	33	8			41

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Over 50 years old	21	7			28
MANAGERS	63	24	0	0	87
Up to 30 years old		2			2
From 31 to 50 years old	42	16			58
Over 50 years old	21	6			27
MAINTENANCE	123	3	0	0	126
Up to 30 years old	5				5
From 31 to 50 years old	98	3			101
Over 50 years old	20				20
OPERATORS	277	36	0	0	313
Up to 30 years old	25	17			42
From 31 to 50 years old	228	19			247
Over 50 years old	24				24
TEAM MANAGER	69	5	0	0	74
Up to 30 years old	1				1
From 31 to 50 years old	48	4			52
Over 50 years old	20	1			21
TECHNICIANS	200	133	1	1	335
Up to 30 years old	27	28			55
From 31 to 50 years old	134	98	1	1	234
Over 50 years old	39	7			46
Overall total	848	298	1	1	1,148

Workforce at the end of 2021 by contract type, age, gender and country					
Type of contract/Age	SPAIN		PORTUGAL		TOTAL
	M	F	M	F	
PERMANENT	785	236	1	1	1023
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	0	0	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 2022 by contract type, age, gender and country					
Type of contract/Age	SPAIN		PORTUGAL		TOTAL
	Men	Women	Men	Women	
PERMANENT	811	264	1	1	1077
Up to 30 years old	40	36			76
From 31 to 50 years old	603	181	1	1	786
Over 50 years old	168	47			215
TEMPORARY	37	34	0	0	71
Up to 30 years old	23	16			39
From 31 to 50 years old	12	18			30
Over 50 years old	2				2
Overall total	848	298	1	1	1,148

Workforce at the end of 2021 by type of working day, age, gender and country					
Type of working day/Age	SPAIN		PORTUGAL		TOTAL
	Men	Women	Men	Women	
FULL TIME	847	262	1	1	1111
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	0	0	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

Workforce at the end of 2022 by type of working day, age, gender and country						
Type of working day/Age	SPAIN			PORTUGAL		TOTAL
	Men	Women	Men	Women		
FULL TIME	842	282	1	1	1126	
Up to 30 years old	63	50			113	
From 31 to 50 years old	609	185	1	1	796	
Over 50 years old	170	47			217	
PART TIME	6	16	0	0	22	
Up to 30 years old		2			2	
From 31 to 50 years old	6	14			20	
Overall total	848	298	1	1	1,148	

2021 Workforce percentage by type of group, gender and country				
Type of group	SPAIN		PORTUGAL	
	Men	Women	Men	Women
Individual contract	67%	33%	50%	50%
Collective bargaining agreement	81%	19%		
Overall total	75%	25%	50%	50%

2022 Workforce percentage by type of group, gender and country				
Type of group	SPAIN		PORTUGAL	
	Men	Women	Men	Women
Individual contract	65%	35%	50%	50%
Collective bargaining agreement	81%	19%		
Overall total	74%	26%	50%	50%

No. of people by end of 2021 by group, gender and country.						
Row labels	SPAIN			PORTUGAL		TOTAL
	Men	Women	Men	Women		
Individual contract	304	151	1	1	457	
Collective bargaining agreement	548	128			676	
Overall total	852	279	1	1	1,133	

No. of people by end of 2022 by group, gender and country.						
Type of contract	SPAIN			PORTUGAL		TOTAL
	Men	Women	Men	Women		
Individual contract	317	171	1	1	490	
Collective bargaining agreement	531	127			658	
Overall total	848	298	1	1	1,148	

2021 Redundancies						
	Spain			Portugal		
	Men	Women	Total	Men	Women	Total
General management	1	0	1	0	0	0
Managers	1	0	1	0	0	0
Support and improvement	1	0	1	0	0	0
Technicians	4	0	4	0	0	0
	3		3			
	1		1			
Total	7	0	7	0	0	0

2022 Redundancies		Spain			Portugal		
	Sex (M/F)	M	F	Total	M	F	Total
General management		3	0	3	0		0
	From 31 to 50 years old	1		1			
	Over 50 years old	2		2			
Technicians		3	2	5	2		2
	From 31 to 50 years old		2	2			
	Up to 30 years old				2		2
	Over 50 years old	3		3			
Total		6	2	8	2	0	2

Remuneration of employees

Average remuneration 2022 by professional group (€)						
Professional group	ENCE Group (without Norfor)			Northern Forest		
	Men	Women	TOTAL	Men	Women	TOTAL
General management	168,332.2	138,847.9	160,167.3	0.0	0.0	0.0
Managers	95,774.1	90,938.7	94,184.4	0.0	0.0	0.0
Technicians	57,924.4	49,918.2	54,857.5	0.0	0.0	0.0
Team managers	64,581.8	75,874.7	65,192.3	0.0	0.0	0.0
Operators	49,841.0	35,977.3	46,583.0	0.0	0.0	0.0
Maintenance	45,863.8	38,033.5	45,608.4	0.0	0.0	0.0
Support and improvement	49,683.5	49,724.3	49,696.8	24,064.3	23,926.8	23,958.5
Clerical workers	44,831.1	42,527.8	43,080.6	0.0	0.0	0.0
Total average remuneration	65,985.3	56,817.4	63,250.8	24,064.3	23,926.8	23,958.5

Average remuneration by professional group (€)						
Professional group	2020		2021		2022	
	ENCE Group (without Norfor)	Northern Forest	ENCE Group (without Norfor)	Northern Forest	ENCE Group (without Norfor)	Northern Forest
General management	139,482.0		149,117.0		160,167.3	0
Managers	91,373.0		88,880.1		94,184.4	0
Technicians	53,424.0		52,853.4		54,857.5	0
Team managers	59,516.0		59,877.1		65,192.3	0
Operators	44,383.0		44,180.3		46,583.0	0
Maintenance	38,451.0		41,750.5		45,608.4	0
Support and improvement	45,794.0		46,500.6	22,426.2	49,696.8	23,958.5
Clerical workers	40,984.0		41,207.5	18,606.9	43,080.6	0.0
Total	52,109.0	21,005.0	54,789.2	22,260.1	63,250.8	23,958.5

Average remuneration by age (€)						
	2020		2021		2022	
	ENCE Group (without Norfor)	Northern Forest	ENCE Group (without Norfor)	Northern Forest	ENCE Group (without Norfor)	Northern Forest
Up to 30 years old	39,381.0	20,508.0	40,860.2		41,204.6	
From 31 to 50 years old	51,597.0	20,737.0	53,727.0	21,672.5	60,748.8	23,797.6
Over 50 years old	74,267.0	21,359.0	74,359.0	22,901.2	86,334.5	24,146.3
Total	52,109.0	21,005.0	54,789.2	22,260.1	63,251.0	23,959.0

Average remuneration by gender (€)	2020		2021		2022	
	ENCE Group (without Norfor)	Northern Forest	ENCE Group (without Norfor)	Northern Forest	ENCE Group (without Norfor)	Northern Forest
Men	52,517.0	19,810.0	55,404.4	20,713.4	65,985.0	24,064.0
Women	50,495.0	21,293.0	52,808.2	22,492.2	56,817.0	23,927.0
Total	52,109.0	21,005.0	54,789.2	22,260.1	63,251.0	23,959.0

Pay gap	2020				2021				2022			
	ENCE Group		Northern Forest		ENCE Group		Northern Forest		ENCE Group		Northern Forest	
Types	F	Md	F	Md	F	Md	F	Md	F	Md	F	Md
Gender pay gap	3.8%	4.9%	-7.5%	1.3%	4.7%	14.2%	-8.6%	2.4%	13.8%	13.3%	0.6%	-7.6%
Gender pay gap in terms of bonus*	16.1%	19.4%	1.0%	-5.1%	14.1%	23.0%	10.7%	6.6%	14.3%	16.1%	-17.5%	-0.3%

M: mean; Md: Median

Salary gap management committee	2020		2021		2022	
	ENCE Group (without Norfor)		ENCE Group (without Norfor)		ENCE Group (without Norfor)	
Types	Mean	Median	Mean	Median	Mean	Median
Gender pay gap	-10.0%	-8.0%	3.2%	14.2%	5.0%	13.3%
Gender pay gap in terms of bonus*	-104.0%	-149.0%	-16.4%	-33.6%	11.8%	-0.2%

2022 Pay gap by group

Professional Group	ENCE Group (without Norfor)	Northern Forest
General management	17.5%	0%
Managers	4.9%	0%
Technicians	13.7%	0%
Team managers	-18.1%	0%
Operators	28.1%	0%
Maintenance	16.7%	0%
Support and improvement	-0.1%	0.6%
Clerical workers	5.0%	0%
Gender pay gap	13.8%	0.6%

2022 Pay gap by age

2022 Pay gap	ENCE Group (without Norfor)	Northern Forest
Up to 30 years old	8.9%	0%
From 31 to 50 years old	7.3%	-17.0%
Over 50 years old	9.1%	22.6%
Gender pay gap	13.8%	0.6%

Gender distribution by quartiles	2020				2021				2022			
	ENCE Group (without Norfor)		Northern Forest		ENCE Group (without Norfor)		Northern Forest		ENCE Group (without Norfor)		Northern Forest	
Quartiles	M	F	M	F	M	F	M	F	M	F	M	F
Lower quartile	82.0%	18.0%	18.0%	82.0%	22.4%	33.7%	33.3%	25.0%	19.0%	40.0%	33.0%	20.0%
Lower Median Quartile	74.0%	26.0%	18.0%	82.0%	25.1%	25.0%	0%	30.0%	26.0%	21.0%	33.0%	20.0%
Upper Median Quartile	82.0%	18.0%	35.0%	65.0%	28.1%	15.2%	66.7%	20.0%	28.0%	18.0%	0%	30.0%
Upper Quartile	82.0%	18.0%	6.0%	94.0%	24.5%	26.1%	0%	25.0%	27.0%	21.0%	33.0%	30.0%

Gender distribution by quartiles	2020				2021				2022			
	ENCE Group (without Norfor)		Northern Forest		ENCE Group (without Norfor)		Northern Forest		ENCE Group (without Norfor)		Northern Forest	
	M	F	M	F	M	F	M	F	M	F	M	F
Lower quartile	82.0%	18.0%	18.0%	82.0%	68.1%	31.9%	16.7%	83.3%	52.2%	47.8%	33.3%	66.7%
Lower Median Quartile	74.0%	26.0%	18.0%	82.0%	76.3%	23.7%	0%	100%	74.6%	25.4%	33.3%	66.7%
Upper Median Quartile	82.0%	18.0%	35.0%	65.0%	85.7%	14.3%	33.3%	66.7%	78.6%	21.4%	0%	100%
Upper Quartile	82.0%	18.0%	6.0%	94.0%	75.1%	24.9%	0%	100%	75.1%	24.9%	25.0%	75.0%

Proportion of employees receiving bonuses	2020				2021				2022			
	ENCE Group (without Norfor)		Northern Forest		ENCE Group (without Norfor)		Northern Forest		ENCE Group (without Norfor)		Northern Forest	
	M	F	M	F	M	F	M	F	M	F	M	F
Percentage of employees receiving bonuses	88.0%	81.0%	100%	90%	93.8%	85.5%	100%	100%	92.0%	90.0%	100%	100%

Proportion of employees receiving bonuses CD	2020		2021		2022	
	ENCE Group (without Norfor)		ENCE Group (without Norfor)		ENCE Group (without Norfor)	
	Men	Women	Men	Women	Men	Women
Percentage of employees receiving bonus CD	100.0%	100.0%	100.0%	100.0%	80.0%	100.0%

Training

Total hours of training by professional group and gender			
Professional group	Men	Women	Total
Clerical workers	149.5	337.0	486.5
Support and improvement Quality Control	1,218.0	1,453.5	2,671.5
Management	996.0	333.5	1,329.5
Managers	1,191.5	582.5	1,774.0
Maintenance	1,729.5	48.5	1,778.0
Operators	5,997.0	902.5	6,899.5
Team Leaders	1,332.5	64.0	1,396.5
Technicians	3,207.0	2,417.5	5,624.5
Overall total	15,821.0	6,139.0	21,960.0

Protecting health and the environment

NOTE: The data for the Pontevedra biofactory for the 2022 financial year have been affected by the four months of inactivity of the plant caused by the drought suffered in the region and the consequent unavailability of water for the process.

Number of accidents

No. of accidents	2020				2021				2022			
	OS		ES		OS		ES		OS		ES	
Type	L	WL	L	WL	L	WL	L	WL	L	WL	L	WL
Pulp	4	14	4	6	4	17	1	12	3	19	0	10
Energy	3	5	6	14	0	3	0	15	4	2	3	9
Forestry*	2	1	22	4	1	5	17	2	0	5	16	8
Total	85				77				79			

OS: Own staff; ES: External Staff L: Leave NL: No leave

Contents	2021					2022				
	Internal Staff		External Staff		Total	Internal Staff		External Staff		Total
Frequency Rate	M	F	M	F	Total	M	F	M	F	Total
Pulp	3.229	6.319	1.705	0.000	2.842	1.900	5.570	0.000	0.000	1.510
Energy	0.000	0.000	0.000	0.000	0.000	12.970	14.980	3.960	0.000	6.010
Forestry	4.100	0.000	13.545	31.754	11.665	0.000	0.000	13.030	0.000	9.440
Severity Rate	M	F	M	F	Total	M	F	M	F	Total
Pulp	0.152	0.158	0.428	0.000	0.237	0.054	0.457	0.000	0.000	0.070
Energy	0.000	0.000	0.052	0.000	0.035	0.056	0.150	0.228	0.000	0.168
Forestry	0.062	0.000	0.809	0.111	0.595	0.000	0.000	0.615	0.000	0.446

Fuel consumption

Coke consumption (TJ)			
Site	2020	2021	2022
Pontevedra	143.2	61.8	0.006
Total	143.2	61.8	0.006

Coke consumption has been reduced compared to previous years because, as a measure to reduce the company's carbon footprint, the use of this fossil fuel was discontinued, and the consumption reflected in 2022 corresponds to the carryover from previous years.

Fuel consumption (TJ)			
Site	2020	2021	2022
Navia	215.3	256.1	1,072.1
Pontevedra	1,050.4	827.7	620.6
Huelva	45.4	1.2	0.1
Total	1,311.1	1,085.0	1,692.8

The increase in fuel oil consumption in Navia is due to the substitution of natural gas for fuel oil in the furnaces, as a preventive measure against the increase in price and possible lack of gas supply as a result of the conflict in the Ukraine. .

Propane consumption (TJ)			
Site	2020	2021	2022
Navia	0.0	0.1	0.1
Pontevedra	2.2	0.3	1.4
Huelva	0.1	0.0	0.0
Total	2.3	0.4	1.4

Biomass consumption (TJ)			
Site	2020	2021	2022
Navia*	3,199.0	3,093.0	2,752.2
Pontevedra*	1,662.0	1,976.8	1,431.3
Huelva	9,877.0	8,063.1	10,447.4
Merida	2,267.0	1,936.5	1,917.2
Enemansa	1,306.0	1,550.0	1,090.8
La Loma	1,430.0	1,356.0	1,209.9
Lucena	1,527.0	1,468.0	1,431.6
Biollano	2,946.0	3,270.9	3,273.0
Total	24,214.0	22,714.4	23,553.3

* Adding the consumption of internal biomass, external biomass and sludge

Black liquor consumption (TJ)			
Site	2020	2021	2022
Navia	6,995.0	10,658.0	10,175.1
Pontevedra	5,501.0	5,939.6	3,776.5
Total	12,496.0	16,597.6	13,951.7

Natural gas consumption (TJ)			
Site	2020	2021	2022
Navia	889.3	870.4	47.8
Lucena	1,091.8	958.4	722.0
Total	2,026.7	1,828.8	769.8

Diesel A consumption (TJ)			
Site	2020	2021	2022
Navia		0.0	0.1
Lucena	N/A	N/A	0.2
Total	0.0	0.0	0.3

Diesel B consumption (TJ)			
Site	2020	2021	2022
Navia		0.1	0.4
Pontevedra		1.3	
Huelva	1.5	18.5	9.9
Merida	5.3	0.3	0.8
Total	6.8	20.2	11.1

The decrease in diesel consumption in the Huelva plants is due to the greater stability of the plants. Diesel is used in the start-up of one of the Huelva plants and fewer plant start-ups were necessary in 2022.

Diesel C consumption (TJ)			
Site	2020	2021	2022
Enemansa	11.1	12.5	5.6
La Loma	7.2	4.1	4.3
Biollano	0.6	1.0	0.6
Total	18.9	17.6	10.5

Electricity

Electricity generation (GWh)			
Site	2020	2021	2022
Navia	606.3	601.0	597.2
Pontevedra	256.4	275.6	147.6
Huelva	726.8	663.6	836.5

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Merida	164.9	169.3	156.6
Enemansa	92.5	115.6	81.2
La Loma	102.7	105.9	93.7
Lucena	211.1	198.3	158.3
Biollano	255.4	314.7	302.7
Total	2,482.5	2,444.0	2,373.8

Electricity generation at Enemansa and Lucena was lower in 2022 than in 2021 because the plants remained idle for several months of the year (in the case of Lucena, only cogeneration with natural gas).

Electricity sales (GWh)

Site	2020	2021	2022
Navia	568.6	565.6	561.9
Pontevedra	247.9	265.8	136.5
Huelva	665.3	612.2	767.1
Merida	147.9	152.0	140.1
Enemansa	81.7	101.6	70.5
La Loma	88.6	92.0	80.9
Lucena	196.4	183.5	145.8
Biollano	235.0	288.9	277.0
Total	2,291.2	2,261.6	2,179.9

Grid electricity consumption (GWh)

Site	2020	2021	2022
Navia	304.1	315.4	303.6
Pontevedra	251.1	248.9	153.6
Huelva	16.2	21.4	17.6
Merida	1.2	1.1	1.3
Enemansa	0.5	0.1	0.4
La Loma	0.6	0.6	0.7
Lucena	1.0	1.0	1.3
Biollano	1.9	1.3	1.1
Total	581.9	589.7	479.7

Electricity self-consumption (GWh)

Site	2021	2021	2022
Navia	30.8	30.8	30.8
Pontevedra	9.9	9.9	11.1
Huelva	51.4	51.4	70.5
Merida	17.3	17.3	17.0
Enemansa	14.0	14.0	10.7
La Loma	13.9	13.9	12.8
Lucena	14.8	14.8	12.5
Biollano	25.8	25.8	25.7
Total	177.9	177.9	191.1

Energy intensity (MWh/tAD)*

Site	2020	2021	2022
Navia	0.5	0.5	0.5
Pontevedra	0.6	0.6	0.6

*Consumption of grid electricity between production

Energy intensity (GJ biomass/GWh)

Site	2020	2021	2022
Huelva	13,589.0	12,151.2	12,488.9

Merida	13,744.7	11,440.3	12,242.3
Enemansa	14,115.3	13,402.6	13,429.0
La Loma	13,919.1	12,800.9	12,912.9
Lucena	7,234.2	7,403.7	9,043.2
Biollano	11,538.3	10,395.4	10,812.7

Steam consumption

Cogeneration steam consumption (TJ)			
Site	2020	2021	2022
Navia	6,851.4	7,010.1	7,235.2
Pontevedra	7,069.6	7,179.3	3,233.6
Total	13,921.0	14,189.4	10,468.8

Heat sales

Heat sales (TJ)			
Site	2020	2021	2022
Lucena	702.2	480.0	302.3
Total	702.2	480.0	302.3

The higher number of plant outages in 2022 due to gas/pool prices has led to less heat generation for the dryers and therefore less heat sales.

Materials used by weight or volume

Soda consumption (t)			
Site	2020	2021	2022
Navia	13,798.9	13,666.0	14,720.2
Pontevedra	9,849.0	8,858.0	5,615.2
Huelva	860.9	898.6	1,051.1
Merida	2.5	0.5	0.3
Enemansa		22.5	12.5
Lucena		10.5	8.4
Biollano	1.7	1.3	2.2
Total	24,514.6	23,457.4	21,409.8

The lower consumption of soda at Enemansa and Pontevedra is due to the shorter operating time of the plant compared to the previous year.

Sulphuric acid consumption (t)			
Site	2020	2021	2022
Navia	17,120.5	16,663.0	16,237.0
Pontevedra	5,177.6	4,356.0	2,871.0
Huelva	166.0	142.4	51.7
Merida	20.2	11.2	8.1
Lucena		19.6	9.4
Biollano	10.5	19.4	26.8
Total	22,498.7	21,211.6	19,204.0

In Huelva, the effluent pH measurements were lower than in 2021 so it was necessary to use less sulphuric acid to correct the pH. In the case of Lucena, the lower activity of the plant during the year resulted in a lower overall consumption of all materials, including sulphuric acid.

At the Biollano plant, the increase in the consumption of this material occurred both in the effluent treatment plant due to purges to improve the cleaning of the condenser, and in the demineralised water production plant due to the low quality of the water from the reservoir from which the facility is supplied.

Hydrogen peroxide consumption (t)			
Site	2020	2021	2022
Navia	3,770.9	3,973.0	4,032.7
Pontevedra	7,672.1	6,779.0	3,866.5
Total	11,443.0	10,752.0	7,899.1

Chlorate consumption (t)			
Site	2020	2021	2022
Navia	12,191.0	12,487.0	11,799.8
Total	12,191.0	12,487.0	11,799.8

Carbonate consumption (t)			
Site	2020	2021	2022
Navia	278.7	291.0	455.0
Pontevedra	3.3	46.0	8.7
Total	282.0	337.0	463.7

Oxygen consumption (t)			
Site	2020	2021	2022
Navia	11,758.0	12,776.0	14,096.4
Pontevedra	9,794.0	9,569.0	4,912.6
Total	21,552.0	22,345.0	19,009.0

Ammonia consumption (t)			
Site	2020	2021	2022
Huelva	631.7	569.2	766.6
Merida	309.0	412.7	200.9
Enemansa	222.3	305.8	177.1
La Loma	425.8	287.4	238.9
Biollano	760.9	787.0	762.4
Total	2,349.7	2,362.1	2,145.9

In 2022, operational adjustments were made to reduce ammonia consumption at the Merida plant, with very positive results.

Sand consumption (t)			
Site	2020	2021	2022
Huelva	9,703.1	9,998.9	9,155.2
Total	9,703.1	9,998.9	9,155.2

Lime consumption (t)			
Site	2020	2021	2022
Navia	7,706.8	9,191.0	7,900.1
Pontevedra	4,323.9	3,585.8	1,701.2
Huelva	42.4	138.2	281.1
Merida	47.8	121.5	83.9
Biollano		9.0	105.2
Total	12,078.5	13,045.5	10,071.5

The increase in lime consumption in Huelva and Biollano is due to changes in the composition of the biomass mix consumed by the plants.

Hypochlorite consumption (t)			
Site	2020	2021	2022
Huelva		92.7	179.1
Merida		52.4	17.7
Enemansa		0.6	1.6
La Loma		2.5	2.4
Lucena		81.5	58.8
Total	-	229.7	259.5

The shut down of the Lucena cogeneration plant has resulted in lower consumption of hypochlorite at the facility.

Hydrochloric acid consumption (t)			
Site	2020	2021	2022
Merida		11.4	2.0
Enemansa		19.2	9.6
La Loma		13.2	13.2
Lucena		99.6*	84.0
Total	-	143.4	108.8

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*The figure reported in 2021 was 13.2. The revised figure is 99.6 tn.

In Merida, measures have been implemented to reduce the consumption of chemical materials, with very positive results. At Enemansa, the reduction in hydrochloric acid consumption was due to the shut down of the plant from mid-October until the end of the year.

Refrigerant gas consumption (kg)			
Site	2020	2021	2022
Huelva		47.0	55.0
Merida		27.0	0.0
Enemansa		0.0	4.7
Lucena	-	0.0	0.4
La Loma		0.0	0.0
Biollano		0.0	0.0
Total		74.0	60.1

Wrapping paper consumption (t)			
Material	2020	2021	2022
Navia	1223.1	1,271.0	1,247.8
Pontevedra	1,120.0	1,170.0	578.1
Total	2,343.1	2,441.0	1,825.9

Use of tied and unutilised wire (t)			
Material	2020	2021	2022
Navia	1253.6	1,259.0	1,370.4
Pontevedra	1,063.7	1,157.0	565.5
Total	2,317.3	2,416.0	1,935.9

Water consumption

Surface water consumption (thousands of m ³)			
Site	2020	2021	2022
Navia	19,456.5	20,640.2	18,183.5
Pontevedra	13,062.6	12,462.4	6,817.9
Huelva	3,497.2	4,292.2*	5,262.2
Merida	700.4	670.8	596.6
Biollano	845.1	983.2	962.1
Total	37,850.7	38,168.7	31,822.3

*The figure reported in 2021 was 3,412.2 thousand m³, but it has been verified that the measurement was made with an erroneous calibration factor of the flow meter. The correct figure is 4,292.2 thousand m³.

Surface water consumption at the Huelva plants has increased in 2022 compared to 2021 due to a longer period of plant activity.

Groundwater consumption (thousands of m ³)			
Site	2020	2021	2022
Enemansa	33.2	30.4	21.3
Biollano	1.5	6.9	13.0
Total	34.7	37.3	34.4

Reused water consumption (thousands of m ³)			
Site	2020	2021	2022
Pontevedra			530.1
Lucena	490.9	526.9	511.3
Total	490.9	526.9	1041.4

Municipal supply consumption (thousands of m ³)			
Site	2020	2021	2022
Huelva	43.6	22.0	22.4
La Loma	52.6	43.8	40.3
Lucena	0.8	0.6	0.5
Total	97.0	66.4	63.1

Total water consumption (thousands of m³)			
Site	2020	2021	2022
Navia	19,456.5	20,640.2	18,183.5
Pontevedra	13,062.6	12,462.4	7,348.0
Huelva	3,540.9	3,434.2	5,284.6
Merida	700.4	670.8	596.6
Enemansa	33.2	30.4	21.3
La Loma	52.6	43.8	40.3
Lucena	492.5	527.5	511.8
Biollano	846.6	990.0	975.1
Total	38,474.1	38,799.4	32,961.2

Waste parameters

Effluents volume (thousands m³)			
Site	2020	2021	2022
Navia	18,393.1	18,947.7	17,373.8
Pontevedra	10,267.3	10,744.7	6,200.6
Huelva	1,766.4	1,514.1	1,950.7
Merida	461.3	383.7	305.4
Enemansa	5.0	14.6	9.7
La Loma	12.9	12.7	13.4
Lucena	240.6	251.6	237.2
Biollano	361.5	428.7	370.1
Total	31,604.7	32,297.7	26,460.9

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
Merida	Guadiana channel
Enemansa	Villarta de San Juan WWTP
La Loma	La Parrilla stream
Lucena	X: 367,373, Y: 4,135,881, HUSO: 30
Biollano	River Ojailén

SS (mg/l)			
Site	2020	2021	2022
Navia	11.9	12.0	8.0
Pontevedra	14.0	< 19.5	14.2
Huelva	6.3	5.2	7.0
Merida	10.1	8.1	7.0
Enemansa	41.9	17.0	48.1
La Loma	2.0	4.4	3.2
Lucena	7.0	7.0	12.8
Biollano	56.0	13.6	18.4

pH			
Site	2020	2021	2022
Navia	7.7	7.7	7.8
Pontevedra	7.3	7.6	7.6
Huelva	7.2	7.2	7.4
Merida	7.7	7.8	8.2
Enemansa	8.3	8.1	8.1
La Loma	7.7	7.5	7.9
Biollano	8.0	7.9	7.8

COD (mg/l)			
Site	2020	2021	2022
Navia	91.8	73.0	107.0
Pontevedra	115.0	118.5	117.0
Merida	24.9	22.1	27.1
Enemansa	42.5	26.8	68.3

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La Loma	19.5	27.0	25.0
Lucena	32.8	27.0	32.3
Biollano	46.3	64.3	52.8

Conductivity (µS/cm)

Site	2020	2021	2022
Navia	3,070.0	3,053.0	2,987.2
Merida	939.1	801.8	903.2
Enemansa	3,743.0	2,420.3	3,146.0
Lucena	1,223.0	1,247.0	1,313.3
Biollano	593.5	722.6	674.2

BOD (mg/l)

Site	2020	2021	2022
Navia	27.6	24.0	38.0
Pontevedra	< 5	< 8	9.0
Merida	6.4	4.3	3.7
Enemansa	11.8	6.9	16.8
Lucena	8.0	12.0	6.6
Biollano	5.0	N/A	N/A

AOX (mg/l)

Site	2020	2021	2022
Navia	0.0	0.0	0.5
Pontevedra	< 0.01	< 0.01	0.0
Biollano	0.2	0.2	

Total N (mg/l)

Site	2020	2021	2022
Navia	1.7	2.3	1.3
Pontevedra	6.5	<9	8.4
Huelva	1.1	1.1	1.1
Merida	4.1	4.9	3.8
Enemansa*	3.3	1.5	2.5

* N in Enemansa is not total N but ammoniacal N

Total P (mg/l)

Site	2020	2021	2022
Navia		1.1	1.0
Pontevedra	1.0	0.9	1.0
Huelva	1.0	1.0	0.3
Merida	0.3	0.2	0.3
Enemansa	1.2	0.6	1.7

Oils and grease (mg/l)

Site	2020	2021	2022
Navia	<0.5	<0.5	0.0
Huelva	2.5	2.5	0.7
Merida	0.5	0.5	0.5
Enemansa	0.6	0.5	0.5

Chlorides (mg/l)

Site	2020	2021	2022
Merida	137.2	108.3	115.2

TOC (mg/l)

Site	2020	2021	2022
Huelva	2.7	2.7	2.5

Sulphates (mg/l)

Site	2020	2021	2022
Merida	207.9	142.5	132.6

Nitrates (mg/l)			
Site	2020	2021	2022
Merida	16.5	17.4	16.0

Free Residual Chlorine (mg/l)			
Site	2020	2021	2022
Huelva		0.1	0.1
Merida		0.05	0.06
Biollano		0.1	0.04

Waste

Hazardous waste generation (t)			
Site	2020	2021	2022
Navia	194.3	147.0	108.7
Pontevedra	113.1	143.5	104.5
Huelva	315.7	127.3	165.8
Merida	3.8	3.6	5.1
Enemansa	15.6	1.1	2.3
La Loma	26.4	2.4	1.0
Lucena	8.2	0.7	2.8
Biollano	2.1	4.5	10.2
Total	662.1	430.2	400.3

In Navia, the amount of hazardous waste was reduced due to the decrease in the number of incidents at the plant. At the Huelva plants, the waste LER 100507 "Oily water from water/oily substances separators" from the fuel oil separator increased due to maintenance work on the fuel oil unit. At Biollano, activated carbon has been replaced and contaminated land has been managed, which has led to an increase in the generation of hazardous waste.

Non-hazardous waste generation (thousands of t)			
Site	2020	2021	2022
Navia	52.2	50.1	48.6
Pontevedra	39.3	40.0	24.4
Huelva	136.5	185.8	182.8
Merida	46.2	39.3	37.9
Enemansa	9.2	9.4	6.4
La Loma	4.0	3.1	0.1
Lucena	0.0	0.0	0.0
Biollano	22.8	50.3	54.7
Total	310.2	378.0	355.0

Total waste generation (thousands of t)			
Site	2020	2021	2022
Navia	52.4	50.3	48.7
Pontevedra*	39.4	40.2	24.5
Huelva	136.8	185.9	183.0
Merida	46.2	39.3	37.9
Enemansa	9.2	9.4	6.4
La Loma	4.0	3.1	0.1
Lucena	0.0	0.0	0.0
Biollano	22.8	50.3	54.7
Total	310.9	378.4	355.4

Recovered waste (%)			
Site	2020	2021	2022
Navia	96.8%	96.9%	96.8%
Pontevedra	100%	99.9%	99.9%
Huelva	98.2%	99.3%	99.1%
Merida	100%	100%	100%
Enemansa	100%	100%	100%
La Loma	99.3%	100%	100%

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Lucena	97.6%	100%	100%
Biollano	93.5%	98.5%	100%
Total	98.2%	99.0%	99.1%

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	2020	2021	2022
Navia	1,223.2	1,421.7	1,367.4
Pontevedra	842.0	746.0	423.0
Huelva	521.3	573.7	697.0
Merida	189.4	209.3	142.2
Enemansa	121.4	120.8	80.3
La Loma	110.3	106.4	107.0
Lucena	390.0	403.0	353.0
Biollano	133.1	206.1	224.1
Total	3,531.9	3,787.0	3,393.9

In Merida, the reduction in emissions is explained by the lower boiler activity in 2022 compared to 2021. Moreover, at Enemansa, the lower activity due to the plant shutdown explains the lower production of NOx emissions.

Particulate matter emissions (t)			
Site	2020	2021	2022
Navia	102.4	43.2	48.3
Pontevedra	195.0	90.6	53.5
Huelva	9.1	4.5	7.8
Merida	5.5	5.3	4.4
Enemansa	1.2	0.5	0.5
La Loma	2.1	2.0	2.0
Lucena	34.6	38.0	36.3
Biollano	0.6	1.6	2.9
Total	350.5	185.7	155.7

CO emissions (t)			
Site	2020	2021	2022
Pontevedra	240.0	152.2	79.1
Huelva	826.2	2,138.8	1,600.2
Merida	187.2	276.9	179.2
Enemansa	173.1	137.6	89.7
La Loma	498.3	474.1	429.9
Lucena	723.0	743.0	613.0
Biollano	215.9	233.5	178.8
Total	2,864.1	4,156.1	3,170.0

SH ₂ emissions (t)			
Site	2020	2021	2022
Navia	0.7	0.6	1.4
Pontevedra	2.9		
Total	3.6	0.6	1.4

The variations in SH₂ emissions in Navia are due to the fact that the data, in previous reports, came from a SH₂ analyser. In 2022, the data comes from the newly installed, calibrated and verified TRS analyser.

SO ₂ emissions (t)			
Site	2020	2021	2022
Navia	49.7	98.2	16.6
Pontevedra	165.0	66.3	10.6
Huelva	75.0	101.2	56.8
Merida	51.4	44.3	34.7
Enemansa	0.4	0.2	0.3

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La Loma	0.7	0.8	0.8
Lucena	107.0	99.0	64.1
Biollano	1.3	3.2	4.2
Total	454.4	413.3	188.2

In the case of Navia, the fuel change in 2022 explains the variations in SO₂ emissions. In Pontevedra, this reduction is due to improvements in the operation of the plant, for example in the adjustment of combustion air and equipment maintenance. In Huelva, the boiler has operated for fewer hours than in 2021, which explains the reduction in emissions. At Lucena, the boiler hybridisation mix explains the differences in SO₂ emitted.

NH ₃ emissions (t)			
Site	2020	2021	2022
Huelva		16.7	18.1
Biollano		19.3	20.2
Enemansa			0.4
La Loma			2.4
Total		36.0	41.0

HCl emissions (t)			
Site	2020	2021	2022
Huelva		4.9	6.6
Biollano		4.9	6.9
Total		9.8	13.5

Productions

Pulp production (t)			
Site	2020	2021	2022
Navia	572,565.1	577,434.8	576,996.3
Pontevedra	434,718.5	431,257.0	239,314.8
Total	1,007,283.6	1,008,691.8	816,311.1

Boosting the rural environment

Supply chain monitoring

Number of monitoring actions by category and type of material			
Undertaken sustainability inspections			
	Forestry service providers	Timber	Biomass
Chain of Custody	0	8	0
Forest management	1	1	0
On-site nurseries	6	0	0
Inspection of CC releases	0	0	0
Documentary inspection	0	116	103
On-site inspection of woodlands	0	69	0
On-site inspection	141	0	44
Fair Wood	0	1	0
Origin verification programme	0	11	0
Others	44	12	35
	192	218	182

Type of biomass supplied			
Type	2020	2021	2022
Agricultural	34.8%	36.7%	45.1%
Industrial	21.1%	19.0%	12.8%
Forestry	44.1%	44.3%	42.1%

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	IUCN Red List
<i>Dryopteris aemula</i>			VU		LC
<i>Arnica montana</i>	Annex V				LC
<i>Narcissus bulbocodium</i>	Annex V				LC
<i>Narcissus cyclamineus</i>	Annex II	LESRPE	VU		LC
<i>Narcissus triandrus</i>	Annex II	LESRPE			LC
<i>N.pseudonarcissus Nobilis</i>	Annex II	ES	VU	IE	LC
<i>Ruscus aculeatus</i>	Annex V			LC	
<i>Woodwardia radicans</i>	Annex II	LESRPE	VU	IE	LC

Listed and/or threatened flora in the Andalusian woodlands.

Taxon	National catalogue	Andalusian Catalogue	IUCN Red List	Dir. 92/43
<i>Armeria velutina</i>	LESRPE	LESRPE	-	-
<i>Asplenium billotii</i>	-	LESRPE	-	-
<i>Carex acuta</i>	-	-	LC	-
<i>Dianthus hinoxianus</i>	-	VU	-	-
<i>Erica andevalensis</i>	-	LESRPE	NT	-
	-	LESRPE	NT	-
<i>Erica lusitanica</i>	-	-	LC	-
<i>Fuirena pubescens</i>	-	-	LC	-
<i>Isoetes durieui</i>	-	VU	LC	Annex II
<i>Isoetes velatum subsp. velatum</i>	LESRPE	-	-	-
<i>Loeflingia baetica</i>	-	LESRPE	-	-
<i>Osmunda regalis</i>	-	-	LC	-
<i>Pinguicula lusitanica</i>	-	-	LC	-
<i>Quercus canariensis</i>	-	-	DD	-
<i>Spiranthes aestivalis</i>	LESRPE	-	DD	Annex IV
<i>Ulex minor</i>	-	-	LC	-

Note: species catalogued according to the IUCN red list are named, as opposed to 2021, where species catalogued according to the red list of the vascular flora of Andalusia (cabezudo 2005) were identified

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	English name	1	2	3	4	5	6
Amphibians and Reptiles	<i>Anguis fragilis</i>	Slow worm		RPE				LC
	<i>Bufo spinosus</i>	Common toad						LC
	<i>Chalcides striatus</i>	Western three-toed skink		RPE				LC
	<i>Epidalea calamita</i>	Natterjack toad	IV	RPE				LC
	<i>Podarcis bocagei</i>	Bocage lizard		RPE				LC
	<i>Iberian frog*</i>	Iberian stream frog	IV	RPE	VU			NT
	<i>Timon lepidus</i>	Ocellated lizard		RPE				LC
		Iberian emerald lizard	II,IV	RPE				NT
		Long-tailed salamander	II,IV	VU	VU			VU
	Iberian newt		RPE				LC	
Birds	<i>Accipiter nisus</i>	Eurasian sparrowhawk		RPE				LC

	<i>Aeghitalos caudatus</i>	Myth		RPE				LC
	<i>Alectoris rufa</i>	Red-legged Partridge						VU
	<i>Anas platyrhynchos</i>	Mallard						
	<i>Anthus pratensis</i>	Meadow pipit		RPE				
	<i>Apus apus</i>	Common swift		RPE				VU
	<i>Buteo buteo</i>	Buzzard		RPE				LC
	<i>Caprimulgus europaeus</i>	Grey nightjar	I	RPE				LC
	<i>Certhia brachydactyla</i>	Common treecreeper		RPE				LC
	<i>Chloris chloris</i>	Greenfinch						LC
	<i>Columba palumbus</i>	Wood pigeon						LC
	<i>Corvus corax</i>	Large raven						LC
	<i>Cuculus canorus</i>	Common cuckoo		RPE				LC
	<i>Curruca communis</i>	Common Whitethroat		RPE				LC
	<i>Curruca undata</i>	Black-winged warbler	I	RPE				EN
	<i>Cyanistes caeruleus</i>	Blue tit		RPE				LC
	<i>Dendrocopos major</i>	Great spotted woodpecker		RPE				LC
	<i>Emberiza cia</i>	Rock bunting		RPE				LC
	<i>Erithacus rubecula</i>	European robin		RPE				LC
	<i>Falco tinnunculus</i>	Common kestrel		RPE				EN
	<i>Ficedula hypoleuca</i>	European Pied Flycatcher		RPE				
	<i>Fringilla coelebs</i>	Common chaffinch						LC
	<i>Garrulus glandarius</i>	Eurasian Jay						LC
	<i>Gyps fulvus</i>	Griffon vulture	I	RPE				LC
	<i>Hieraaetus pennatus</i>	Booted eagle	I	RPE				LC
	<i>Hirundo rustica</i>	Barn swallow		RPE				VU
	<i>Lophophanes cristatus</i>	Blue tit		RPE				LC
	<i>Lullula arborea</i>	Woodlark	I	RPE				LC
	<i>Motacilla alba</i>	White wagtail		RPE				LC
	<i>Motacilla cinerea</i>	Cascade wagtail		RPE				LC
	<i>Parus major</i>	Great tit		RPE				LC
	<i>Periurus ater</i>	Coal tit		RPE				LC
	<i>Phoenicurus ochruros</i>	Black redstart		RPE				LC
	<i>Phylloscopus collybita</i>	Common chiffchaff		RPE				
	<i>Phylloscopus ibericus</i>	Iberian chiffchaff		RPE				LC
	<i>Picus viridis</i>	Iberian cock		RPE				LC
	<i>Prunella modularis</i>	Dunnock		RPE				LC
	<i>Pyrrhula pyrrhula</i>	Eurasian bullfinch		RPE				LC
	<i>Regulus ignicapilla</i>	Striped wren		RPE				LC
	<i>Saxicola rubicola</i>	European stonechat		RPE				LC
	<i>Scolopax rusticola</i>	Eurasian woodcock						DD
	<i>Serinus serinus</i>	European serin						LC
	<i>Sitta europaea</i>	Eurasian nuthatch		RPE				LC
	<i>Strix aluco</i>	Tawny Owl		RPE				LC
	<i>Sylvia atricapilla</i>	Blackcap		RPE				LC
	<i>Troglodytes troglodytes</i>	Wren		RPE				LC
	<i>Turdus merula</i>	Blackbird						LC
	<i>Turdus philomelos</i>	Song thrush						LC
Mammals	<i>Apodemus sylvaticus</i>	Field mouse						LC

<i>Capreolus capreolus</i>	Roe deer					LC
<i>Erinaceus europaeus</i>	European hedgehog	IV				LC
<i>Genetta genetta</i>	Genet	V				LC
<i>Lutra lutra</i>	Eurasian otter	II, IV	RPE			LC
<i>Martes foina</i>	Chamois					LC
<i>Meles meles</i>	Badger					LC
<i>Mustela putorius</i>	Weasel	V				NT
<i>Neovison vison</i>	American mink					NE
<i>Oryctolagus cuniculus</i>	Rabbit					VU
<i>Sciurus vulgaris</i>	Red squirrel					LC
<i>Sus scrofa</i>	Wild boar					LC
<i>Vulpes vulpes</i>	Red fox					LC
	Iberian hare					LC
	Iberian mole					LC

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. 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.

Threatened species of fauna in the mountains of the southern Iberian Peninsula						
Type	Scientific name	English name	Directive 92/43/EEC - Directive 2009/147/E C	Royal Decree 139/2011	Andalusian Catalogue *	Red Book
Amphibians and Reptiles	<i>Bufo spinosus</i>	Common toad				LC
	<i>Chalcides bedriagai</i>	Bedriaga's skink	IV	RPE	LAESPE	NT
	<i>Epidalea calamita</i>	Natterjack toad	IV	RPE	LAESPE	LC
	<i>Hyla meridionalis</i>	Mediterranean tree frog	IV	RPE	LAESPE	NT
	<i>Natrix astreptophora</i>	Collared snake		RPE	LAESPE	LC
	<i>Pelophylax perezi</i>	Common frog	V			LC
	<i>Psammodromus algirus</i>	Long-tailed lizard		RPE	LAESPE	LC
	<i>Tarentola mauretanicus</i>	Common gecko		RPE	LAESPE	LC
Birds	<i>Aeghitalos caudatus</i>	Myth		RPE	LAESPE	LC
	<i>Aegypius monachus</i>	Black vulture	I	VU	VU	NT
	<i>Alectoris rufa</i>	Red-legged Partridge				VU
	<i>Apus apus</i>	Common swift		RPE	LAESPE	VU

<i>Apus pallidus</i>	Pallid swift		RPE	LAESPE	LC
<i>Aquila adalberti</i>	Iberian imperial eagle	I	EN	EN	EN
<i>Aquila chrysaetos</i>	Golden eagle	I	RPE	LAESPE	NT
<i>Bubo bubo</i>	Eurasian eagle-owl	I	RPE	LAESPE	LC
<i>Buteo buteo</i>	Buzzard		RPE	LAESPE	LC
<i>Caprimulgus ruficollis</i>	Red-necked nightjar	I	RPE	LAESPE	VU
<i>Carduelis carduelis</i>	European goldfinch				LC
<i>Chloris chloris</i>	Greenfinch				LC
<i>Ciconia nigra</i>	Black stork	I	VU	EN	
<i>Circaetus gallicus</i>	Short-toed snake eagle	I	RPE	LAESPE	LC
<i>Circus pygargus</i>	Montagu's harrier	I		VU	VU
<i>Cisticola juncidis</i>	Zitting cisticola		RPE	LAESPE	NT
<i>Columba palumbus</i>	Wood pigeon				LC
<i>Corvus corax</i>	Large raven				LC
<i>Cuculus canorus</i>	Common cuckoo		RPE	LAESPE	LC
<i>Curruca iberiae</i>	Western Subalpine Warbler		RPE	LAESPE	
<i>Curruca melanocephala</i>	Sardinian warbler		RPE	LAESPE	LC
<i>Curruca undata</i>	Black-winged warbler	I	RPE	LAESPE	EN
<i>Cyanistes caeruleus</i>	Blue tit		RPE	LAESPE	LC
<i>Cyanopica cooki</i>	Iberian azure-winged magpie		RPE		LC
<i>Delichon urbicum</i>	Common house martin		RPE	LAESPE	LC
<i>Dendrocopos major</i>	Great spotted woodpecker		RPE	LAESPE	LC
<i>Emberiza calandra</i>	Corn bunting				LC
<i>Emberiza cia</i>	Rock bunting		RPE	LAESPE	LC
<i>Erithacus rubecula</i>	European robin		RPE	LAESPE	LC
<i>Falco tinnunculus</i>	Common kestrel		RPE	LAESPE	EN
<i>Fringilla coelebs</i>	Common chaffinch				LC
<i>Galerida theklae</i>	Mountain lark	I	RPE	LAESPE	LC
<i>Garrulus glandarius</i>	Eurasian Jay				LC
<i>Gyps fulvus</i>	Griffon vulture	I	RPE	LAESPE	LC
<i>Hieraaetus pennatus</i>	Booted eagle	I	RPE	LAESPE	LC
<i>Hippolais polyglotta</i>	Melodious warbler		RPE	LAESPE	LC
<i>Hirundo daurica</i>	Daurian swallow		RPE	LAESPE	LC
<i>Hirundo rustica</i>	Barn swallow		RPE	LAESPE	VU
<i>Lanius meridionalis</i>	Southern grey shrike		RPE		EN
<i>Lanius senator</i>	Northern grey shrike		RPE		EN
<i>Linaria cannabina</i>	Linnet				LC
<i>Lophophanes cristatus</i>	Blue tit		RPE	LAESPE	LC
<i>Lullula arborea</i>	Woodlark	I	RPE	LAESPE	LC
<i>Luscinia megarhynchos</i>	Common nightingale		RPE	LAESPE	LC
<i>Merops apiaster</i>	European bee-eater		RPE	LAESPE	LC
<i>Milvus migrans</i>	Black kite	I	RPE	LAESPE	LC
<i>Milvus milvus</i>	Red kite	I	EN	EN	EN
<i>Monticola solitarius</i>	Blue rock thrush		RPE	LAESPE	LC
<i>Motacilla alba</i>	White wagtail		RPE	LAESPE	LC
<i>Motacilla cinerea</i>	Cascade wagtail		RPE	LAESPE	LC
<i>Parus major</i>	Great tit		RPE	LAESPE	LC
<i>Passer domesticus</i>	House sparrow				LC
<i>Phylloscopus bonelli</i>	Western bonelli's warbler		RPE	LAESPE	LC
<i>Phylloscopus collybita</i>	Common chiffchaff		RPE	LAESPE	

	<i>Picus viridis</i>	Iberian cock		RPE	LAESPE	LC
	<i>Ptyonoprogne rupestris</i>	Eurasian crag martin		RPE	LAESPE	LC
	<i>Regulus ignicapilla</i>	Striped wren		RPE	LAESPE	LC
	<i>Saxicola rubicola</i>	European stonechat		RPE	LAESPE	LC
	<i>Serinus serinus</i>	European serin				LC
	<i>Strix aluco</i>	Tawny Owl		RPE	LAESPE	LC
	<i>Sturnus unicolor</i>	Spotless starling				LC
	<i>Sylvia atricapilla</i>	Blackcap		RPE	LAESPE	LC
	<i>Troglodytes troglodytes</i>	Wren		RPE	LAESPE	LC
	<i>Turdus merula</i>	Blackbird	II			LC
	<i>Turdus philomelos</i>	Song thrush	II			
	<i>Upupa epops</i>	Eurasian hoopoe		RPE	LAESPE	LC
Mammals	<i>Apodemus sylvaticus</i>	Field mouse				LC
	<i>Cervus elaphus</i>	Red deer				LC
	<i>Genetta genetta</i>	Genet	V			LC
	<i>Herpestes ichneumon</i>	Egyptian mongoose				LC
	<i>Lepus granatensis</i>	Iberian hare				LC
	<i>Martes foina</i>	Chamois				LC
	<i>Meles meles</i>	Badger				LC
	<i>Oryctolagus cuniculus</i>	Rabbit				LC
	<i>Sus scrofa</i>	Wild boar				LC
	<i>Vulpes vulpes</i>	Red fox				LC

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

Woodlands managed by Ence located in protected natural areas (Natura 2000 Network) in the northwest of the Iberian Peninsula

UGF	PROTECTED AREA NAME	WOODLAND NAME
La Coruña	CARNOTA - MONTE PINDO	Ferrañas
	COSTA DA MORTE	Balares
	ESTEIRO DO TAMBRE	Vilardante BAJA 2022
	SERRA DO CAREÓN	Estivada Santiso
	SERRA DO CAREÓN	Estivada Santiso P
	SERRA DO XISTRAL	Fraga de Balboa
Lugo	SERRA DO XISTRAL	Castrillan
	SERRA DO XISTRAL	Coto Mouro
	SERRA DO XISTRAL	Lombo Zarrido
	SERRA DO XISTRAL	Rua
Pontevedra	ALOIA MOUNT	Tui Regal
	LÉREZ RIVER	Gargallons
	LÉREZ RIVER	Redonde
	TEA RIVER	Barcia de Mera
	TEA RIVER	Maceira
	TEA RIVER	Santa Marina Castelanes
	SERRA DO CANDO	Piccolo Cerdedo
Asturias	CABO BUSTO-LUANCO	Caru (Verdicio)
	PENARRONDA-BARAYO	Island
	PENARRONDA-BARAYO	Island 2
	PENARRONDA-BARAYO	Valdepareas
	NALON RIVER	Godos (Alv)
	NAVIA RIVER	Armental
	PORCIA RIVER	Molios Novos
	SIERRA PLANA DE LA BORBOLLA	Cuesta (Alv)

Cantabria	RÍAS OCCIDENTY DUNA OYAMBRE	Rubin
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Woodlands managed by Ence located in protected natural areas (Natura 2000 Network) in the south of the Iberian Peninsula

Province	Natural Area	Woodland	
Huelva	ANDEVALO OCCIDENTAL	LAS CORTECILLAS	
		LOS RUBIALES	
	TINTO RIVER ECOLOGICAL CORRIDOR	TINTO RIVER ECOLOGICAL CORRIDOR	CARBONERA AND OTHERS
			COLONOS BERROCAL AND OTHERS
			EL PASTILLO
			EL RINCON
			FONTANAR AND OTHERS
			LAS ARRAYADAS
			LAS CUMBRECILLAS
			SIERRA DE RITE
			SIERRA DE RITE II
			TINTO RIVER ECOLOGICAL CORRIDOR
	DOÑANA NORTH AND WEST	LA CAÑADA	
	PEÑAS DE AROCHE	PEÑAS II	
	RIVERA DE CHANZA	PASADA DEL ABAD	
	SIERRA ARACENA AND PICOS AROCHE	SIERRA ARACENA AND PICOS AROCHE	CAMPILLO ALTO
			CORTE SONOBLE AND OTHERS
			EL BRAVO
			EL CALAMON
			EL PALOMAR
			HELECHOSO
			LA ZARZUELA
			LAS ALISERILLAS
			LOS AGUDOS
			LOS AGUDOS II
			LOS BARRANCOS
			LOS BENITOS
LOS UMBRIZOS			
NAVAFRESNO AND DEHESA DEL CARRIZAL			
RISCO DEL HOMBRE AND OTHERS			
SANTA EULALIA			
VALDESOTELLA			
SIERRA PELADA AND RIVERA ASERRADOR	SIERRA PELADA AND RIVERA ASERRADOR	ALCALABOCINOS III	
		DEHESA DEL CARMEN III	
		GIL MARQUEZ	
		LA BAJENA	
Seville	GUADIAMAR RIVER ECOLOGICAL CORRIDOR	VILLA EMILIA	

Collaboration with the community

Tax contribution

Name of resident entities	Tax ID
COMPANY	
ANCEN SOLAR II, S.L.U.	B88216478
ANCEN SOLAR III, S.L.U.	B88577143

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ANCEN SOLAR IV, S.L.U.	B88577192
ANCEN SOLAR V, S.L.U.	B88577168
ANCEN SOLAR VI, S.L.U.	B88231782
ANDUJAR 100 SOLAR SLU	B88577135
BIOCH4 DEVELOPMENTS SL	B72651755
BIOENERGIA SANTAMARIA SA	A14595862
CELULOSA ENERGIA SA	A21203237
CELULOSAS DE ASTURIAS SA	A78380748
ENCE BIOGAS SL	B10871325
ENCE BIOMASA CORDOBA SL	B88493242
ENCE ENERGIA CASTILLA Y LEON	B85749828
ENCE ENERGIA CASTILLA Y LEON D	B85919900
ENCE ENERGIA CELTA SL	B86538444
ENCE ENERGIA EXTREMADURA SLU	B85919850
ENCE ENERGIA HUELVA DOS SLU	B85981769
ENCE ENERGIA HUELVA SLU	B85749869
ENCE ENERGIA PUERTOLLANO 2, S.	B01629492
ENCE ENERGIA Y CELULOSA SA	A28212264
ENCE ENERGÍA ESTE S.L.U.	B86856200
ENCE ENERGÍA EXTREMADURA DOS S	B85981710
ENCE ENERGÍA PAMI S.L.U.	B86856218
ENCE ENERGÍA PUERTOLLANO S.L.U	B86856192
ENCE INVESTIGACIÓN Y DESARROLLO	A36337434
ENCE SERVICIOS CORPORATIVOS SL	B88168018
ENERGIA DE LA LOMA SA	A23410152
ENERGIAS DE LA MANCHA ENEMAN SA	A13228648
GRANADA 133 SOLAR SL	B88577150
HUELVA 10 SOLAR SLU	B88504147
IBERSILVA S A (URUGUAY BRANCH)	0000214661260014
IBERSILVA SA	A21294780
LAS PLEYADES URUGUAY SA	0000211448920016
LEPE 40 SOLAR SLU	B88493259
LIPTOFLO, S.A.	0000000515393460
MAGNON GREEN ENERGY, S.L.U.	B85739209
NORTE FORESTAL SA	A33022492
SEVILLA 90 SOLAR SLU	B88577176
SIERRAS CALMAS SA	0000216255050010
SILVASUR AGROFORESTAL SAU	A10008084
SUSTAINABILITY AND CIRCULAR ECONOMY	B85749877

Annex III - Methodology for calculating alignment with taxonomy

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. Furthermore, according to Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022, high efficiency cogeneration of heat/cold and electricity from gaseous fossil fuels is also considered eligible (new section 4.30 of Annex I of Regulation 2021/2139).

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 deemed 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 cogenerations with biomass at the Navia (CEASA) and Pontevedra (Ence Energía y Celulosa SA) 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".

In the case of high-efficiency cogeneration of heat and electricity from gaseous fuels, at Ence, this corresponds to the operation of the Bioenergía Santamaría cogeneration plant and was not considered eligible in the 2021 financial year, so it was not included in the calculation. In 2022, it becomes eligible as it meets the definition of "construction, refurbishment and operation of combined heat/cold and power plants using gaseous fossil fuels" in the Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy industries (gas and nuclear). In the case of Ence, the fuel used at the Bioenergía Santamaría plant is natural gas.

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

1. Eligibility analysis

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 2022 (denominator) has been determined. When undertaking 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). The sales of energy from cogeneration with natural gas of the company Bioenergía Santamaría have also been considered eligible, as this activity is

considered eligible in 2022 according to Annex 1 of Regulation 2021/219 (4.30 high efficiency co-generation of heat/cold and electricity from gaseous fossil fuels). These sales were not considered eligible in the 2021 financial year.

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".

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 personnel), maintenance (repairs and upkeep item) and leases (leases and royalties, forest rent, transport rent, other leases and I. Mat. concession fee) have been taken into account, and the OpEx expenses indicated for 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).

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).

The company Bioenergía Santamaría natural gas cogeneration projects (eligible under activity 4.30 cogeneration of heat/cold from gaseous fossil fuels) have also been taken into account. These projects were not considered eligible in 2021.

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.

2. Alignment analysis

Once the eligible economic activities (and their corresponding companies within the Ence Group) had been identified, the analysis of alignment with the criteria established in Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council and establishing the technical selection criteria for determining the conditions under which an economic activity is deemed to **make a substantial contribution to climate change mitigation or adaptation**, and for determining whether that economic activity does not cause significant harm to any of the other environmental goals.

In this regard, for each of the eligible activities, two types of criteria have been checked for compliance:

- Technical selection criteria that ensure that the activity makes a significant contribution to climate change mitigation and adaptation.
- The criteria for determining that the activity does not cause significant harm to any of the other environmental goals (DNSH).

In this sense, an activity can be aligned with both objectives (climate change mitigation and adaptation) if it meets the technical selection criteria for both or it can be aligned with only one of them (climate change mitigation or adaptation) if it only meets the criteria for one, but not the other. In the case of Ence, both circumstances are present.

The activities that have been assessed for compliance with these criteria according to Annex I of the above mentioned Delegated Regulation were the same as those considered eligible:

- 1.3 Forest Management
- 4.1 Electricity generation using solar photovoltaic technology
- 4.8 Electricity generation from bioenergy
- 4.20 Cogeneration of heat/cold and electricity from bioenergy
- 4.30 Cogeneration of heat/cold and electricity from gaseous fuels

In order to assess compliance, the Ence Group companies and facilities that undertake the aforementioned economic activities were analysed. For each company/facility, compliance with the technical criteria and the DNSH criteria has been assessed by analysing its performance against each indicator set out in the criteria and providing the corresponding evidence of compliance to the independent external verifier. An example of the analysis tool used is shown below:

Contribución a la MITIGACIÓN del cambio climático en la generación de energía con biomasa			
ANEXO I. Punto 4.8. Generación de electricidad de bioenergía			
Página 70 del Acto Delegado		CENER 3519	MAGNON GREEN ENERGY 0210, 3530 Y 1610 Esta sociedad engloba a las tres instalaciones de Huelva (HU41, HU46 y HU50)
		✓/X Evidencia	✓/X Evidencia
CRITERIOS TÉCNICOS DE SELECCIÓN			
CTS.1	La biomasa agrícola utilizada en la actividad cumple los criterios establecidos en el artículo 29, apartados 2 a 5, de la Directiva (UE) 2018/2001. La biomasa forestal utilizada en la actividad cumple los criterios establecidos en el artículo 29, apartados 6 y 7, de dicha Directiva.	NA La instalación no se encuentra en funcionamiento. Se encuentra desmantelada.	✓ Certificación Sure de la planta obtenido en 2021 y renovado en 2022. El Certificado de Magnon Green Energy incluye la actividad de las sociedades de HU46 y HU50. Las entradas de biomasa sostenibles varían a lo largo del año. https://ence.es/sostenibilidad/certificados-del-sistema-de-gestion/
CTS.2	La reducción de las emisiones de gases de efecto invernadero por el uso de biomasa es de al menos un 80 % en relación con la metodología de reducción de GEI y el correspondiente combustible fósil de referencia establecido en el anexo VI de la Directiva (UE) 2018/2001.	NA La instalación no se encuentra en funcionamiento. Se encuentra desmantelada.	✓ Estudio preliminar del 2021 en el que certificamos dicho criterio. Se adjunta la evidencia de los cálculos. Actualmente nos encontramos mejorando el proceso con los requerimientos de los auditores y automatizándolo al máximo.
CTS.3	Cuando las instalaciones se basan en la digestión anaerobia de materia orgánica, la producción del digestato cumple los criterios de las secciones 5.6 y los criterios 1 y 2 de la sección 5.7 del presente anexo, según corresponda.	NA La instalación no se encuentra en funcionamiento. Se encuentra desmantelada.	No aplica

The results of the alignment analysis were as follows:

- **Forestry Management:** NORFOR and SILVASUR have been shown to be aligned because they meet all the technical selection criteria and the DNSH criteria applicable to forestry management activity 1.3. Both partnerships are aligned with climate change mitigation and adaptation objectives. The rest of the Group's forestry companies (Ibersilva Servicios, ENCE R&D, Liptoflor and Casefor) are not considered to be aligned as their activity does not fit the definition of the economic activity "forest management" or any other of the three activities included in Section "1. Forestry" as defined in Delegated Regulation 2021/2139.
- **Solar Photovoltaic:** the companies Ence Sevilla Solar, Ence Lepe Solar, Ence Huelva Solar, Ence Granada Solar and Ence Andújar I Solar have been shown to be aligned, as they meet all the technical selection criteria and the DNSH criteria applicable to Activity 4.1. Electricity generation using solar photovoltaic technology. All societies are aligned with both climate change mitigation and adaptation goals.

- **Electricity generation from bioenergy:** CENER, Magnon Green Energy, Ence Energía Huelva, Ence Energía Huelva II, Ence Energía Extremadura, Energía de La Loma, ENEMANSA, Energía Puertollano and Bioenergía Santamaría (the biomass generation facility) have been shown to be aligned, as they meet all the technical selection criteria and the DNSH criteria applicable to activity 4.8. Electricity generation from bioenergy. All societies are aligned with both climate change mitigation and adaptation goals.
- **Cogeneration from bioenergy:** the company CEASA (cogeneration plant, not pulp mill) has been shown to be in line, as it fulfils all the technical selection criteria and the DNSH criteria applicable to Activity 4.20. Cogeneration of heat/cold and electricity from bioenergy. This partnership is aligned with climate change mitigation and adaptation objectives. In the case of the Pontevedra facility (company Ence Energía y Celulosa S.A.), it is not considered aligned because it does not meet a single DNSH criterion (5 - Pollution control prevention for combustion installations with a thermal power greater than 1 MW but below the thresholds required for the BAT conclusions for large combustion installations to be applied), as despite complying with the limits established in its Integrated Environmental Authorisation, the annual particle emission value in the biomass boiler exceeds the range of emission levels established in Directive 2015/2193 and its transposition into Spanish law through Royal Decree 1042/2017 (limits that at the level of legal compliance are not applicable until 2025). In this respect, the company has implemented a plan to improve the particle abatement system at the facility, improving the electronics of the electrostatic precipitators will reduce the level of particle emissions and is expected to meet this criterion in 2023. This partnership is considered not aligned with both the climate change mitigation and adaptation objectives, as the DNSH criterion applies to both objectives.
- **Cogeneration of heat/cold and electricity from gaseous fuels:** the company Bioenergía Santamaría (the cogeneration installation with natural gas) has been shown to be aligned with all the technical selection criteria and with the DNSH criteria applicable to the activity Cogeneration of heat/cold and electricity from gaseous fuels from the point of view of adaptation to climate change. However, this same activity is not aligned with the climate change mitigation objective as it does not comply with three of the technical selection criteria applicable to this activity: (a) the life cycle GHG emissions from the cogeneration of heat/cold and electricity from gaseous fuels are less than 100 g CO_{2e} per 1 kWh of energy produced by the cogeneration, (b) in the construction phase, measuring equipment is installed for monitoring physical emissions, including those caused by methane leakage or a leakage detection and repair programme is introduced and (c) in the operational phase, the results of the physical measurement of emissions are reported and any leakage is eliminated.

Activity	Company	Alignment CC Mitigation	Alignment CC Adaptation
Forest management	Norfor	✓	✓
	Silvasur	✓	✓
	Ibersilva Servicios	✗	✗
	ENCE I+D	✗	✗
	Liptoflor	✗	✗
	Casefor	✗	✗
	Ence Energía y Celulosa SA	✓	✓
Photovoltaic solar power generation	Ence Sevilla Solar	✓	✓
	Ence Lepe Solar	✓	✓
	Ence Huelva Solar	✓	✓
	Ence Granada Solar	✓	✓
	Ence Andújar I Solar	✓	✓
Electricity generation from bioenergy	CENER	✓	✓
	Magnon Green Energy	✓	✓
	Ence Energía Huelva	✓	✓
	Ence Energía Huelva Dos	✓	✓
	Ence Energía Extremadura	✓	✓
	Bioenergía Santamaría (biomass)	✓	✓
	Energía de La Loma	✓	✓
	ENEMANSA	✓	✓
	Energía Puertollano	✓	✓
CEASA	✓	✓	

Cogeneration with bioenergy	Ence Energía y Celulosa SA	x	x
Cogeneration with gaseous fossil fuels	Bioenergía Santamaría (natural gas)	x	✓

In addition to the assessment of the technical selection criteria and the DNSH criteria, the company has been required to demonstrate compliance with the **Minimum Safeguards** on Human Rights, Corruption, Responsible Taxation, and Antitrust. Evidence has been provided of the policies, systems and procedures that Ence has in place to ensure these safeguards. Evidence has also been provided to demonstrate that the company or its senior management has not been convicted in court cases regarding human rights abuses, corruption or bribery, tax evasion or violation of competition laws.

Based on these results of the alignment analysis with the corresponding criteria, the sales percentages, Opex and Capex aligned with the two objectives of the taxonomy were calculated.

In the case of **sales**, the sales of renewable energy (item "Energy Sales") of the companies aligned as described above have been taken into account as aligned. The sales of energy from the cogeneration with natural gas of the company Bioenergía Santamaría have also been considered aligned, although these sales are counted as aligned only with the climate change mitigation goal.

Forestry sales (item "Forestry sales", including timber sales, biomass sales and other forestry sales) from forest management companies that have been shown to be aligned according to the point above have also been taken into account.

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 personnel), maintenance (repairs and upkeep item) and leases (leases and royalties, forest rent, transport rent, other leases and I. Mat. concession fee) have been taken into account, and the OpEx expenses indicated for the Group companies considered aligned (as described above) have been considered as aligned. In the case of Bioenergía Santamaría's OpEx, the part corresponding to biomass generation counts as aligned with both objectives (mitigation and adaptation), while the part of the OpEx corresponding to natural gas generation counts as aligned only with the adaptation objective.

Ence and CEASA have been excluded, after applying a **conservative criterion** as their main activity is the production of cellulose (ineligible activity and therefore not aligned).

In the case of **CapEx**, to analyse the nature of asset additions, the list of eligible projects (see "Eligibility analysis") and those corresponding to the companies aligned as described above have been considered aligned. In the case of CEASA projects and following the same conservative criteria applied in the eligibility analysis, only projects unequivocally related to the cogeneration activity will be considered aligned and not those that can also serve the pulp production activity. Ence's projects (Pontevedra biofactory) will not be considered aligned because this facility does not meet the relevant criteria.

In the case of projects regarding cogeneration with natural gas of the company Bioenergía Santamaría, they will be counted as aligned only with the objective of adaptation to climate change.

Annex IV - GRI Content Index

GRI 1

GRI Indicator	Report section/direct response	Pages
GRI 1: FUNDAMENTALS 2021		
Fundamentals 2021	Annex I: On this report Annex IV: GRI content index	140–142 172–181
GRI 2: THE ORGANISATION AND ITS REPORTING PRACTICES		
2-1 Organisational information	Ence Energía y Celulosa S.A. C/ Beatriz de Bobadilla 14 28040 Madrid, Spain The Group in Spain Legal form: Responsible government	
2-2 Entities covered by sustainability reporting	This information can be found in the Annual Accounts report, section 2 and Annex I.	
2-3 Reporting period, frequency and point of contact	Period: 2022 Frequency: Annual Contact: Annex I: About this report	140–142
2-4 Updating of information	The data contained in this report for previous years may represent 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 presents data on water consumption in Huelva and HCl consumption in Lucena. 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.	
2-5 External assurance	Annex VII: Independent External Assurance Report	196
GRI 2: ACTIVITIES AND WORKERS		
2-6 Activities, value chain and other business relationships	Discovering ENCE Markets served: For customers Annex II	8–13 113–119 143–166
	For rural areas The most significant change in the reporting period was the change in the name of Ence's energy subsidiary, which as of March 2022 was renamed Magnon Green Energy. In this report, this name has already been adopted to refer to the Group's energy subsidiary. In addition, the subsidiary Ence Biogás was established in 2022, dedicated to the development of biogas plants in Iberia. The new business line opened up by the creation of this subsidiary is described in the Business Model and Strategy section.	86–103
2-7 employees	For communities Annex II	121–126 143–166
2-8 Non-employee workers	Not applicable. ENCE has no non-employee workers	
GRI 2: GOVERNANCE		
2-9 Governance and composition structure	Responsible government	128–138
2-10 Nominating and selecting the highest governance body	Responsible government	128–138
2-11 Chair of the highest governance body	Responsible government	128–138

	For the rural environment	86–103
	For communities	121–126
2-12 Highest governance body's role in impact management monitoring	Responsible governance	128–138
	Stakeholder dialogue and materiality analysis	28–30
	Risk and opportunity management	34–38
	Eco-efficient operations	70–84
	Annex II	143–166
2-13 Delegation of responsibility for impact management	Responsible governance	128–138
	Eco-efficient operations	70–84
2-14 Highest governance body's role in sustainability reporting	Responsible government	128–138
2-15 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.	
	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.	
2-16 Communicating critical concerns	The main sustainability concerns addressed by the Board and its delegated committees have been related to the health and safety of workers and contractors (with particular emphasis on safety in forestry and biomass supply operations) and to 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, due diligence directive) and Ence's response to climate change.	
2-17 Collective knowledge of highest governance body	Responsible government	128–138
2-18 Evaluating the highest governance body's performance	Responsible government	128–138
2-19 Remuneration policies	Responsible government	128–138
2-20 Process for determining remuneration	Responsible governance	128–138
	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.	
2-21 Annual total compensation ratio	The ratio of total annual compensation of the highest paid person to the average workforce in 2022 was 10.5 times. (The calculation of the total annual compensation of the highest paid person only takes into account their remuneration for executive functions)	
	The annual compensation in 2022 of the highest paid person increased by 25%, while the average annual compensation of the workforce increased by 15.4%. (The calculation of the total annual compensation of the highest paid person only takes into account their remuneration for executive functions)	

2-22 Sustainable development strategy statement	Interview with the Chairman.	3–5
2-23 Commitments and policies	Risk and opportunity management Sustainability at the centre Responsible governance	34–38 28–33 128–138
2-24 Mainstreaming commitments and policies	Risk and opportunity management Sustainability at the centre Responsible governance	34–38 28–33 128–138
2-25 Processes to remedy negative impacts	Risk and opportunity management Sustainability at the centre Responsible governance For communities For customers	34–38 28–33 128–138 121–126 113–119
2-26 Mechanisms for seeking advice and raising concerns	Responsible government	128–138
2-27 Compliance with legislation and regulations	Occasional excess noise levels have been recorded at the Navia and Huelva plants. In 2022, Ence has continued to work on the implementation of action plans to remedy this excess. There were no significant breaches of social and economic laws and regulations during the reporting period.	
2-28 Membership of associations	For rural areas, For communities. In 2022, Ence allocated €298,167 to the payment of association fees.	75–91, 110–113
GRI 2: STAKEHOLDER ENGAGEMENT		
2-29 Approach to stakeholder engagement	Sustainability at the centre For communities	28–33 121–126
2-30 Collective bargaining agreements	For people	51–63
GRI 3: MATERIAL ISSUES		
3-1 Process for determining material issues	Annex I: About this report	140–142
3-2 List of material topics	Stakeholder dialogue and materiality analysis There have been no significant changes from the previous reporting cycle.	28–30

2022 Performance. For further information, please refer to the consolidated annual accounts	8–23
Discovering ENCE	25–27
Market context and strategy	39–43
Innovate to transform	51–63
For people	70–84
Eco-efficient operations	86–103
For the rural environment	105–111
For the climate	113–119
For communities	121–126
For customers	136–138
Ethics and compliance	

3-3 Management of material topics

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 have been detected with a **risk of cases of child labour, risk of cases of forced or compulsory labour**, in the reporting period

Ence has worked with its contractors in charge of security at the facilities to include human rights training in the training programmes for its personnel, which are given periodically. The last training courses on this matter were held in 2019.

In relation to the rights of indigenous peoples, Ence does not undertake its operations in countries or territories inhabited by indigenous peoples, so this aspect is not considered material.

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 and undertakes inspections and audits among its suppliers to ensure compliance. The supply chain monitoring system is detailed in the section "Supply chain monitoring"

Digitalisation and cyber security. Ence's information security procedure includes the requirement to sign confidentiality clauses or agreements with customers and suppliers.

THEMATIC CONTENTS - ECONOMIC PERFORMANCE		
GRI Indicator	Report section/direct response	Pages
GRI 201: ECONOMIC PERFORMANCE		
201-1 Direct economic value generated and distributed	2022 Performance	68–69
201-2 Financial implications and other risks and opportunities due to climate change	For the climate	105–111
201-3 Defined benefit plan obligations and other retirement plans	For people Annual accounts Annual Corporate Governance Report, Annual Director Remuneration Report	51–63
201-4 Financial assistance received from government	Tax contribution	124–126
GRI 202: MARKET PRESENCE		

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202-1 Ratios of standard entry level wage by gender compared to local minimum wage	For people	51–63
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		
203-1 Infrastructure investments and services supported	Getting to know ENCE Market context and strategy	8–23 25–27
203-2 Significant indirect economic impacts	Getting to know ENCE Market context and strategy	8–23 25–27
GRI 204: PROCUREMENT PRACTICES		
204-1 Proportion of spending on local suppliers	For the rural environment	86–103
GRI 205: ANTI-CORRUPTION		
205-1 Operations assessed for risks related to corruption	Ethics and compliance	136–138
205-2 Communication and training about anti-corruption policies and procedures	In 2022, 663 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	136–138
GRI 206: ANTI-COMPETITIVE BEHAVIOUR		
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	For communities (Tax contribution)	124–126
207-2 Tax governance, control, and risk management	For communities (Tax contribution) Annex II	124–126 143–166
207-3 Stakeholder engagement and management concerns related to tax	For communities (Tax contribution)	124–126
207-4 Country-by-country reporting	For communities (Tax contribution)	124–126
THEMATIC CONTENTS - ENVIRONMENT		
GRI Indicator	Report section/direct response	Pages
GRI 301: MATERIALS		
301-1 Materials used by weight or volume	Eco-efficient operations Annex II	70–84 143–166
301-2 Recycled supplies	Eco-efficient operations Annex II	70–84 143–166
301-3 Reclaimed products and their packaging materials	Eco-efficient operations Annex II	70–84 143–166
GRI 302: ENERGY		
302-1 Energy consumption within the organisation	Eco-efficient operations Annex II	70–84 143–166
302-3 Energy intensity	Eco-efficient operations	70–84

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302-4 Reduction of energy consumption	Eco-efficient operations	70–84
302-5 Reductions in energy requirements of products and services	Eco-efficient operations	70–84
GRI 303: WATER AND EFFLUENTS		
303-1 Interaction with water as a shared resource	Eco-efficient operations	70–84
303-2 Management of impacts related to water discharges	Eco-efficient operations	70–84
303-3 Water withdrawal	Eco-efficient operations	70–84
303-4 Water discharge	There were no significant spills in the reporting period.	
303-5 Water consumption	Eco-efficient operations Annex II	70–84 143–166
GRI 304: BIODIVERSITY		
304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	The nearest protected areas (<5 km) to Ence's operations sites are the Pontevedra estuary (declared a sensitive area), the Peñarronda-Barayo SAC (Navia), the Nicoba and Santa Ribera Marshes SCIs (Huelva), the Guadiana River SCI and the Sierra de las Cabrerizas SBPA (Mérida), and the Guadalimar River and Guadalquivir River SCIs (Lucena).	
304-2 Significant impacts of activities, products, and services on biodiversity	For the rural environment	86–103
304-3 Habitats protected or restored	For the rural environment Annex II	86–103 143–166
304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	For the rural environment Annex II	86–103 143–166
GRI 305: EMISSIONS		
305-1 Direct GHG emissions (Scope 1)	For the climate	105–111
305-2 Indirect GHG emissions (Scope 2) from the generation of energy	For the climate	105–111
305-3 Other indirect (Scope 3) GHG emissions	For the climate	105–111
305-4 GHG emissions intensity	For the climate	105–111
305-5 Reduction of GHG emissions	For the climate	105–111
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	70–84 143–166
GRI 306: WASTE		

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306-1 Waste generation and associated significant impacts	Eco-efficient operations	70–84
306-2 Management of significant impacts associated with waste	Eco-efficient operations	70–84
306-3 Waste generated	Eco-efficient operations Annex II	70–84 143–166
306-4 Waste diverted from disposal	Eco-efficient operations Annex II	70–84 143–166
306-5 Wastes sent for disposal	Eco-efficient operations Annex II	70–84 143–166

GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT

308-1 New suppliers that were screened using environmental criteria	For the rural environment. Annex II	86–103 143–166
308-2 Negative environmental impacts in the supply chain and actions taken	For the rural environment	86–103

THEMATIC CONTENTS - SOCIAL

GRI Indicator	Report section/direct response	Pages
GRI 401: EMPLOYMENT		
401-1 New employee hires and employee turnover	For people Annex II	51–63 143–166
401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	For people	51–63
401-3 Parental leave	For people Annex II	51–63 143–166
GRI 402: LABOUR/MANAGEMENT RELATIONS		
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	For health and the environment	65–84
403-2 Hazard identification, risk assessment and incident investigation	For health and the environment	65–84
403-3 Occupational health services	For health and the environment	65–84
403-4 Workers participation in regard to health and safety at work	For health and the environment	65–84
403-5 Training of workers on occupational health and safety	For health and the environment For people	65–84 51–63
403-6 Workers' health promotion	For health and the environment For people	65–84 51–63

403-7 Prevention and mitigation of impacts on the health and safety of workers directly linked through business relationships	For health and the environment	65–84
403-8 Workers covered by an occupational safety and health management system	100%	
403-9 Work-related injuries	For health and the environment Annex II No fatal accidents were recorded in the reporting period	65–84 143–166
403-10 Occupational diseases and illnesses	For health and the environment	65–84
GRI 404: TRAINING AND EDUCATION		
404-1 Average hours of training per year per employee	For people Annex II	51–63 143–166
404-2 Programmes for upgrading employee skills and transition assistance programmes	For people Annex II	51–63 143–166
404-3 Percentage of employees receiving regular performance and career development reviews	For people Annex II	51–63 143–166
GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES		
405-1 Diversity of governing bodies and employees	For people Responsible government	51–63 128–138
405-2 Ratio of basic salary and remuneration of women to men	For people Annex II	51–63 143–166
GRI 406: NON-DISCRIMINATION		
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		
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		
408-1 Operations and suppliers at significant risk for incidents of child labour	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	
GRI 409: FORCED OR COMPULSORY LABOUR		

409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	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 forced or compulsory labour were detected during the reporting period.	
GRI 410: SECURITY PRACTICES		
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		
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		
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 and undertakes inspections and audits among its suppliers to ensure compliance. The supply chain monitoring system is detailed in the section "Supply chain monitoring"	
412-2 Employee training on human rights policies or procedures	In 2022, a total of 303 employees received training on Ence's code of conduct (including the complaints channel procedure), 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		
413-1 Operations with local community engagement, impact assessments, and development programmes	For the rural environment For communities	86–103 121–126
413-2 Operations with significant actual and potential negative impacts on local communities	For the rural environment For communities	86–103 121–126
GRI 414: SUPPLIER SOCIAL ASSESSMENT		

414-1 New suppliers that were screened using social criteria	For the rural environment	86–103
414-2 Negative social impacts in the supply chain and actions taken	For the rural environment	86–103
GRI 415: PUBLIC POLICY		
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		
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		
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		
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.	

Annex V – Law 11/2018 content index

CONTENTS OF THE NON-FINANCIAL INFORMATION STATEMENT

Law 11/2018 INF contents	Standard used (selected GRI)	Pages
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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 2-1 Organisational information	8–23
	GRI 2-6 Activities, value chain and other business relationships	8–23
	GRI 2-22 Sustainable development strategy statement	25–27
Principle of materiality	GRI 3-1 Process for determining material issues	28–30
	GRI 3-2 List of material topics	28–30

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 3-3 Management of material topics	28–30 34–38
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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 2-23 Commitments and policies	28–30 34–38
	GRI 2-12 Highest governance body's role in impact management monitoring	34–38
	GRI 3-3 Management of material topics	34–38

GRI 201-2 Financial implications and other risks and opportunities due to climate change	95–98
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General

Current and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety.	GRI 3-3 Management of material topics	105–111
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Environmental assessment or certification procedures	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	86–103
Resources dedicated to the prevention of environmental risks	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 (Magnon).	34–38

Application of the precautionary principle	GRI 3-3 Management of material topics	70–84
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Provisions and guarantees for environmental risks	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 2022.	
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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 3-3 Management of material topics (with a view to GRIs 302 and 305)	105–111
	GRI 302-4 Reduction of energy consumption	73–77
	GRI 302-5 Reduction in energy requirements of products and services	73–77
	GRI 305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	105–111

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 3-3 Management of material topics (Effluents and Waste)	70-84, 105-111
	GRI 301-1 Materials used by weight or volume	73-79 152-154
	GRI 301-2 Recycled supplies	73-79
	GRI 301-3 Reclaimed products and their packaging materials	74-80
	GRI 306-3 Waste generated	74-80
	GRI 306-4 Waste diverted from disposal	74-80 158-159
	GRI 306-5 Waste sent for disposal	74-80
	GRI 303-4 Water discharge	78-80 154-155
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	78-80
Consumption of raw materials and measures taken to improve the efficiency of their use	GRI 3-3 Management of material topics (Environment)	95-97
	GRI 301-1 Materials used by weight or volume	73-79
	GRI 301-2 Recycled supplies	70-84
	GRI 301-3 Reclaimed products and their packaging materials	70-84
Energy: Consumption, direct and indirect; measures taken to improve energy efficiency, use of renewable energies	GRI 3-3 Management of material topics (Energy)	95-97
	GRI 302-1 Energy consumption within the organisation	74-80
	GRI 302-3 Energy intensity	74-80
	GRI 302-4 Reduction of energy consumption	74-80
	GRI 302-5 Reduction in energy requirements of products and services	74-80

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)	105-111
	GRI 305-2 Indirect energy generation GHG emissions (Scope 2)	105-111
	GRI 305-3 Other indirect (Scope 3) GHG emissions	105-111
	GRI 305-4 GHG emissions intensity	105-111
	GRI 305-5 Reduction of GHG emissions	105-111
Measures taken to adapt to the consequences of climate change	GRI 3-3 Management of material topics	105-106
	GRI 201-2 Financial implications and other risks and opportunities due to climate change	108-110
Reduction targets voluntarily set in the medium- and long-term to reduce GHG emissions and resources	GRI 3-3 Management of material topics (Reduction of GHG emissions)	105-106

Protection of biodiversity

Measures taken to preserve and restore biodiversity	GRI 3-3 Management of material topics (Biodiversity)	97
	GRI 304-3 Habitats protected or restored	95-97

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	177
	GRI 304-2 Significant impacts of activities, products, and services on biodiversity	95–97
	GRI 304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	95–97

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 2-19 Remuneration policies	128–135
	GRI 3-3 Management of material topics	70–84 105–111

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 2-12 Highest governance body's role in impact management monitoring	128–135
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Employment

Total number and distribution of employees by gender, age, country and professional classification	GRI 2-6 Activities, value chain and other business relationships	8–14 143–166
	GRI 2-7 Employees	121–122 143–166
	GRI 405-1. b) The percentage of employees by job category for each of the following diversity categories: gender and age group	51–63 128–138
Total number and distribution of employment contract modalities	GRI 2-7 Employees	121–122 143–166
Average annual number of permanent, temporary and part-time contracts by gender, age and professional classification	GRI 2-7 employees. 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.	121–122 143–166

Sustainability Report 2022

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) In 2022, there have been 10 redundancies. The breakdown by gender, age and professional category is detailed in Annex II.	51–63 128–138
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.	51–63
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.	51–63
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	51–63
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 2-19 Remuneration policies	128–135
	GRI 2-20 Process for determining remuneration	128–135
	GRI 405-2 Ratio of basic salary and remuneration of women to men	51–63
	GRI 201-3 Defined benefit plan obligations and other retirement plans	51–63
Implementation of labour disconnection measures	GRI 3-3 Management of material topics (labour disconnection)	60–61
Employees with disabilities	GRI 405-1. b) Percentage of employees by job category for each of the following diversity categories (iii. Vulnerable groups).	51–63 128–138
Organisation of work		
Organisation of working time	GRI 2-7 Employees. c) The total number of employees by type of employment contract (full-time or part-time) and by gender.	121–122 143–166
	GRI 3-3 Management of material topics (Organisation of work)	53–61
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)	65–69
Measures aimed at facilitating the enjoyment of work/life balance and encouraging co-responsibility for it by both parents.	GRI 401-3 Parental leave	51–63
	GRI 3-3 Management of material topics	51–63
Health and Safety		
Occupational health and safety conditions	GRI 3-3 Management of material topics (Health and Safety)	51–63
Accidents at work (frequency and severity) disaggregated by gender	GRI 403-9 Injuries due to occupational accidents.	65–69
Occupational illness (frequency and severity) disaggregated by gender	GRI 403-10 Occupational diseases and illnesses. In 2022, there were no cases of occupational diseases.	65–69
Social Relations		
Organisation of social dialogue, including procedures for informing, consulting and negotiating with staff	GRI 2-29 Approach to stakeholder engagement	28–33 121–126

	GRI 402-1 Minimum notice periods regarding operational changes	178
	GRI 403-4 Workers participation in regard to health and safety at work	65–69
Mechanisms and procedures that the company has in place to promote the involvement of employees in the management of the company, in terms of information, consultation and participation	GRI 2-24 Mainstreaming commitments and policies	
	GRI 3-3 Management of material topics	
Percentage of employees covered by collective bargaining agreements by country	GRI 2-30 Collective bargaining agreements	51–63
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	65–69
Training		
Policies implemented in the field of training	GRI 3-3 Management of material topics (Training and education)	70–84 105–111
	GRI 404-2 Programmes for upgrading employee skills and transition assistance programmes	51–63
Total number of training hours by professional category	GRI 404-1 Average hours of training per year per employee	51–63
Accessibility		
Universal accessibility for people with disabilities	GRI 3-3 Management of material topics (Diversity and Equality of Opportunities and Non-Discrimination)	70–84 105–111
Equality		
Measures taken to promote equal treatment and opportunities for men and women	GRI 3-3 Management of material topics (Diversity and Equality of Opportunities)	70–84 105–111
Equality plans	GRI 3-3 Management of material topics (Diversity and Equality of Opportunities and Non-Discrimination)	70–84 105–111
Measures taken to promote employment	GRI 3-3 Management of material topics (Employment)	70–84 105–111
	GRI 404-2 Programmes for upgrading employee skills and transition assistance programmes	51–63
Protocols against sexual and gender-based harassment	GRI 3-3 Management of material topics (Diversity and Equality of Opportunities and Non-Discrimination)	70–84 105–111
The integration and universal accessibility of persons with disabilities	GRI 3-3 Management of material topics (Diversity and Equality of Opportunities and Non-Discrimination)	70–84 105–111
Anti-discrimination and, where appropriate, diversity management policy	GRI 3-3 Management of material topics (Diversity and Equality of Opportunities and Non-Discrimination)	70–84 105–111
	GRI 406-1 Incidents of discrimination and corrective actions taken	179

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 3-3 Management of material topics	70–84 105–111
	GRI 2-23 Commitments and policies	28–33 128–135

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 2-12 Highest governance body's role in impact management monitoring	128–135
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Human Rights

	GRI 2-23 Commitments and policies	28–33 128–135
Application of human rights due diligence procedures	GRI 2-26 Mechanisms for seeking advice and raising concerns	128–135
	GRI 3-3 Management of material topics (Human Rights Assessment)	70–84 105–111
	GRI 414-2 Negative social impacts in the supply chain and actions taken	100–103
Prevention of risks of human rights violations and, where appropriate, measures to mitigate, manage and redress any abuses committed	GRI 3-3 Management of material topics (Human Rights Assessment)	70–84 105–111
	GRI 412-2 Employee training on human rights policies or procedures	180
	GRI 412-1 Operations that have been subject to human rights reviews or impact assessments	180
	GRI 2-26 Mechanisms for seeking advice and raising concerns	128–135
Complaints about human rights violations	GRI 2-27 Compliance with laws and regulations	174
	GRI 3-3 Management of material topics (Human Rights Assessment)	70–84 105–111

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 3-3 Management of material topics (Non-discrimination; Freedom of Association and Collective Bargaining; Child Labour; Forced or Compulsory Labour and Human Rights) 70–84
105–111

INFORMATION RELATING TO THE FIGHT AGAINST CORRUPTION AND BRIBERY

Policies

Policies applied by the group, including the due diligence procedures applied to identify, assess, prevent, and mitigate significant risks and impacts, and to verify and control, as well as the measures that have been adopted	GRI 2-23 Commitments and policies	28–33 128–135
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 3-3 Management of material topics	70–84 105–111

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 2-12 Highest governance body's role in impact management monitoring	128–135
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 205-1 Operations assessed for risks related to corruption	136–138

Corruption and bribery

Measures taken to prevent corruption and bribery	GRI 3-3 Management of material topics (with a view to GRI 205 Anti-corruption) GRI 205-2 Communication and training about anti-corruption policies and procedures	70–84 105–111
Measures to fight against money laundering	GRI 3-3 Management of material topics (Anti-corruption)	70–84 105–111
Contributions to foundations and non-profit entities	GRI 3-3 Management of material topics (Anti-corruption) GRI 201-1 Direct economic value generated and distributed GRI 203-2 Significant indirect economic impacts GRI 415-1 Contributions to political representatives and/or political parties	70–84 105–111 15–16 8–16 25–27 181

INFORMATION ABOUT THE COMPANY

Policies

Policies applied by the group, including the due diligence procedures applied to identify, assess, prevent, and mitigate significant risks and impacts, and to verify and control, as well as the measures that have been adopted.	GRI 3-3 Management of material topics	70–84 105–111
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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 2-12 Highest governance body's role in impact management monitoring	128–135
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The company's commitments to sustainable development

Impact of the company's activity on employment and local development	GRI 203-1 Infrastructure investments and services supported	8–16 25–27
	GRI 203-2 Significant indirect economic impacts	8–16 25–27
	GRI 204-1 Proportion of spending on local suppliers	86–103
	GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	86–92 121–123
	GRI 413-2 Operations with significant actual and potential negative impacts on local communities	86–92 121–123
Impact of the company's activity on local populations and territory	GRI 203-1 Infrastructure investments and services supported	8–16 25–27
	GRI 203-2 Significant indirect economic impacts	8–16 25–27
	GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	86–92 121–122
	GRI 413-2 Operations with significant actual and potential negative impacts on local communities	86–92 121–122
Relations maintained with local community stakeholders and the methods of dialogue with them	GRI 2-29 Approach to stakeholder engagement	28–33 121–126
	GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	86–92 121–123
Association or sponsorship actions	GRI 2-28 Membership of associations	86–99 121–123

	GRI 203-1 Infrastructure investments and services supported	8–16 25–27
	GRI 201-1 Direct economic value generated and distributed	17 175
Subcontracting and suppliers		
Inclusion of social, gender equality and environmental issues in procurement policy	GRI 3-3 Management of material topics (Environmental and Social Assessment of Suppliers)	92–94
	GRI 2-6 Activities, value chain and other business relationships	100–103
	GRI 3-3 Management of material topics (Environmental and Social Assessment of Suppliers)	8–16 25–27
Consideration in relations with suppliers and subcontractors of their social and environmental responsibility	GRI 308-1 New suppliers that were screened using environmental criteria	100–103
	GRI 308-2 Negative environmental impacts in the supply chain and actions taken	100–103
	GRI 407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	179
	GRI 414-1 New suppliers that were screened using social criteria	100–103
	GRI 414-2 Negative social impacts in the supply chain and actions taken	100–103
Supervision and audit systems and results thereof	GRI 308-2 Negative environmental impacts in the supply chain and actions taken	100–103
	GRI 414-2 Negative social impacts in the supply chain and actions taken	100–103
Consumers		
	GRI 3-3 Management of material topics (Customer Health and Safety)	70–84 105–111
Measures for the health and safety of consumers	GRI 416-1 Assessment of the health and safety impacts of product and service categories	181
	GRI 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	181
	GRI 417-1 Requirements for product and service information and labelling	181
Complaint systems, complaints received and their resolution	GRI 2-26 Mechanisms for seeking advice and raising concerns	128–138
	GRI 3-3 Management of material topics (Customer Health and Safety)	70–84 105–111
	GRI 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	181
Tax information		
Profits obtained by country	GRI 207-4 Country-by-country reporting	124–126
Income taxes paid	GRI 207-4 Country-by-country reporting	124–126
Public subsidies received	GRI 201-4 Financial assistance received from government	124–126
Alignment of the activity with the European taxonomy of sustainable activities		
Alignment of the activity with the European taxonomy of sustainable activities	Activities aligned with the European taxonomy Annex III - Methodology for calculating alignment with taxonomy	124–126

Annex VI - SASB Content Index

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)	105–111
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	105–111
Air quality				
RR-PP-120a.1	Emissions of NOx (excluding N2O), SO2, volatile organic compounds (VOCs), particulate matter and hazardous pollutants (HAPs)	Quantitative	GRI 305-7 Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	75–84
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	74–80
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	74–80
			GRI 303-4 Water discharge	177
			GRI 303-5 Water consumption	74–80
RR-PP-140a.2	Description of water risk management and discussion of water risk mitigation strategies and practices	Discussion and analysis	GRI 3-3 Management of material topics (Water and effluents)	78–80
			GRI 3-3 Management of material topics (Water and effluents)	78–80
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 For the rural environment section	86–103
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 For clients section	116–119
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 For the rural environment section	86–103
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 For the rural environment section	86–103

RR-FM-160a.3	Forest area surface in protected species habitat	Quantitative	There is no specific GRI standard; Ence reports this information in the For the rural environment section	86–103
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 For the rural environment section	86–103
Rights of indigenous people				
			GRI 3-3 Management of material topics (Assessment of Human Rights, Rights of Indigenous People, and the Local Community)	175 180–181
			GRI 3-3 Management of material topics (Assessment of Human Rights, Rights of Indigenous People, and the Local Community)	175 180–181
			GRI 3-3 Management of material topics (Assessment of Human Rights, Rights of Indigenous People, and the Local Community)	15–16
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 412-1 Operations that have been subject to human rights reviews or impact assessments	180
			GRI 412-2 Employee training on human rights policies or procedures	180
			GRI 411-1 Incidents of violations involving rights of indigenous peoples	180
			GRI 413-1 Operations with local community engagement, impact assessments, and development programmes	86–92 121–123
			GRI 413-2 Operations with significant actual and potential negative impacts on local communities	86–92 121–123
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 For the climate, Forestry R&D&I and For the rural environment sections.	105–111 86–103 39–41
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 For the rural environment section	86–103
RR-FM-000.C	Timber harvest volume	Quantitative	There is no specific GRI standard, Ence reports this information in the For the environment section	86–103
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	74–80
RR-BI-120a.2	Number of incidents or non-compliance with permits, standards or regulations associated with air quality	Quantitative	GRI 2-27 Compliance with laws and regulations	174
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	78–80
			GRI 303-4 Water discharge	177
			GRI 303-5 Water consumption	78–80
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	78–80
			GRI 303-2 Management of impacts related to water discharges	78–80
RR-BI-140a.3	Number of incidents or non-compliance with permits, standards or regulations associated with water quality	Quantitative	GRI 2-27 Compliance with laws and regulations	174
Lifecycle emissions				
RR-BI-410a.1	Lifecycle GHG emissions by biofuel type	Quantitative	GRI 305-1 Direct GHG emissions (Scope 1)	105–111
			GRI 305-4 GHG emissions intensity	105–111
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 For the rural environment sections	70–103
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 year, all Ence's facilities were certified to this standard and over 90% of biomass inputs to the plants were also certified to this standard. More information in the For 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	124–126
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 For communities and For the rural environment sections	86–103 121–126
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	65–69
			GRI 403-10 Occupational diseases and illnesses	65–69

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	8–23
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	70–81

TAXONOMY

	Requirements of the regulation	Quantitative	ENCE's own methodology based on Article 8 of the European Taxonomy	17–21
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Annex VII – Independent External Assurance Report



KPMG Asesores, S.L.
P.º de la Castellana, 259 C
28046 Madrid

Independent Assurance Report on the Sustainability Report of Ence Energía y Celulosa S.A. and subsidiaries for 2022

(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 2022 of Ence Energía y Celulosa S.A. (hereinafter, the Parent) and subsidiaries (hereinafter, the Group) for the year ended 31 December 2022, prepared with reference to the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards) according to the “Annex IV - GRI Content Index” table.

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 2022, included in the Report which forms part of the Group's consolidated Directors' Report for 2022, has been prepared in accordance with prevailing mercantile legislation.

The Report includes additional information to that required by GRI Standards 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 “Annex IV - GRI Content Index” and the “Annex V – Law 11/2018 content Index” tables of the accompanying Report.

Responsibility of the Parent's Directors and Management

Management of the Parent is responsible for preparing and presenting the Report in accordance with the GRI Standards, in accordance with each subject area in the “Annex IV - 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 “Annex V – 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 "Stakeholder dialogue and materiality analysis" section, considering the content required by prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the Report for 2022.
- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the Report for 2022.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

- Corroboration, through sample testing, of the information relative to the content of the Report for 2022 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 2022 of Ence Energía y Celulosa S.A. and subsidiaries for the year ended 31 December 2022 has not been prepared, in all material respects, with reference to the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards) as described in point "Annex IV - GRI Content Index" of the Report.
- b.) The NFIS of Ence Energía y Celulosa S.A. and subsidiaries for the year ended 31 December 2022 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 "Annex V – 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 2022 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 Annex III. Methodology for calculating alignment with taxonomy in the accompanying Sustainability Report 2022. 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 2022 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

31 March 2023

