

IN  
FOR  
ME  
ANNUAL  
2017



**FORWARD-LOOKING  
VALUE**

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# **CHAIRMAN'S letter**







# 1 Chairman's letter

> [102-14]

Dear friends,

I have the satisfaction of presenting you the Iberpapel Group's Annual Report for 2017. This publication forms part of the commitment to transparency and good corporate governance that we make to our shareholders and to each of our stakeholders. We understand that **sustainability management, responsible behaviour and accountability are the way to provide assurance that we will continue to overcome new challenges and build a promising future.**

The best way to summarise the last year is to say that we fulfilled our objectives. This is reflected in the evolution of the main financial and non-financial figures, which once again demonstrate the solidity, flexibility and sustainability of our business model. In the past 12 months we achieved our goal of **consolidating efficiency, productivity and cost control**, three distinctive factors in our business model, without neglecting future growth.

Iberpapel ended 2017 with a net profit increase of 13.93% on 2016, having reached €22.91 million. EBITDA also grew 3.97% year-on-year to total €36.91 million.

Revenue amounted to €217.05 million, 7.51% above the 2016 figure, driven by higher turnover from paper and electricity sales.

**Paper sales rose by 6.02%** thanks basically to the increase in units sold, while power billings grew by 28.66% due to the improved performance of our gas turbine and more favourable pool prices compared with the previous year. During the year, we harvested the fruits of the major investments made to enhance efficiency. The Company also showed its capacity to grow without forsaking a sound level of profitability, having obtained a gross operating margin of 17% in 2017 as compared with 17.63% in 2016.

In 2017 we began to develop the new strategy for the coming years. **In May, we announced the launch of the "Hernani Project", a key investment for the Iberpapel Group's future growth.** This project, which is in the initial stage, will consist of installing a new machine to make flexible packaging paper, with a production capacity of 85,000 tonnes per year, and transforming the existing cellulose plant to bring in technological and environmental improvements and achieve a 15-20% increase in gross capacity.

**Through this investment, the Iberpapel Group is making a clear commitment to innovation, technology and growth.** This project will allow us to increase production capacity and diversify our products to target new sectors in which future growth will be a lot higher than in printing and writing paper, with a clear added value for customers. We have the advantage of a team with the ambition, knowledge and experience necessary to undertake this project. The Company's sound financial structure also provides the flexibility required in a prudent approach to these new investments. We consider that our ordinary cash generation will permit the rapid recovery of the investment in financial terms.

**In 2017, a new Board Committee was created, the Corporate Social Responsibility Committee, which will allow us to develop a new corporate social responsibility policy in 2018 and to make progress in new initiatives related to climate change.**

Iberpapel's good results, growth expectations for the coming years and the value of our business model have been broadly recognised in this period, as reflected by our noteworthy stock market performance. **At end-2017, our stock had risen 27.57% on the previous year to close at €29.20.**

Finally, as regards shareholder return which, as you know, is one of Iberpapel's priority strategies, in the past year we paid out an attractive, sustainable dividend in line with the payout approach applied since the stock market flotation.

Although we might say that 2017 was a year of significant changes, our main objective for the future has not changed. **We aim to carry on building a company that achieves solid results year after year, has the ability to transform challenges into great opportunities and is managed responsibly and sustainably.**

Thank you for your trust.

Iñigo Echevarría Canales

# Iberpapel at a GLANCE





2

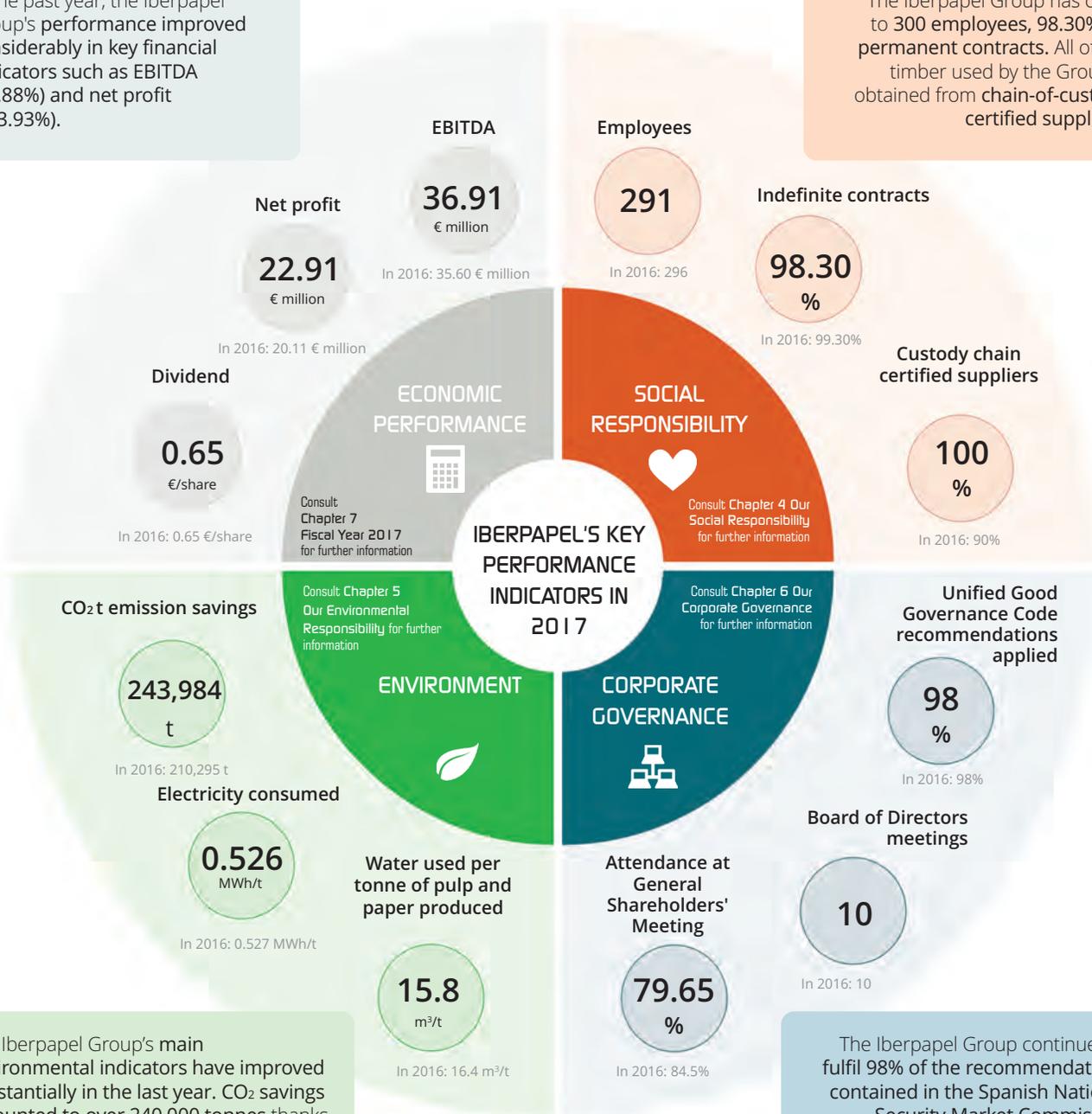


## 2.1 Key financial and non-financial indicators

Iberpapel is an integrated paper group with a history of over 80 years, committed to quality, service and the environment. Since its origins, it has been one of the leading players in Spain's printing and writing paper market.

In the past year, the Iberpapel Group's performance improved considerably in key financial indicators such as EBITDA (+3.88%) and net profit (+13.93%).

The Iberpapel Group has close to 300 employees, 98.30% on permanent contracts. All of the timber used by the Group is obtained from chain-of-custody certified suppliers.



The Iberpapel Group's main environmental indicators have improved substantially in the last year. CO<sub>2</sub> savings amounted to over 240,000 tonnes thanks to the use of biomass and cogeneration. Power consumed per tonne produced fell slightly, while m<sup>3</sup> of water used decreased by 4%.

The Iberpapel Group continues to fulfil 98% of the recommendations contained in the Spanish National Security Market Commission (CNMV)'s Code of Good Governance. The Board still meets 10 times a year and General Meeting attendance remains at around 80% (12% above the IBEX 35 average).



## FINANCIAL HIGHLIGHTS

> [102-7]

ECONOMIC PERFORMANCE	2017	2016	2015	Var. 2016-17	Var. 2015-17
<b>RESULTS (million euro)</b>					
Revenue	217.05	201.89	218.24	+7.5%	-0.5%
EBITDA	36.91	35.60	31.52	+3.7%	+17.1%
Operating margin (% of revenue)	17.00	17.63	14.44	-0.63 p.p.	+2.56 p.p.
EBIT	26.51	24.98	21.62	+6.1%	+22.6%
Attributable net profit	22.91	20.11	16.11	+13.9%	+42.2%
Margin (% of sales)	10.55	9.96	7.38	+0.59 p.p.	+3.17 p.p.
<b>BALANCE SHEET (million euro)</b>					
Total assets	353.30	276.06	264.35	+28.0%	+33.6%
Equity	236.77	227.45	213.90	+4.1%	+10.7%
Net borrowings	(79.13)	(55.13)	(45.01)	+43.5%	+75.8%
Investments	2.78	8.62	11.40	-67.7%	-75.6%
<b>FINANCIAL AND MANAGEMENT RATIOS</b>					
Net debt/Equity (%)	(33.42)	(24.23)	(21.04)	-9.19 p.p.	-12.38 p.p.
Net debt/EBITDA	(2.14)	(1.55)	(1.43)	+38.1%	+49.7%
Return on equity (%) <sup>(1)</sup>	15.58	15.65	14.73	-0.07 p.p.	+0.85 p.p.
EBITDA return on equity (%) <sup>(2)</sup>	9.68	8.84	7.52	+0.84 p.p.	+2.16 p.p.
Working capital (million euro) <sup>(3)</sup>	170.16	78.65	64.47	+116.4%	+163.9%
Liquidity (x) <sup>(4)</sup>	5.44	3.04	2.56	+78.9%	+112.5%
<b>SHAREHOLDER RETURN (euro per share)</b>					
Interim dividend	0.30	0.30	0.30	=	=
Supplementary & definitive dividend	0.25*	0.35	0.35	-28.6%	=
Dividend yield (%)	1.88	2.84	3.77	-0.96 p.p.	-1.89 p.p.
Pay-out (%)	25.37%	34.39%	43.05%	-9.02 p.p.	-17.68 p.p.
<b>THE STOCK</b>					
Number of shares	10,930,524	10,930,524	11,247,357	=	-2.82%
Capitalisation (million euro)	319.17	250.20	194.01	+27.6%	+64.5%
Share price at year end (euro)	29.20	22.89	17.25	+27.6%	+69.3%
Average share price (euro)	28.04	19.12	14.45	+46.7%	+94.0%
Equity per share (euro)	21.66	20.81	19.02	+4.1%	+13.9%
Price/Equity per share (x)	1.35	1.10	0.91	+22.7%	+48.4%
PER (price-earnings ratio) (x)	13.47	12.11	11.42	+46.7%	+18.0%
Earnings per share (euro)	2.16	1.89	1.51	+4.1%	+43.0%
<b>SOCIAL RESPONSIBILITY</b>					
Employees (average headcount) (No.)	291	296	304	-1.7%	-4.3%
Employees under indefinite contracts (%)	98.3%	99.3%	98.7%	-1.0 p.p.	-0.4 p.p.
Custody chain certified suppliers	100%	90%	88%	+10.0 p.p.	+12.0 p.p.
<b>ENVIRONMENT</b>					
CO <sub>2</sub> (t) emission savings	243,984 t	210,295 t	227,096 t	+16.0%	+7.4%
Electricity consumed (MWh/t)	0.526 MWh/t	0.527 MWh/t	0.536 MWh/t	-0.2%	-1.9%
Waste reused (%)	15.8 m <sup>3</sup> /t	16.4 m <sup>3</sup> /t	17.3 m <sup>3</sup> /t	-3.7%	-8.7%
<b>CORPORATE GOVERNANCE</b>					
Code of Good Governance recommendations applied (%)	98%	98%	98%	=	=
Board of Directors meetings (No.)	10	10	10	=	=
Attendance at General Shareholders' Meeting (%)	79.55%	84.51%	84.98%	-4.96 p.p.	-5.43 p.p.

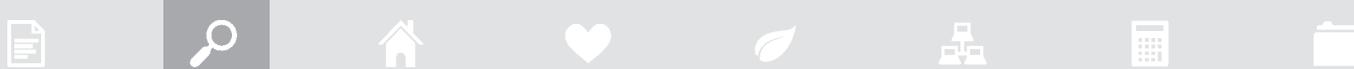
\* Proposal to the Annual General Meeting

<sup>(1)</sup> Calculated as the result of dividing EBITDA by shareholders' funds.

<sup>(2)</sup> Calculated as the quotient formed by net profit and equity, representing the relationship between economic profit and the equity capital necessary to obtain it.

<sup>(3)</sup> Calculated as the excess of current assets over current liabilities, representing the company's capacity to continue to do business as normal in the short term.

<sup>(4)</sup> Calculated as the product of dividing current assets by current liabilities, representing the proportion of short-term debts covered by assets that will be cashed at approximately the same time as the debts will fall due.



## 2.2 Milestones in 2017 and challenges for 2018

# Milestones 2017





# Challenges 2018

<ul style="list-style-type: none"> <li>• Proceed with the “Hernani Project” and report developments as they arise.</li> </ul>	<p><b>3. Our Group</b></p> 
<ul style="list-style-type: none"> <li>• Continue to apply the policy designed to extend the specialty papers market in Spain and abroad.</li> </ul>	
<ul style="list-style-type: none"> <li>• Bolster the Company's position as a leading company in the printing and writing paper segment.</li> </ul>	
<ul style="list-style-type: none"> <li>• Maximise the yield from forestry assets, following high sustainability standards.</li> </ul>	
<ul style="list-style-type: none"> <li>• Maintain tight cost control, as in recent years.</li> </ul>	
<ul style="list-style-type: none"> <li>• Step up dialogue with stakeholders.</li> </ul>	<p><b>4. Our Social Responsibility</b></p> 
<ul style="list-style-type: none"> <li>• Favour employee career development through training initiatives.</li> </ul>	
<ul style="list-style-type: none"> <li>• Strengthen customer relations to maintain their confidence.</li> </ul>	
<ul style="list-style-type: none"> <li>• Oversee fulfilment of the Iberpapel Group's ethical, social and environmental requirements in the supply chain.</li> </ul>	<p><b>5. Our Environmental Responsibility</b></p> 
<ul style="list-style-type: none"> <li>• Improve the main environmental indicators.</li> </ul>	
<ul style="list-style-type: none"> <li>• Progress with the assimilation of circular economy principles in environmental management.</li> </ul>	<p><b>6. Our Corporate Governance</b></p> 
<ul style="list-style-type: none"> <li>• Continue to integrated CSR as a strategic pillar of good governance in the Group (Corporate Social Responsibility Committee).</li> </ul>	
<ul style="list-style-type: none"> <li>• Review and adapt corporate CSR policies to market best practices.</li> </ul>	<p><b>7. Fiscal Year 2017</b></p> 
<ul style="list-style-type: none"> <li>• Implement actions to maximise the Group's value, boosting investor confidence and Iberpapel's future sustainability.</li> </ul>	

Note: Click on the relevant icon to consult the chapter in question.

# Our GROUP





3





### 3.1 Business model and value creation

> [103-2, 103-3, 413-2]

#### The Iberpapel Group takes a number of key capitals ...

##### Financial

Available shareholders' funds, debt and grants.

##### Industrial

Machinery, plant and equipment.

##### Intellectual

Technology, systems, licences and industry knowledge.

##### Human

Experience, capacity and team motivation.

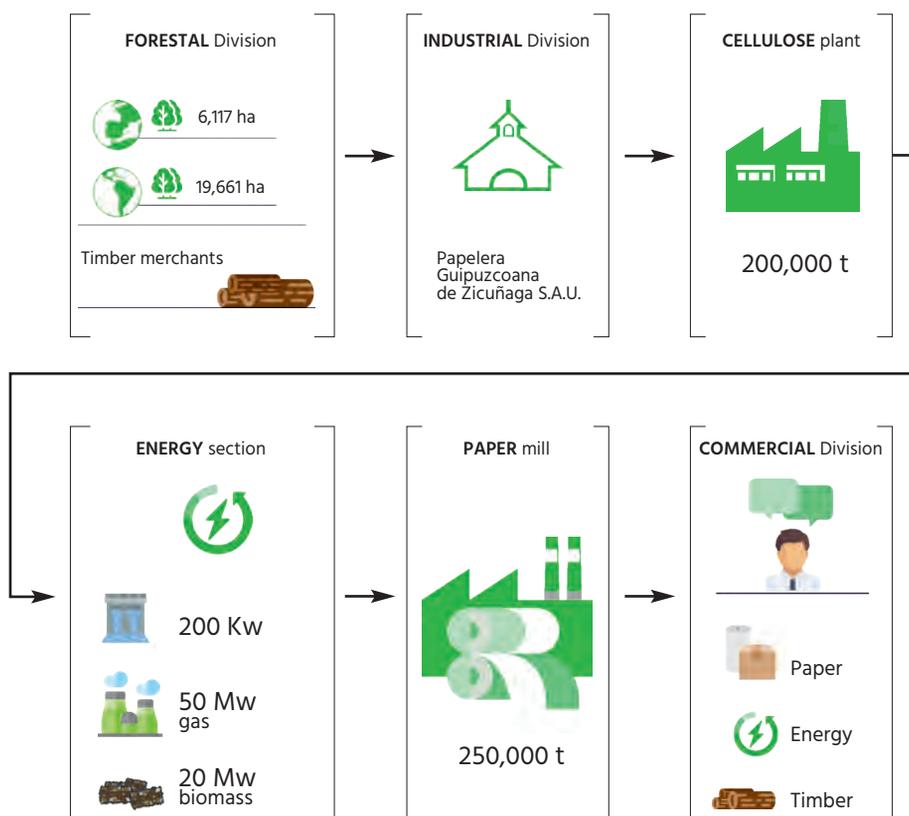
##### Social

Cooperation, transparency and trusting relationships with stakeholders.

##### Natural

Forests, air and environmental processes such as energy recovery from waste.

#### ... and transforms them in the course of its activities ...



The transformation of Iberpapel's capitals into activities that create value for its stakeholders is founded on:

Distinctive values: production process integration, innovation, efficiency, customer focus, industrial and commercial flexibility.

Solid Corporate Governance structure.



> [103-2, 103-3, 413-2]

## ... bringing value for its main stakeholders ...

**Shareholders, investors and the financial community.** Transparency, sound financial structure, sustainable growth and dividend policy.

---

### Customers

Quality products and services, commercial flexibility and customer satisfaction.

---

### Suppliers

Solid relationships within a framework of loyalty, honesty and responsible management.

---

### Employees

Participative dialogue, diversity, life-work balance, equal opportunities and working conditions.

---

### Environment

Sustainable forestry, use of renewable energies in paper manufacture, etc.

---

### Company

Support and development for local communities.

---

### Regulators and associations

Collaboration with the competent administrations and bodies, and compliance with applicable regulations.

## ... and generating a series of positive impacts on society and the environment.

Clear commitment to state-of-the-art energies and technologies that **reduce environmental impacts and help to fight climate change.**

---

### Committed, qualified team

thanks to training and promotion in a pleasant working climate

---

Greater **development and well-being in the Group's areas of influence** thanks to our support, training and cooperation with local communities.

---

**Competitive, sustainable products and services** thanks to the inclusion of innovation in our strategy.

---



## 3.2 Market context

### WORLD AND DOMESTIC ECONOMIC OUTLOOK > PROSPECTS, OPPORTUNITIES AND RISKS

#### OPPORTUNITIES

- > Recovery of industry and trade.
- > Support for investment.
- > Increase in productivity.
- > Improvement in flexibility and financial structures.
- > Guarantee of fiscal sustainability in the medium term.

#### RISKS

- > Slowdown of potential growth.
- > Trade restrictions.
- > Normalisation of monetary policies.
- > Non-economic factors.
  - > Geopolitical tensions
  - > Political uncertainty due to elections.

#### GDP GROWTH

Global (Source: World Bank)		
+3.0%	+3.1%	+3.0%
2017	Estimated growth 2018	Estimated growth 2019
+3.1%	+2.3%	+2.1%
Spain (Source: OECD)		

### ECONOMIC CONTEXT IN 2017

#### Economic highlights in 2017:

- **Global economic growth upgrades (+3.0% in 2017 vs. +2.4% in 2016) due, among other factors, to the significant growth in the volume of international trade.**



- **Spanish economic growth above 3% for the third year running.**



- **2% reduction in the past year (to 16.6%) in Spain's unemployment rate.**

The world's economy improved considerably in 2017. Unlike previous years, in this period the main international bodies upgraded their economic growth forecasts. The World Bank's latest estimates point to a 3% increase in global gross domestic product in 2017 as compared with 2.4% in 2016. This is explained mainly by the significant growth in international trade, a rise in market confidence and the absence of inflationary tensions.

The advanced economies gained speed thanks to the economic improvement in the United States. Production and investment growth, together with the fiscal stimulus, brought the country's economic growth to 2.3% in 2017 as compared with 1.5% in 2016. Although the economy was temporarily stagnant in 2017, due to the slowdown in consumer expenditure, this was offset by the rise in private investment and capital expenditure in strategic sectors such as energy.

Europe's economy was a positive surprise during the year. The eurozone's economic growth picked up speed to reach an estimated GDP of 2.4% in 2017, the best figure in the last five years, having risen 0.6% on 2016 (1.8%). This good performance was also reflected in the European currency, which appreciated over 15% against the dollar.

During this period, obstacles to basic

product exports decreased in both the emerging markets and the advanced economies, while domestic demand from product importers remained solid. The region's growth rates stayed at high levels compared with other areas of the world. According to the World Bank's forecasts, growth will reach 4.3% overall in 2017 as compared with 3.7% in the previous year. Growth in Latin America and the Caribbean is particularly significant and will improve as Argentina and Brazil come out of the recession and basic product prices rise, favouring exporting countries.

The figures are an invitation to optimism, although significant risks remain in the worldwide outlook due to the possible implementation of new trade restrictions and regulatory uncertainty, which could weaken confidence and investment.

In this context of improvement at the international level, the Organisation for Economic Cooperation and Development (OECD) expects Spain's economy to grow above 3% in 2017 for the third consecutive year, placing it in the leading group of developed countries. In this period, it is noteworthy that the positive global scenario, job creation, low interest rates and private sector deleveraging have encouraged private consumption, exports and investment in Spain, despite the uncertainty generated by the Catalan crisis.



As regards Spain's budget deficit, the OECD expects it to fall to 2.4% in 2018 and 2.2% in 2019. These figures are still slightly above the levels agreed by the Spanish Government with the European Union. In 2017,

unemployment fell by 2% on 2016, while the number of employed people grew by 560,100, according to data published by the National Institute of Statistics (INE).

## ECONOMIC OUTLOOK FOR THE COMING YEARS

### Key economic prospects for the coming years:

- **Global economic growth estimated at above 3% in 2018 according to the International Monetary Fund (IMF) and the World Bank.**



- **According to the OECD, although Spain is expected to grow at a slower rate than in the past two years (+2.3% in 2018 and 2.1% in 2019), it will continue to grow at a faster pace than the eurozone (+2.2% in 2018 and 1.9% in 2019).**



The projections published by the most relevant international bodies indicate that the global economy has continued to improve in recent months, in both the advanced economies and in the emerging and developing regions. The cyclical upturn that began in the middle of 2016 gained further speed in 2017, particularly in the second half, the information available to date indicating that this expansion phase is continuing. However, significant risks persist, such as the normalisation of monetary policies in the advanced economies, particular in the United States, the country at the most advanced stage of the cycle.

These good prospects are based on a continued expansive approach to monetary policies, driven by plans for fiscal expansion in the United States, which include a tax cut and an increase in infrastructure spending. Buoyant international trade is also linked to the level of confidence, strength of investment, a particularly import-intensive demand component and, in the case of the emerging economies, an improvement in purchasing power thanks to the upturn in commodity prices.

The World Bank expects global economic growth of close to 3.1% in 2018 and a slight decline to 3% in 2019. Forecast growth in the United States has been upgraded to 2.5% in 2018 and 2.2% in 2019. The expansive fiscal policy is expected to stimulate the economy in the short term, since tax cuts for companies will boost investment. Growth forecasts for many advanced economies, such as Japan and the eurozone countries have also been upgraded thanks to the rise in internal and external demand, particularly in Germany, Italy and the Netherlands. This all points to a rise of above 2% in the advanced economies in 2018.

The emerging and developing economies still play an essential role, accounting for over half of the global growth, well above the advanced countries. The World Bank expects their GDP to increase 4.5% in 2018 and 4.7% in 2019. China will continue to achieve very high levels, although there will be a slight moderation, with GDP of 6.4% in 2018 and 6.3% in 2019 as compared with 6.8% forecast for 2017.

As regards the Spanish economy, the International Monetary Fund (IMF)'s World Economic Outlook report highlights the country's growth in 2017, which exceeded its potential and the figure for the majority of the eurozone countries, exhibiting a more balanced pattern than in the pre-crisis years. However, the OECD dampens optimism for the coming years, estimating 2.3% GDP growth for 2018 and 2.1% for 2019, due to the disappearance of the expansive effect of pent-up demand and of other temporary supporting factors such as low oil prices and taxes.

According to this international organisation, the unemployment rate will fall gradually in the coming years to reach 15.4% in 2018 and 14% in 2019, as compared with 16.5% at end-2016. Although this figure is still high, it will fall considerably during this period, according to the OECD. In this context, we must not forget that Spain's economy still shows major risks such as a high fiscal deficit, the weight of government debt and a complicated political situation.

PAPER INDUSTRY OUTLOOK > PROSPECTS, OPPORTUNITIES AND RISKS

OPPORTUNITIES

- > Increase in paper and board production worldwide.
- > In the past year, the highest rise in production in European countries since 2010.
- > New business opportunities due to growth in the emerging markets.
- > Growing demand for hygiene products such as toilet paper or disposable tissues, in emerging and developing countries (Brazil, Russia, China, etc.).

RISKS

- > High sensitivity to cellulose price fluctuations in the industry.
- > Strong competition from plastic packaging with respect to paper and board packaging, due to the fall in oil prices as compared with cellulose prices.

HIGHLIGHTS

Paper and board production 2017 vs. 2016

+1.5%	+1.5%	=
Global	Europe	Spain

Million tonnes of paper and board produced in 2017

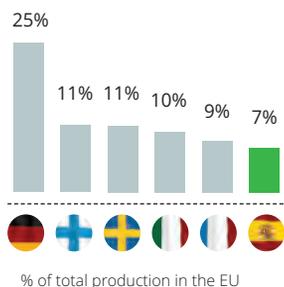
420	92.3 <sub>(22%)*</sub>	6.2 <sub>(1.5%)*</sub>
-----	------------------------	------------------------

Apparent paper and board consumption in Spain

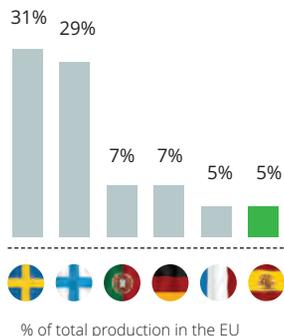
**+2.4% 2017 vs 2016**

\* With respect to worldwide production

6th Ranked PAPER manufacturer in the EU



5th Ranked CELLULOSE manufacturer in the EU



Spain's paper industry is one of the country's most solid sectors. Competitiveness, growth and respect for the environment are its three main pillars. In line with emerging trends, the paper industry is constantly evolving and the focus is on achieving the innovation and quality necessary to reach higher levels of efficiency, productivity and specialisation, accompanied permanently by a concern for the environment and sustainability.

Paper plays a role in numerous aspects of human life, such as education, communication, hygiene, trade and transportation. This means that the paper industry is highly significant within the global economy and, in particular, has a special influence on consumer behaviour.

According to EuroGraph data, European demand for uncoated paper rose by 1% in 2017 after falling 6% in 2016. Paper sales in Europe increased by 1%, while sales outside Europe decreased by 1%, in the last year. In Spain, according to Aspapel, paper consumption rose by 2.4% in 2017 on 2016.

At the European level and according to preliminary statistics published in February by CEPI (Confederation of European Paper Industries), in 2017 paper and board production in its member countries rose by 1.5% on the previous year, production having totalled 92.3 million tonnes, reflecting the largest demand growth since 2010. Global production also grew by 1.5% in 2017 to total 420 million tonnes. China's rapid growth (4.7% in 2017 as compared with 2.9% in 2016), together with rising demand in Brazil and Russia, have driven

global growth despite falls in countries such as Canada, South Korea and India, and stagnation in the United States.

In 2017, in Spain paper and board production was identical to the previous year, production having declined insignificantly by 0.012% in 2017 with respect to 2016. However, production of some paper and board specialities rose significantly, particularly coated board (+12.2%).

In Spain, the paper industry has 81 industrial plants (10 cellulose plants and 71 paper mills). The industry in Spain generates 16,320 direct jobs and approximately 80,000 indirect jobs. Spain is the fifth-ranked cellulose producer and the sixth-ranked paper producer in the European Union. This means that the paper sector contributes high added value to Spanish industry and has a considerable positive impact on society.



## THE PAPER INDUSTRY AND SUSTAINABILITY

### Main challenges in the global paper industry from a sustainability viewpoint:

- Responsible management of forests and plantations.
- Responsible obtainment of wood fibres proven through certification, focused on assuring that biodiversity is protected and the benefits are shared equally, among other aspects. Product traceability, an increasingly important factor for customers, is guaranteed.

### Sustainability focus areas in Spain's paper industry:

- Assure sustainable forest management.
- Carry out efficient, responsible production processes.
- Generate wealth and help to improve the quality of life for all stakeholders forming the industry's value chain.
- Lead recovery and recycling.

### Sustainability at Iberpapel

Sustainable growth and environmental protection are fully integrated into the Group's strategy, forming part of the Company's values and culture. Iberpapel has a comprehensive energy efficiency and climate change policy, implements best available technologies to minimise its environmental impact, assures reforestation of timber sources, promotes sustainable management systems and seeks to guarantee product quality by means of environmental certification.

### Sustainability in the paper industry

Stakeholders that use the paper industry's products are increasingly aware of environmental impacts and demand more functional products with a smaller carbon footprint. Consequently, Spain's paper industry has invested in technological renewal and environmental management in recent years and is one of the most innovative sectors in the domestic economy.

### All Iberpapel's strategies are in line with best practices in an industry in which sustainability is increasingly relevant.

In 2017, aware of the significance of this aspect, the Group considerably improved the integration of sustainability and corporate social responsibility into its business strategy and business model by creating a new Board committee, the Corporate Social Responsibility Committee. This committee will help Iberpapel to progress further in these areas, which are so important to the Company and its stakeholders. In 2018, a new corporate social responsibility policy will be developed and new initiatives related to sustainability and climate change will be launched.



### 3.3 Strategic vision and outlook

#### OUR STRATEGIC VISION AND OUTLOOK

- The Iberpapel Group has a healthy financial situation allowing competitive shareholder returns while undertaking investments to stimulate future growth.

- The subsidiary Papelera Guipuzcoana de Zicuñaga (PGZ) has two plants, one producing cellulose and the other paper. They are fully integrated, so that virtually all the paper made derives from the cellulose plant (cutting manufacturing costs and speeding up the production process). The company also has a biomass gas cogeneration power plant that supplies heat to the industrial process and electricity to the grid.

- Continuous innovation in the search for new products that will bring growth opportunities.
- Development of solutions to cut greenhouse gas emissions, such as the one implemented at Iberpapel's plantations in Uruguay.



- Nearly exclusive make-to-order production, allowing:
  - > Improved management of product prices.
  - > Guaranteed sale of nearly all of the volume produced.
  - > High degree of customer satisfaction.

- Insistence on cost control to boost productivity leadership.

- Major effort to use energy technologies that have a lower environmental impact.

- Continuous investments throughout the Group's history, making annual improvements to the industrial and environmental technology used in facilities.
- Launch of the "Hernani Project" in 2017, entailing an investment of €180 million to improve the paper and cellulose plants.

- Commitment to integrating corporate social responsibility (CSR) into business strategy as a factor that enhances competitiveness and strengthens stakeholder confidence.

The Iberpapel Group's 2016 Annual Report may be consulted for more detailed information on the main competitive advantages (pages 23-25).

<sup>1</sup> For further information on the "Hernani Project", see chapter 3.4 of this report.

The combination of all these competitive advantages has allowed Iberpapel to achieve a good positioning in the industry and success in complex market situations, as well as a significant international presence.

The Company's aim is and must be to consolidate efficiency, productivity and cost control, without forsaking growth, thanks to new investments (such as the "Hernani Project" <sup>1</sup>) to increase production capacity and product diversification.



## PILLARS OF THE IBERPAPEL GROUP'S STRATEGY IN 2017

### The strategy implemented in 2017 was based on:

- Tight cost control, as in recent years.
- Recurring CAPEX at around €3 million at industrial facilities and plantations.
- Launch of the "Hernani Project".

### STRATEGY BY BUSINESS AREA

#### • Forestry Division

It is responsible for supplying the main raw material, timber, to the Industrial Division and for managing 25,778 hectares, virtually all forested land including several species of Eucalyptus in different stages of growth. The division's strategy is focused on assuring supplies to the Industrial Division. Currently, while no tensions are observed in timber prices on the Cantabrian coast, the division will continue to sell timber in the local Spanish and South American markets.

#### • Industrial Division

The Board of Directors of Iberpapel Gestión, S. A., in its meeting of 25 April 2017, agreed to undertake the "Hernani Project" in its subsidiary Papelera Guipuzcoana de Zicuñaga, S.A.U., which will entail an investment of approximately €180 million.

This investment project is subject to the transfer of a high-voltage line that crosses the plot of land on which the new facilities will be located, the related formalities being in a very advanced stage.

The "Hernani Project" will consist basically of the installation of a new machine with a Yankee dryer cylinder to make MG paper for flexible packaging of various kinds, having an estimated production capacity of 85,000 tonnes per year. The existing cellulose plant will also be reformed and modernised to include technological and environmental improvements (BATs), which will allow an increase of between 15% and 20% in the plant's gross production capacity.

The project is expected to be commissioned in between 24 and 30 months.

#### • Commercial Division

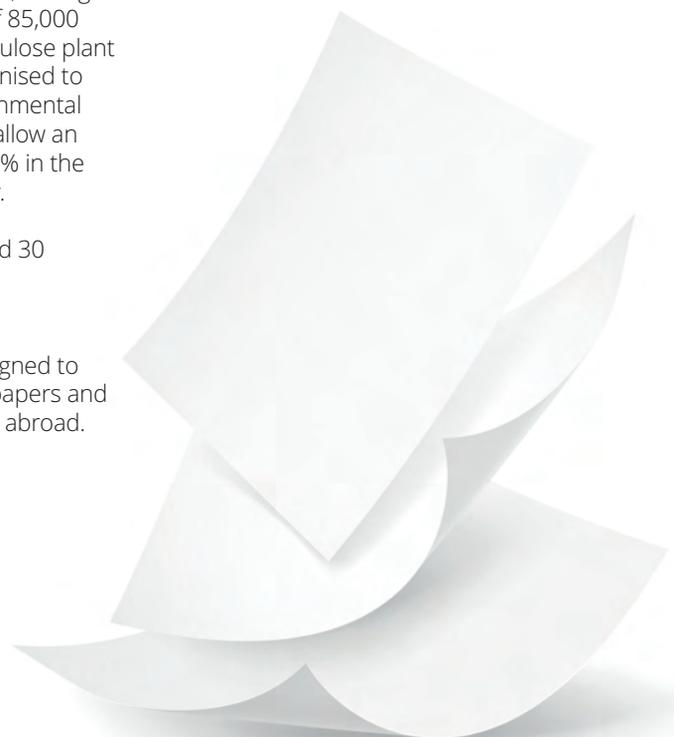
Continue to apply the policy designed to extend the market for specialty papers and traditional products in Spain and abroad.

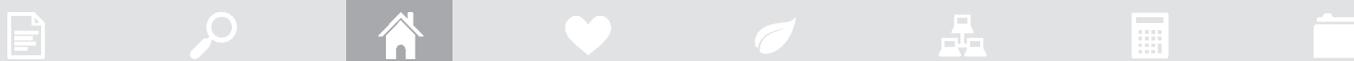
## FUTURE PROSPECTS

In 2017, global paper and board production grew by 1.5% (the majority, 1.4%, in European countries). The industry is also undergoing a transition at the geographical level and from a segment viewpoint. Another aspect to be considered is the increase in demand for special paper products with greater visibility and added value.

Iberpapel faces new market challenges from a privileged position, since the Company has been capable of adapting to market needs thanks to its strategy and the competitive advantages of its business model, over €230 million having been invested in innovation and improvements from 2000 to 2016.

Additionally, as regards new market demands, this year management announced an investment of around €180 million in the "Hernani Project" during the period 2017-2020, so as to enter the flexible packaging segment.





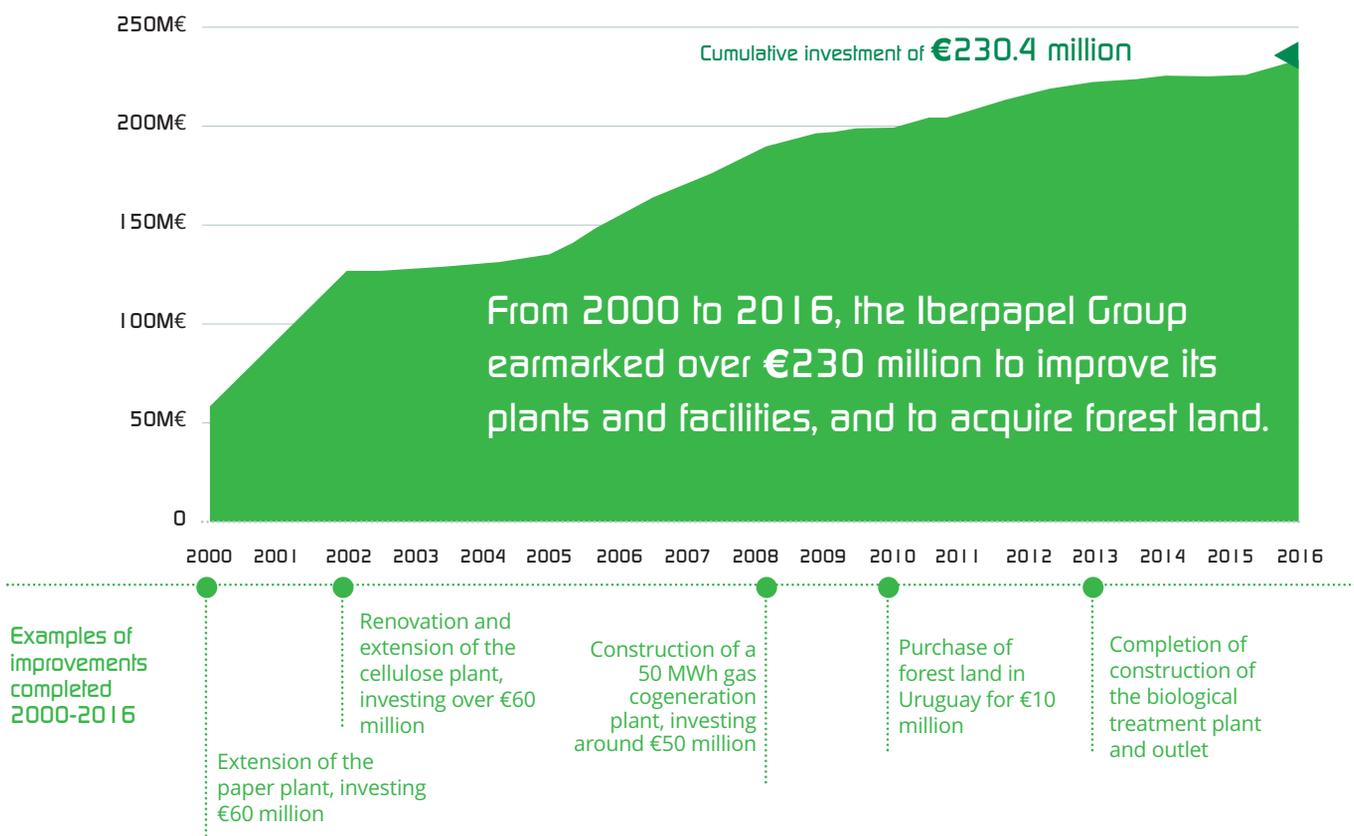
### 3.4 Investment and innovation in the Iberpapel Group

#### A HISTORY OF CONTINUOUS INVESTMENT AND INNOVATION

Iberpapel has always understood that in order to assure sustainable growth we must commit to the continuous improvement of processes, investing in activities that enhance our competitiveness while doing business in a manner that is efficient, integrated and oriented towards stakeholder value generation.

In the period 2000-2016, the Group invested over €230 million, the most significant investments being the extension of paper production capacity, paper machine number 4 having been commissioned in 2000, the extension of the cellulose plant and a 50 Mw gas cogeneration plant, all in the Industrial Division. In the Forestry Division, €10 million was invested in new forest land from 2004 to 2010 in order to position the business in the south-east of Uruguay.

These considerable investments in improving the production unit have doubtless had a very positive impact on the quality of our paper and our competitiveness. As regards innovation, in the last few years the Commercial Division has diversified to launch new products. The main products include: Zicubag (paper for bags, high mechanical resistance), Zicubag GR (greaseproof paper), Zicuflex (packaging paper) and Vellum SC (label face).



In this context of constant changes, Iberpapel has managed to adapt and will make the most of its potential to undertake major projects that will boost competitiveness in the coming years. In 2017, one of the Iberpapel Group's most important projects got under way: the "Hernani Project".



## “HERNANI PROJECT”, A DETERMINED COMMITMENT TO THE FUTURE

The Iberpapel Group initiated its 2017-2020 strategy in 2017, which will have a relevant impact on future growth and competitiveness.

In May 2017, the “Hernani Project” was launched and will entail key investments (around €180 million) in growth and competitiveness in the short, medium and long term.

### Paper plant



**What are the plans?** Fitting of a new paper machine to make high-quality white and coloured paper for packaging.

**Main benefits:** 34% increase in paper production capacity.

### Cellulose plant

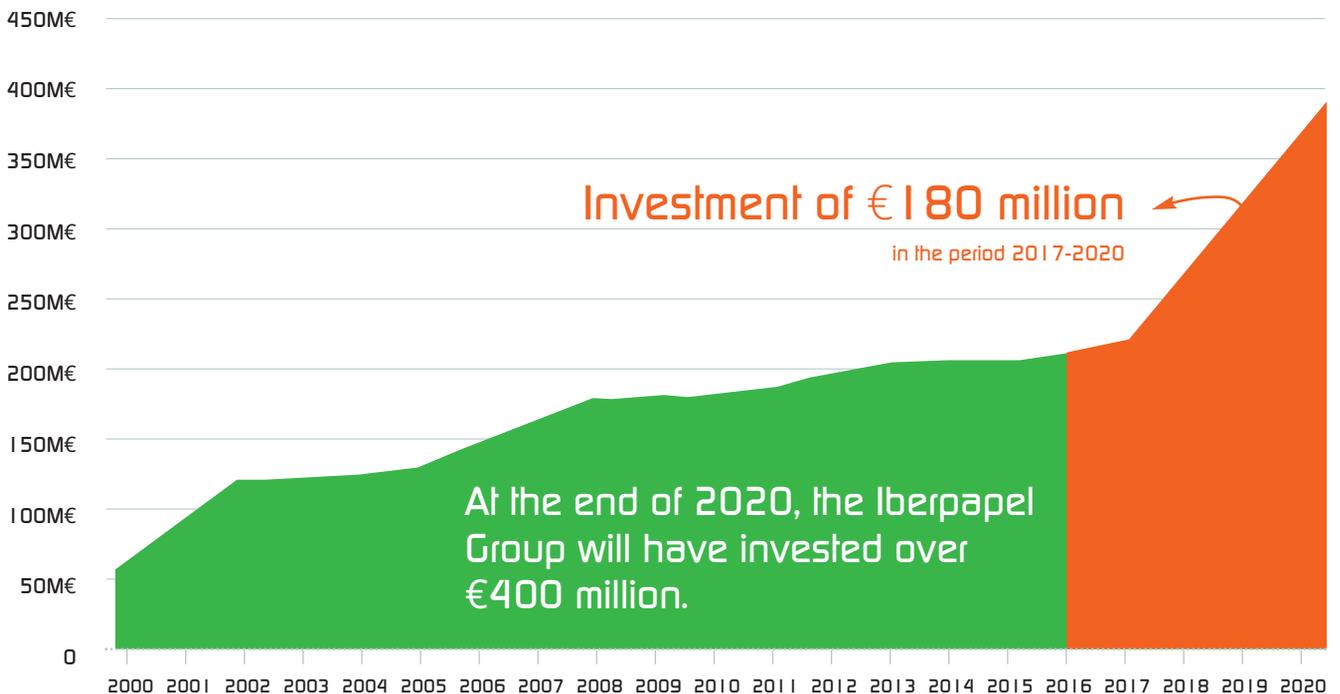


**What are the plans?** Renovation and modernisation of the cellulose plant, bringing in technological and environmental improvements.

**Main benefits:** 15-20% increase in Eucalyptus pulp production capacity.

Estimated investment of **€130 million**

Estimated investment of **€50 million**



## 3.5 The Iberpapel Group's business

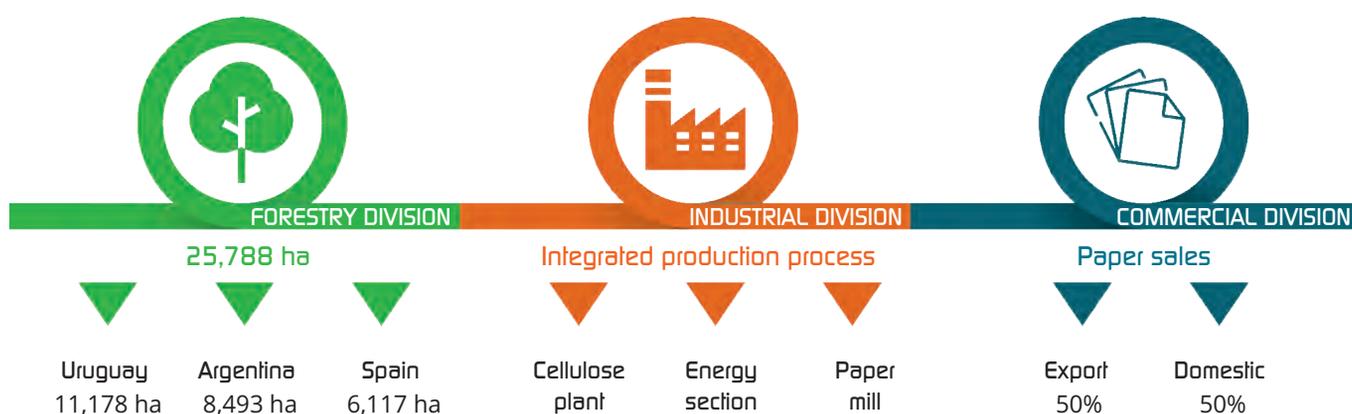
> [102-2, 102-4, 102-6]

### BUSINESS STRUCTURE

The Group has a history and experience of over 80 years in the paper industry. It also has an operating structure formed by three divisions that span the entire paper

value chain, from source (Forestry Division) to marketing (Commercial Division) through raw material transformation processes (Industrial Division).

As the Group encompasses the whole length of the value chain, we can maximise value generation and create synergies among the divisions, which favours our competitiveness.



The Iberpapel Group has a solid international presence across the three divisions.

#### SPAIN

- La Palma del Condado (Huelva).
- Hernani (Guipúzcoa).
- Barcelona | Irún | Madrid | San Sebastián | Seville.

#### EUROPE and AFRICA

- Sales representatives for: Albania | Germany | Algeria | Austria | Belgium | Bosnia | Croatia | Denmark | Egypt | Slovakia | Slovenia | France | Greece | Netherlands | Hungary | Ireland | Italy | Macedonia | Morocco | Poland | Portugal | United Kingdom | Czech Republic | Romania | San Marino | Serbia | Tunisia | Turkey

#### SOUTH AMERICA

- Argentina: Reforestation, forestry operation and timber marketing in Colón
- Uruguay: Reforestation, forestry and timber marketing in Paysandú and Montevideo.

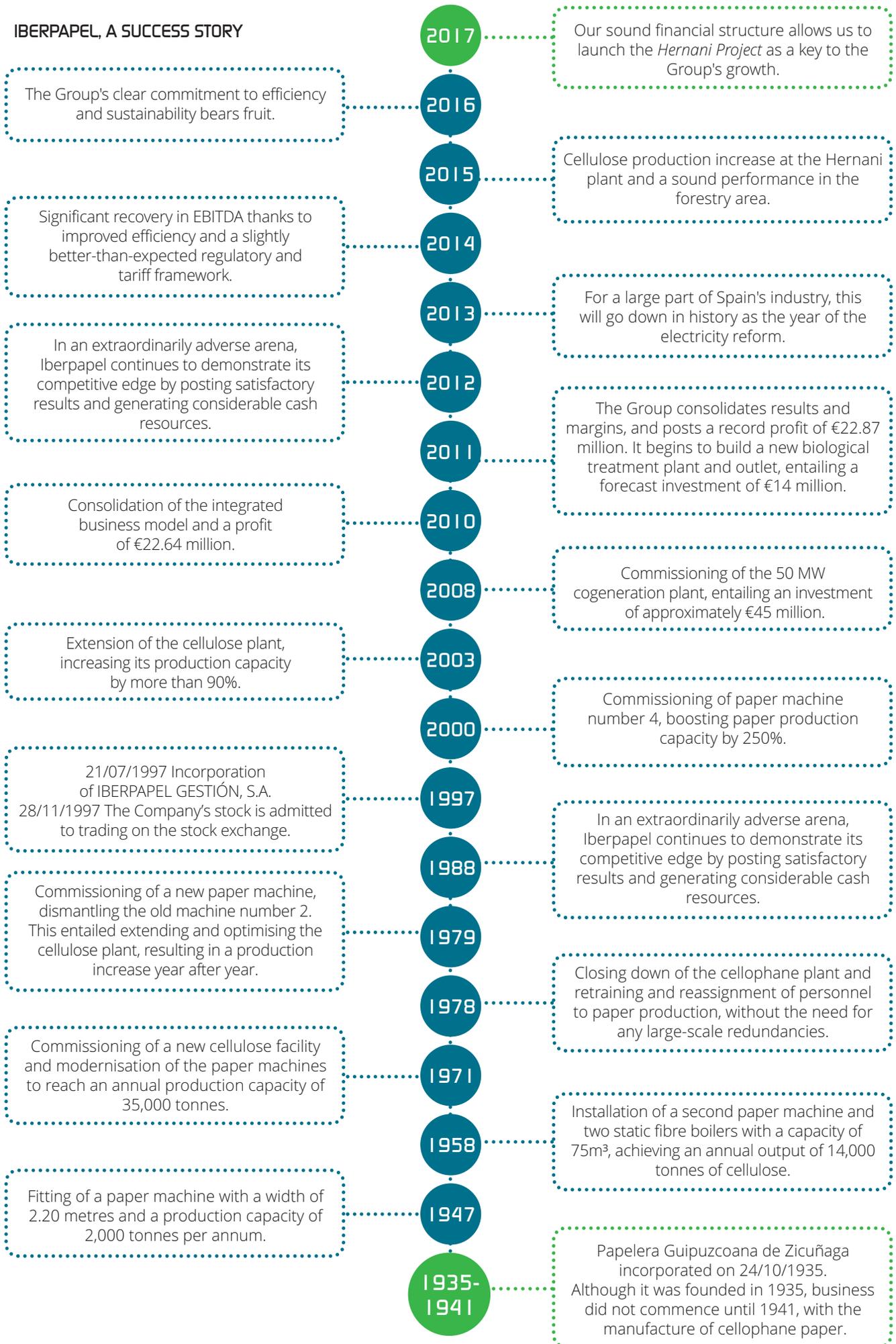


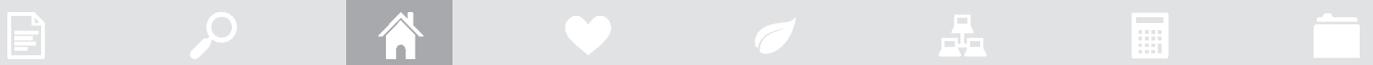
- Forestry activity
- Industrial activity
- Commercial activity

The following pages include detailed information on each of the Iberpapel Group's three divisions.



## IBERPAPEL, A SUCCESS STORY





### 3.5.1 Forestry Division

> [103-2, 103-3, 304-2]

Forestry management is designed to obtain the maximum yield from our plantations under the strictest sustainability criteria.



#### SUSTAINABLE FOREST MANAGEMENT: A KEY FACTOR FOR THE COMPANY

During the last decade, protection and management of forest masses has received a lot of attention due to the direct and indirect benefits for society. All agents have focused on sustainable forest management, i.e. the organisation, conservation and sustainable development of the world's forests.

The Paris Agreement on Climate Change (approved by 195 countries on 11 December 2015) formally recognises the broad environmental benefits of forest areas and promotes sustainable management, favouring conservation and avoiding deforestation. The United Nations 17 Sustainable Development Goals (SDGs)

approved in 2015 include sustainable forest management in "Goal 15 Life on land", stipulating specific goals for 2030.

**SDG 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss.**



*"Forests are an integral part of the planet's sustainable development due to the economic, sociocultural and environmental benefits they provide, as they perform an essential function in the water cycle, soil conservation, carbon sequestration and habitat protection. Sustainable management is crucial to achieve a sustainable agriculture and food security...<sup>(1)</sup>".*

Forests and trees support sustainable agriculture. They stabilize soils and climate, regulate water flows, give shade and shelter, and provide a habitat for pollinators and the natural predators of agricultural pests. They also contribute to the food security of hundreds of millions of people, for whom they are important sources of food, energy and income. Yet, agriculture remains the major driver of deforestation globally, and agricultural, forestry and land policies are often at odds. <sup>(1)</sup>

State of the World's Forests (SOFO) 2016 shows that it is possible to increase agricultural productivity and food security while halting or even reversing deforestation, highlighting the successful efforts of Costa Rica, Chile, the Gambia, Georgia, Ghana, Tunisia and Vietnam. Integrated land-use planning is the key to balancing land uses, underpinned by the right policy instruments to promote both sustainable forests and agriculture. The report contains recommendations on policies for the suitable management of land use for forests and agriculture.



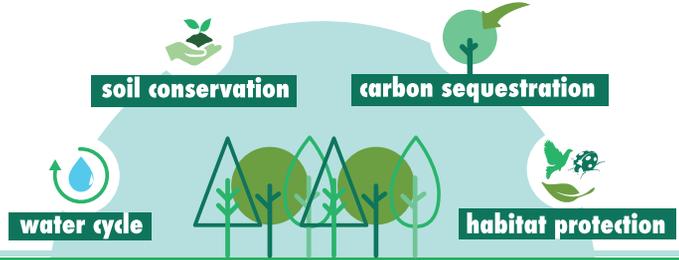
<sup>(1)</sup> Source: State of the World's Forests 2016, FAO <http://www.fao.org/documents/card/en/c/6547e46e-3e6f-4c47-8dcb-8c5c19a18e00/>.

# STATE OF THE WORLD'S FORESTS

## FORESTS AND AGRICULTURE: LAND-USE CHALLENGES AND OPPORTUNITIES

# 2016

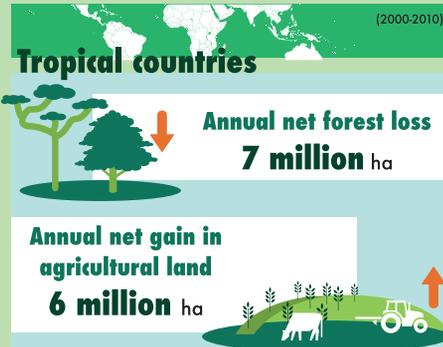
**Forests are vital for sustainable agriculture and food security, particularly for**



**Agriculture remains the most significant driver of global deforestation**

### THE GREATEST LOSS OF FORESTS AND GAIN IN AGRICULTURAL LAND

was in **tropical** and **low-income** countries.



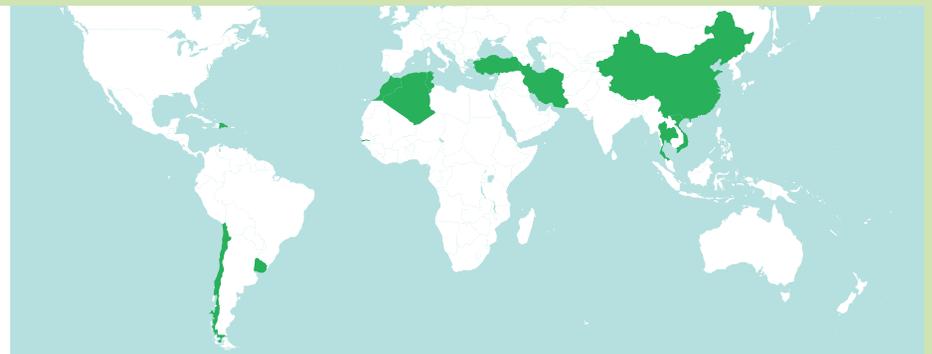
**Global demand for agricultural production will continue to rise**



**Over 20 countries** succeeded in improving food security while maintaining or increasing forest cover since 1990

**12 of these countries** increased forest cover by over **10%**

- Algeria, Chile, China, the Dominican Republic, Gambia, Iran, Morocco, Thailand, Tunisia, Turkey, Uruguay, Viet Nam



**It is possible to achieve sustainable agriculture, food security and halt deforestation but ACTION IS NEEDED**



- Effective legal and institutional frameworks
- Coordinated forest, agriculture, food, land-use and rural development policies
- Secure land tenure and regulation of land-use change
- Inter-sectoral collaboration on research, development and extension
- Adequate funding and investment to increase agricultural productivity and manage forests sustainably
- Stronger involvement of local communities and smallholders
- Agroforestry and stronger farm-forest links
- Integrated land-use planning



[28]

## THE FORESTRY DIVISION IN DETAIL

We currently have total forest assets of 25,778 hectares, of which 19,661 hectares (76%) are located in South America. At end-2017, our forest assets were distributed as follows:

### DISTRIBUTION OF FOREST ASSETS IN 2016 (hectares/country)

Country	Hectares
Spain	6,117
Argentina	8,493
Uruguay	11,168

Our Group works mainly with *Eucalyptus globulus* ssp *globulus* Labill, *Eucalyptus globulus*, from the Iberian Peninsula. The timber is purchased from producers on the Cantabrian Coast and in Portugal. There is a shortfall in timber production and volatility in the European market, so that our own timber reserves provide a competitive advantage and protection against any supply and demand tensions that complicate supplies of this basic raw material, as well as against cyclical price fluctuations.

Iberpapel is aware of the vital importance of sustainable forest management in our industry, timber being the essential raw material in paper manufacture. Our sustainability criteria are designed to guarantee the growth and persistence of forest masses and associated values. We continuously promote the optimisation of production processes in harmony with the preservation of the environment. In line with this philosophy, the Company has defined the following forest management guidelines:

- Gradual inclusion of the best seeds and selection of superior quality trees.
- Preparation of land prioritising soil conservation using the best techniques.
- Implementation of silvopastoral systems, integrating prior land uses, traditionally livestock farming, into forestry projects.
- Recovery of soil productivity by creating meadows, improving them through the planting of fodder species, weed control and stabilisation using rill to combat rainwater erosion.
- Commitment to reduce the use of agrochemicals.

Our forestry production system has brought recognition from Uruguayan government bodies and the approval of forestry projects submitted, which have been classed as Artificial Protective Forests in view of their social, environmental and economic benefits. The latest forest property to obtain this recognition was "El Flaco", at the end of 2014.

## FORESTRY DIVISION'S STRUCTURE

```

graph TD
    subgraph Spanish_Timber [Spanish timber]
        IBER[ Iberpapel Argentina, S.A. ]
    end
    subgraph Latin_American_Timber [Latin American timber]
        LA1[ Forestal Los Gurises Entrerrianos, S.A. ]
        LA2[ Forestal Santa María, S.A. ]
        LA3[ Forestal Loma Alta, S.A. ]
        LA4[ Forestal Vonger, S.A. ]
        LA5[ Los Eucaliptos, S.A. ]
        LA6[ Samakil, S.A. ]
    end
    IBER --> IBER_S[ Iberpapel S.A. ]
    LA1 --> IBER
    LA2 --> IBER
    LA3 --> IBER
    LA4 --> IBER
    LA5 --> IBER
    LA6 --> IBER
    IBER_S --> PAPER[ Papelería Guipuzcoana de Zicuñaga, S.A. ]
  
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## EVOLUTION OF THE IBERPAPEL GROUP'S FOREST ASSETS (hectares)

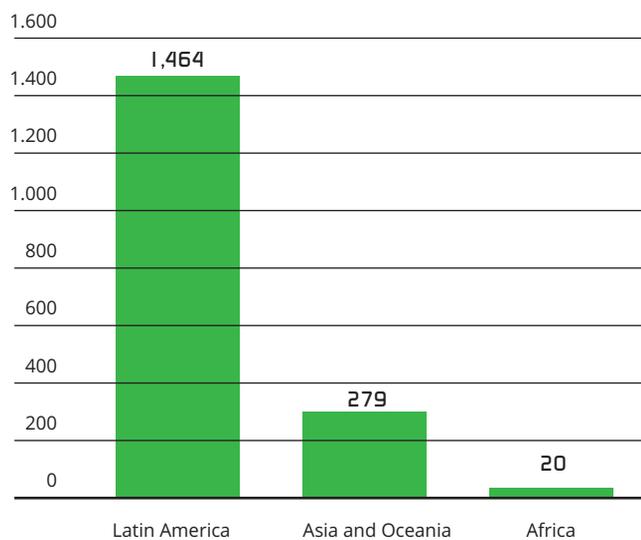
Year	Forest Assets (hectares)
2015	25,778
2016	25,830
2017	25,778



## OUR STRATEGIC FORESTRY INVESTMENTS IN SOUTH AMERICA

Latin America is at the head of the developing countries in the promotion of private investment in forests (see graph below). The high proportion of privately owned forests in the region is one of the driving factors behind this trend. Latin American countries have also been the pioneers in fiscal instruments, particularly payments for environmental services (or ecosystems), designed to encourage more suitable environmental management. Other strategies include the creation of specific national forestry funds and the promotion of new partnerships through portfolio approaches to raise funds. For example, in Uruguay the forest plantation area increased by some 40,000 hectares in the period 2008-2011, representing an estimated annual investment of USD 48 million <sup>(1)</sup>. What is more, Argentina and Uruguay, as countries in the Southern Cone, are very well positioned to leverage the advantages of being low-cost timber producers compared with traditional producers in the Northern hemisphere. Forest areas in Uruguay and Argentina total nearly one million two hundred thousand hectares, mainly concentrated in the Mesopotamia Argentina provinces in the latter case.

TOTAL PRIVATE INVESTMENT IN FOREST PLANTING IN DEVELOPING COUNTRIES. 2011



Source: Castren et al., 2014

In order to reduce dependence on forest supplies from the Iberian Peninsula and increase self-sufficiency, Iberpapel designed an expansion plan in South America. The following summary provides the main milestones of our investment project in Argentina and Uruguay.

## The Iberpapel Group's main investments in Latin America

- 1988 • Acquisition of forest land in Argentina (Concepción de Uruguay) and Uruguay (Paysandú).
- 1999
- 2000
- 2001
- 2002
- 2003
- 2004 • Start of strategic positioning in the south-east of Uruguay.
- 2005
- 2006
- 2007 • Los Eucaliptus, S. A. obtained general authorisation from the government to own forest land in Uruguay.
- 2008
- 2009
- 2010 • More than 10,000 hectares in the south-east of Uruguay.
- 2011
- 2012
- 2013
- 2014
- 2015
- 2016 • Los Eucaliptus S.A. entered into an agreement to build a bridge that will allow goods to be carried through the zone.
- 2017

<sup>(1)</sup>Source: FAO. 2016. State of the World's Forests 2016. Forests and agriculture: challenges and opportunities relating to the use of land. Rome. <http://www.fao.org/documents/card/en/c/6547e46e-3e6f-4c47-8dcb-8c5c19a18e00/>



## OUR GENETIC AND SILVICULTURE IMPROVEMENT PLAN

### KEY ASPECTS OF THE GENETIC AND SILVICULTURE IMPROVEMENT PLAN

- Application of the best technologies to achieve the best quality timber and integration of forestry with wildlife.
- Selection of "superior" *Eucalyptus globulus* trees.
- Optimisation of land use by planting the most suitable *Eucalyptus* species.
- Inclusion of new *Eucalyptus* species with different timber qualities.



Having been launched in 1994, it applies the best technologies to obtain top quality timber and integrate forestry with wildlife protection while allowing and encouraging forest grazing. The implementation of this plan has allowed a substantial increase in the timber's volume and morphological quality.

The plan commenced with the selection of "superior" or "plus" *Eucalyptus globulus* from different locations and with diverse characteristics. These "plus" trees show high adaptability and natural rusticity, the main advantage of which is higher productivity per surface unit.

Our strategy involves foresting the most suitable areas with these "plus" trees and trees obtained from seeds, with the best available genetics. Less suitable zones are planted with other more appropriate *Eucalyptus* species so as to optimise land usage. In both cases, the best forestry techniques are applied to maximise productivity per surface unit and increase sustainable timber production.

Having established the general lines of action, the plans are adapted to each of the areas in which we have plantations.

In Argentina, we are currently diversifying the forestry business to bring in other *Eucalyptus* species with qualities that are suitable for timber and cellulose such as the *Eucalyptus grandis* Hill. ex Maiden. – *Eucalyptus grandis*.

In 2014, the international body PEFC™ validated and approved the local Argentinian CERFOAR forestry certification regulations, which will allow

locally-certified plantations to acquire international PEFC™ certification. We are in the process of obtaining certification in Argentina.

In the Huelva plantations in Spain, we aim to maintain the same reforested surface area. In 2012, zoning projects were approved by the Regional Government of Andalusia and FSC® certification was obtained for forestry management in 2013 and 2014 under the GFA FM/COC-002538 code.

In Uruguay, a reforestation project began in 2005, planting *Eucalyptus globulus* forests on very severely eroded soils, combined with silvopastoral activities. It was conducted in forest plantations in the departments of Canelones, Maldonado and Lavalleja, covering an area of 4,550 hectares.

This project also involves the absorption of CO<sub>2</sub> emissions through forest masses, which act as drains for greenhouse gases.

In order to calculate and monitor CO<sub>2</sub> removal generated by this project, we previously developed a specific methodology approved by the United Nations under the name AR-ACM0001 (Afforestation and Reforestation of Degraded Land), which is now applied to other forestry projects both in Uruguay and also in Brazil, Chile, China, India and the Democratic Republic of the Congo. It is the first consolidated methodology to be approved for the forestry industry.

In April 2012, we obtained certification for this project under the Verified Carbon Standard (VCS), code RA-VAL-VCS-015323.

In 2008, Los Eucaliptus, S.A. obtained FSC® forestry management certification and underwent a certificate renewal process in 2013, reflecting our commitment to sustainable forest management. Los Eucaliptus, S.A. currently has all its plantations certified under GFA (agricultural and farmland association) code FM/COC 002528.

Products bearing FSC® and PEFC™ trademarks and/or labels provide customers and final consumers with the assurance that the raw material originates from sustainably managed forests. Customers have access to information on the source of the timber through the custody chain, which attests to the fact that forests have been exploited using best available techniques and fulfilling all legal and environmental requirements to assure the future viability of forest masses.

Iberpapel was a pioneer in Uruguay in applying conservative plantation techniques and installing integrated production systems on land degraded by poor agricultural and farming practices in the past. In the project launched by Los Eucaliptus S.A., a silvopastoral production system was created on land which is unsuitable for growing *Eucalyptus*, land declared to be a forestry priority and/or marginal land, with limited agricultural-livestock farming potential.



## OUR SOCIAL ACTION AND BIODIVERSITY PROTECTION PLAN

### KEY ASPECTS OF THE SOCIAL ACTION AND BIODIVERSITY PROTECTION PLAN

- Annual social action plan.
- Promotion of a continuous process of social contacts to encourage rural development through courses and guided visits to our plantations.
- Training and communication on the Iberpapel Group's work and activity.
- Observation and monitoring to gain insight into existing biodiversity.



In the areas of influence of the plantations in Argentina and Uruguay, a social action plan is launched annually to promote educational development. Biodiversity is also observed and monitored, leading to the identification and declaration of high conservation value areas.

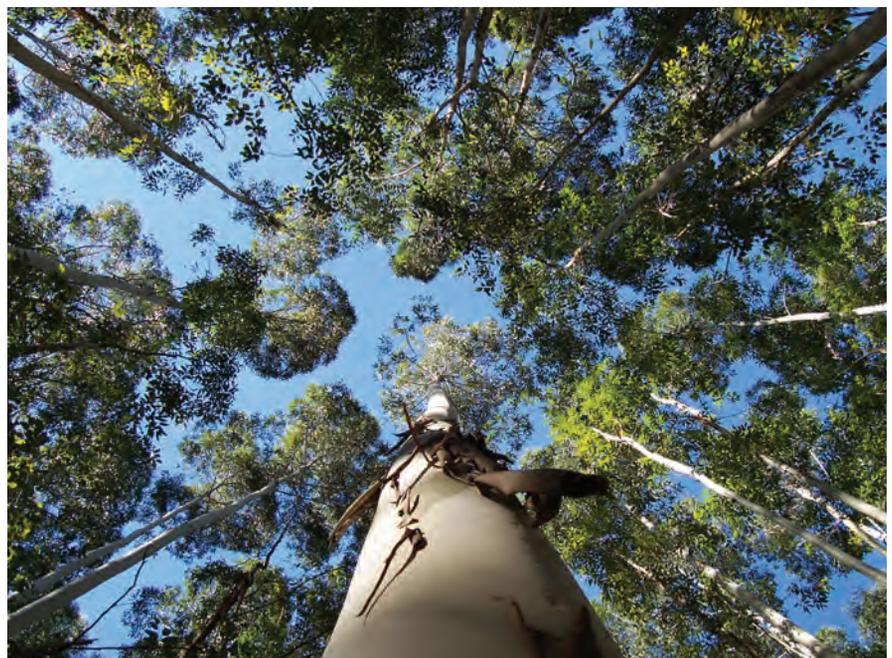
The Iberpapel Group is continuously engaged in social activities, through neighbourly actions in our local communities to encourage the development of rural zones, which is increasingly more complicated due to the growth of cities. In this process, schools have been designated as priority institutions for the measures to be implemented, consisting basically of courses, talks, guided visits and support in the form of school materials and firewood for heating and cooking.

With the help of professionals and through face-to-face interviews and talks, the Company's work is publicised and information on the community's concerns is gathered. This allows us to define and implement new measures aimed at boosting development, always from an educational viewpoint, and improving our local community activities. We also organise training initiatives such as talks on the silvopastoral systems used to adapt our production system to local conditions, conferences on first aid and how to cope with snake bites, action guidelines in the event of forest fire and courses on food and nutrition.

Biodiversity monitoring is conducted on a regular basis (fauna and flora) on our properties, based on certain indicators (species in danger of extinction, vulnerable or exotic;

population densities; new species; etc.), thereby obtaining insight into the biological diversity in each ecosystem. This information is employed to identify the areas which show the most biodiversity and declare them to be areas of high conservation value. On the basis of these observations, we have defined a zone of approximately 200 hectares in the east of Uruguay, named "Cerro del Betete", and another zone of around 700 hectares of protected rural highland in Argentina, as high conservation value areas.

We promote **continuous social contacts**, acting as a neighbour in the communities of influence close to our plantations so as to encourage rural development.



### 3.5.2 Industrial Division



Iberpapel has become a benchmark in the printing and writing paper production sector thanks to our state-of-the-art industrial and environmental technology, supported by ongoing investment. The Industrial Division is responsible for transforming raw materials into finished products. This takes place at the plant, Iberpapel's production unit, located in the town of Hernani, in Guipúzcoa province. The division accounts for most of the Group's employees and our largest investment projects.

#### THE INDUSTRIAL DIVISION AT A GLANCE

The Industrial Division's Hernani facility comprises two plants, one making cellulose and the other paper, plus a power plant. They are integrated so that nearly all our paper is made using cellulose produced by the same plant.

- **Cellulose plant:** almost all the cellulose pulp needed for the paper mill, which makes the final product, printing and writing paper, is obtained from Eucalyptus timber.
- **Power plant:** a renewable energy cogeneration plant and two high-efficiency combined-cycle plants, which produce the thermal energy necessary for the paper and cellulose plants, and export power to the grid.

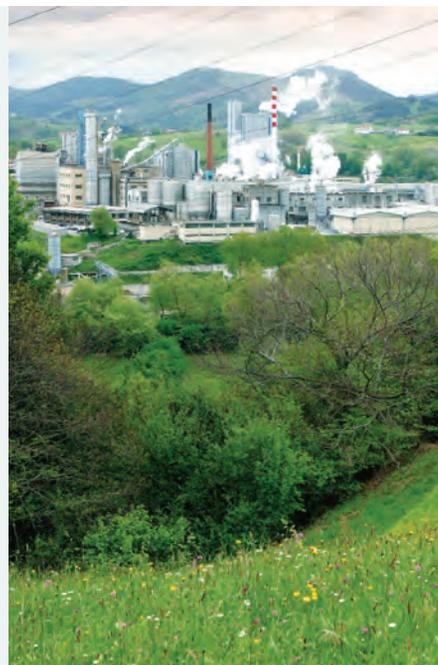
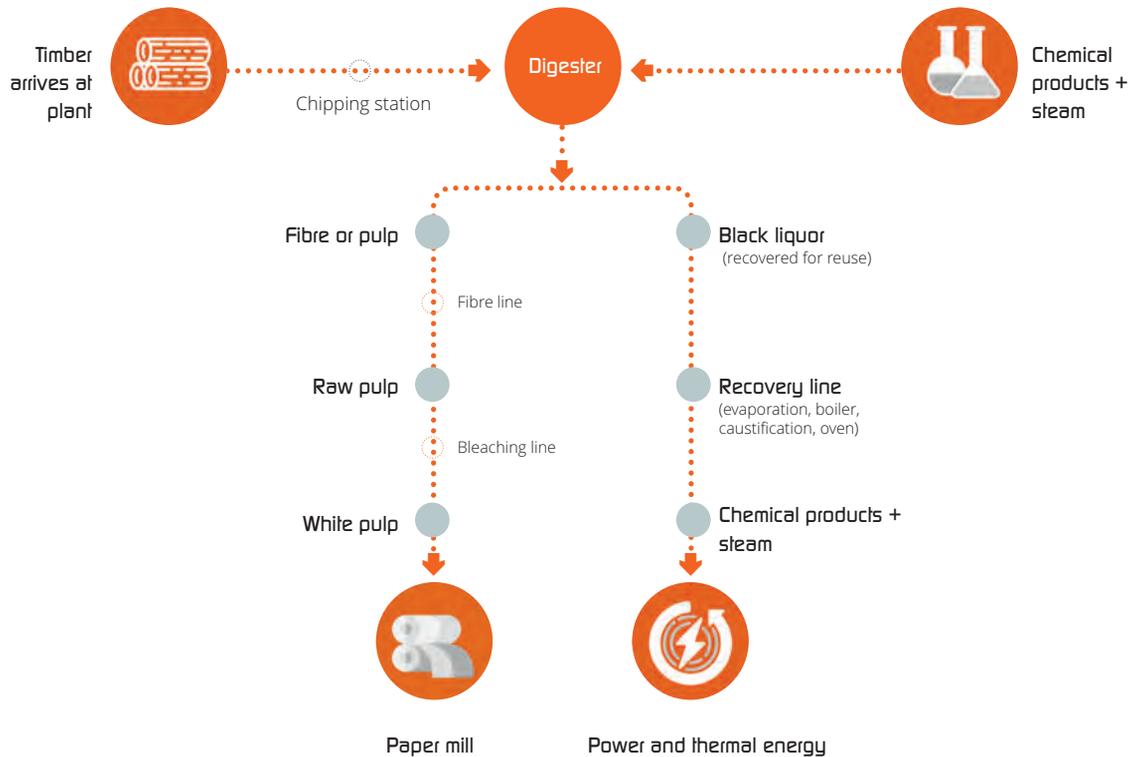


DIAGRAM OF PGZ (PAPELERA GUIPUZCOANA DE ZIGUÑAGA)



Note: Consult pages 39-42 of Iberpapel's 2016 Annual Report for details of investments made by the Industrial Division during the period 2010-2016.

## CELLULOSE PLANT DIAGRAM



### CELLULOSE PLANT

Debarked timber, always Eucalyptus, is carried by truck to the plant. Directly from the truck, or in some cases from storage, the timber is taken to the chipping station where it is transformed into small chips that are fed into a continuous wood cooking digester.

The chips enter the digester together with the bleaching agents NaOH (caustic soda) and  $\text{SNa}_2$  (sodium sulphide). Once inside, the chip and alkali mix is "cooked" at  $150^\circ$  for a set period of time. It is a continuous process as the chips enter the digester and the cooked timber leaves the digester without interruption.

On the way out, the fibres or "pulp" and bleaches are separated. The pulp contains residual bleaches and a certain amount of organic matter from the timber that explains its viscosity and characteristic dark colour, as well as the name "black liquor".

At this stage, the process divides into two production lines: Fibre, where the pulp is processed, and Recovery, where the black liquor is processed, thermal energy and power is produced and the chemicals used in the timber cooking process are regenerated.

- **Fibre:** the cooked wood undergoes a coarse sieving process to separate uncooked components and centrifugal refining followed by a wash to remove remaining bleach. The product obtained, "raw pulp", is stored in a silo and the cooking phase is complete.

The raw pulp goes to the bleaching plant where, through an ECF (elemental chlorine free) process, all the remaining cellulose lignins are removed and the white bleached pulp suitable for the manufacturing of paper is obtained following an additional coarse purification process.

- **Bleach,** following concentration at the evaporation plant, is transferred to the black liquor boiler where

combustion of the organic waste content, mainly containing lignins, generates energy to heat water and produce high-pressure steam. The inorganic portion is recovered in the form of molten mineral.

The steam first passes through a turbine, producing power that is exported to the grid. The thermal energy is then used in the cellulose plants (to heat the bleach solution in the digester) and in the paper mill machinery to heat the drying rollers.

The molten mineral, which mainly contains  $\text{Na}_2\text{CO}_3$  (sodium carbonate) and  $\text{Na}_2\text{S}$  (sodium sulphide) passes through the recovery line to the caustification plant, where CaO (lime) is added to once again obtain the bleach necessary to cook the timber. The CaO (lime) is obtained in the lime oven as a by-product of the recovery process.



### PAPER MILL

The paper mill has three independent production lines, each of which comprises a pulp preparation and purification section, a fibre and water recovery section, a paper-milling machine and two reel winders.

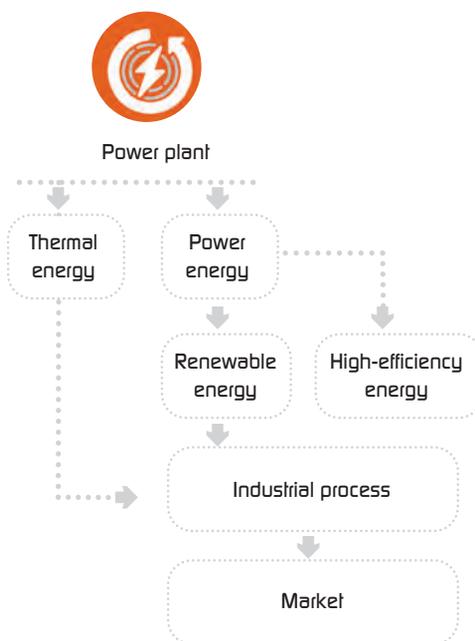
The fact that we have three independent production lines and double reel rewinders for each line makes for very flexible production of different grades and custom orders of paper, which gives us a competitive advantage with respect to other producers with similar or greater total production levels.

### POWER PLANT

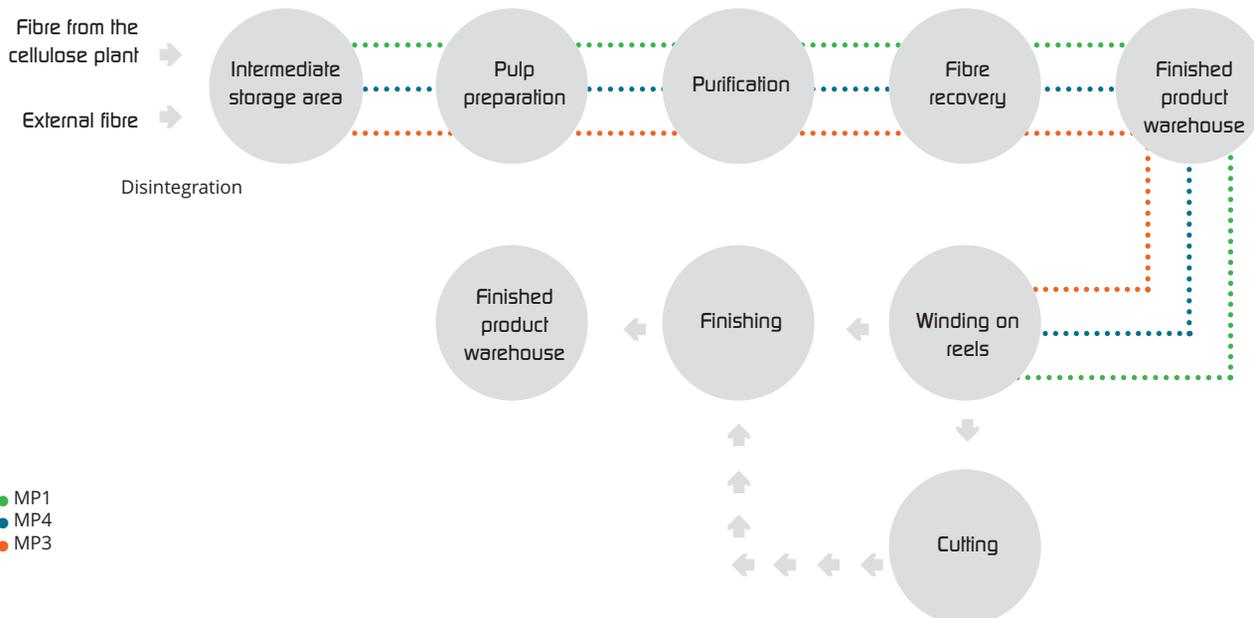
This facility, comprising a renewable energy cogeneration plant and two high-efficiency combined-cycle plants, supplies the thermal energy (steam) required in the industrial process and produces electricity that is partially consumed by the plant, although it is mostly exported to the grid.

- The power plant comprises:
- Auxiliary or power boiler.
  - 20 MW biomass cogeneration.
  - Combined-cycle gas cogeneration with a 12 MW gas turbine, a gas-recovery boiler and a 5 MW steam turbine.
  - Combined-cycle gas cogeneration with a 42.5 MW gas turbine, a gas-recovery boiler and a 7.5 MW steam turbine.
  - 250 KW water turbine for power generation.

### DIAGRAM OF POWER PLANT



### PAPER MILL DIAGRAM





### 3.5.3 Commercial Division



Our Commercial Division is responsible for managing the sale and distribution of our products. Our competitive edge is based on our knowledge and understanding of our customers, markets and competitors.

#### THE IBERPAPEL GROUP HAS SALES OFFICES IN:



We also work with sales representatives in the majority of European countries and other countries in the north of Africa.

#### THE GROUP WORKS WITH SALES REPRESENTATIVES IN:

- Albania
- Germany
- Austria
- Belgium
- Bosnia
- Croatia
- Denmark
- Egypt
- Slovakia
- Slovenia
- France
- Greece
- Hungary
- Ireland
- Italy
- Macedonia
- Morocco
- Netherlands
- Poland
- Portugal
- United Kingdom
- Czech Republic
- Romania
- San Marino
- Serbia
- Tunisia
- Turkey

The Iberpapel Group's sales representatives do not form part of our corporate structure.

Iberpapel continues to be a benchmark in southern Europe's traditional printing and writing paper markets.





## COMMERCIAL DIVISION'S MAIN STRATEGY: KEY POINTS

- Diversifying our portfolio through presence in different markets so as to minimise the risk of losing important customers, adverse circumstances in a specific market and the possibility of being easily displaced by competitors.
- Adapting to current demand, offering a broader product range, seeking segments with the best growth potential, markets with added value and market niches that provide higher profitability.
- Building and maintaining long-term commercial relationships with our customers.
- Supporting their industrial processes, providing a personalised service and building sufficient trust to become their main supplier.
- Taking out insurance to cover virtually all of our paper sale transactions.
- Making most sales in euros so as to avoid foreign exchange risks.



## THE IBERPAPEL GROUP'S MAIN COMMERCIAL COMPETITIVE ADVANTAGES



We manufacture to order, combining the high quality demanded by our customers with optimal efficiency in the production process.



We provide a personalised customer service.



We have a diversified customer portfolio, allowing us to minimise risks of geographic or customer concentration.



We have in-depth knowledge of our business and our customers so we can provide a quality service and maintain long-term commercial relationships.



We offer competitive prices that are capable of meeting our customers' expectations.



We have a wide margin of flexibility in the production process because all stages of the process are integrated.



We take commercial decisions fast thanks to our commercial management experience.



We are the leading Spanish producer of uncoated paper.



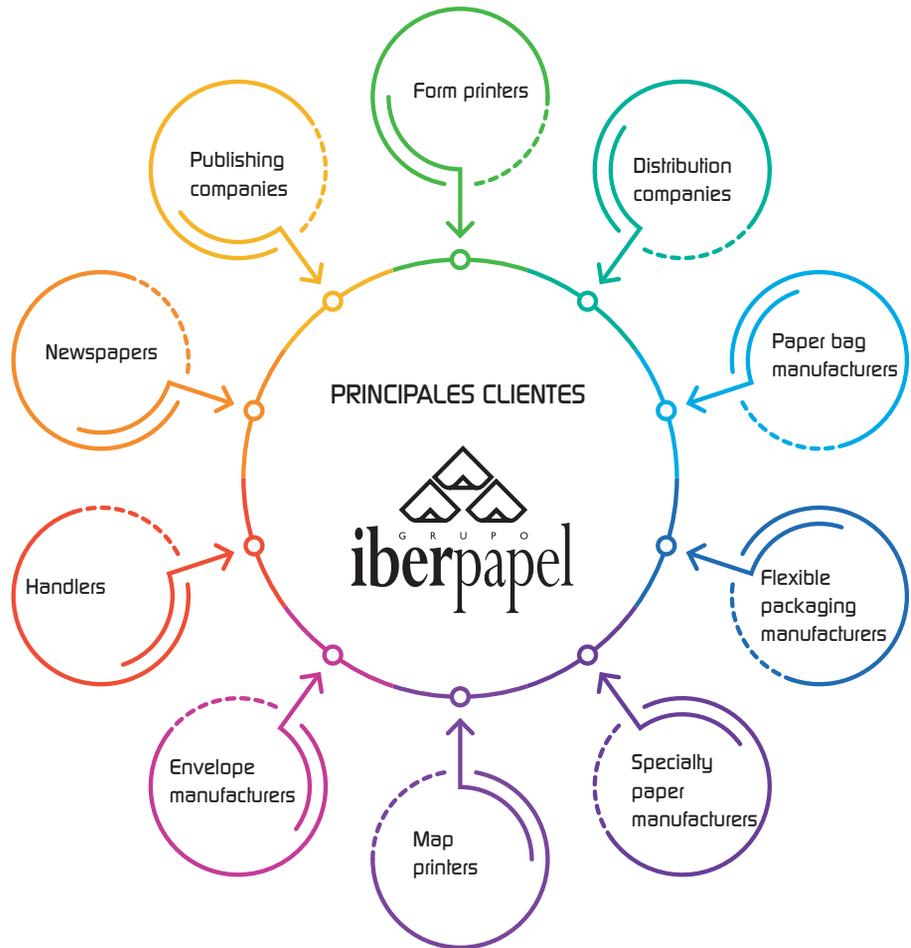
We search continuously for new products, identifying new business opportunities in other markets, such as specialty papers.



## OUR CUSTOMERS

Our customer portfolio basically includes companies that use paper as their main raw material with which the Company has a solid, long-term relationship

**90%** of Iberpapel's customers have been with us for over 5 years



The Iberpapel Group continues to be a key player in traditional printing and writing paper markets in southern Europe and is increasingly involved in growing sectors, such as paper for food and for flexible packaging.

The Company's track record, spanning over 80 years, instils in our clients a feeling of confidence in our capabilities as their current and future supplier.

The loyalty of our customers and our flexible commercial policy allow us to maintain a diversified sales structure. These lasting commercial relationships reflect our customers' satisfaction with the service received from our sales

representatives and the high quality of the products we make. As a guarantee of quality, our products are certified under ISO 9001:2015, ISO 14001:2015, PEFC™ and FSC® and have been granted the German XXXVI ISEGA certificate attesting to suitability for contact with food.

We operate in both domestic and international markets, with consolidated business in Spain, France, Italy and Portugal, where we leverage geographic proximity, although some of our traditional products are exported to other European countries and North Africa. Furthermore, new products with different qualities are sold worldwide and we

now have operations in Asian and Latin American markets.

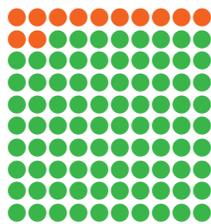
We continue to focus on innovation and the continuous search for new products with high added value to extend, complement and diversify our market presence, preferably in markets showing high growth potential.

### IBERPAPEL'S CUSTOMERS AT A GLANCE:

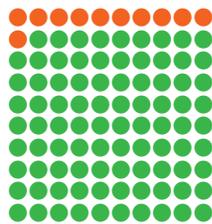
- Iberpapel has long-standing customers (over 5 years), bringing stability (88% of Spanish market customers have been with us for over 5 years, 92% in the export market).

#### AGE OF DOMESTIC CUSTOMERS

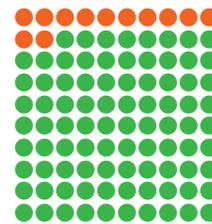
● Less than 5 years ● More than 5 years



2017



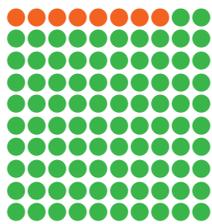
2016



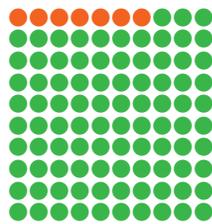
2015

#### AGE OF INTERNATIONAL CUSTOMERS

● Less than 5 years ● More than 5 years



2017



2016



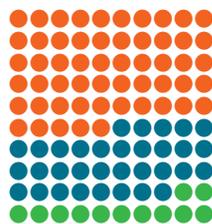
2015

#### GEOGRAPHIC DISTRIBUTION OF PAPER SALES

● Spain ● European Union ● Africa and rest of world



2017



2016



2015



## OUR PRODUCTS (PRODUCT-PAPER TYPE-GRAMMAGE)

- > **COPYSTAR:** Paper for multi-function reprographics. **80 gr.**
- > **COPYRIGHT:** Paper for multi-function reprographics. **80 gr.**
- > **GO:** High whiteness paper for multi-function reprographics. **80 gr.**
- > **ECO+:** PEFC certified paper for multi-function reprographics. **75-80 gr.**
- > **ZCOPY:** High whiteness paper for multi-function reprographics. **75-80 gr.**
- > **ZICUBAG:** High-mechanical-resistance paper for bags. **60-130 gr.**
- > **ZICUFLEX:** Packaging paper. **35-60 gr.**
- > **ZICUBAG GR:** Packaging paper with anti-grease treatment. **35-60 gr.**
- > **VELLUM SC:** Label fronts. **65-75 gr.**
- > **ZICUSET:** White offset paper for publishing and printing. **50-140 gr.**
- > **ZICULAX:** Specialty laser paper. **70-90 gr.**
- > **LASER PREPRINT:** Specialty laser paper. **70-100 gr.**
- > **ZICUMAIL:** Offset paper for envelopes. Automatic and manual envelo. **70-100 gr.**

## BUDGETING AND PLANNING

Our sales plan, which is basically a combination of short- and long-term sales volume budgets, is drawn up on the basis of our market knowledge and experience, the needs of our customers and our sales strategies. We take a number of factors into account when writing our budgets, such as changes in market conditions, production and storage capacities and the development of new products.

The goal of the entire process is to use our resources, raw materials, energy, space and personnel as efficiently as possible in order to adequately meet our customers' needs.

## DISTRIBUTION

In the paper industry, the distribution process has a highly significant impact on results. It is therefore essential to obtain an optimal combination of cost management and logistical efficiency in order to provide a service tailored to our customers' needs.

We always select the most competitive method of transport depending on the destination, prioritising land transport for domestic sales, as reflected in the following chart.

As may be observed in the chart, in 2017 the average distance over which our goods were carried remained stable. Our use of different methods of transport also shows very similar proportions to the previous year.

As regards transport security, we involve all our carriers by demanding evidence that all their vehicles and drivers fulfil all legal requirements, whether they are the carrier's vehicles and drivers or they are subcontracted from other carriers. Similarly, in view of the imminent amendments to the relevant regulations, we involve our carriers in safety aspects affecting the goods, reminding them of their responsibility to secure the load and reserving our right of inspection.

We assure transportation and distribution capacity through a considerable number of carriers in each geographic zone to which products are shipped. The proper distribution of work among these

carriers is vital to meet our volume and cost targets.

As a result of the process followed to select and assess logistics providers, our group contracts all the activities to leading companies, which are required to accept direct liability. We involve our providers in a continuous improvement process to reduce the number of incidents, this being the Company's direct goal in recent years. We inspect vehicles before loading, rejecting those that do not fulfil minimum requirements to carry our paper, since security and quality are present in all our activities.

### PAPER DISTRIBUTION BY MEANS OF TRANSPORTATION

(Finished products as % of total)

YEAR	DOMESTIC MARKET			INTERNATIONAL MARKET		
2017	99.13%	-	0.87%	69.03%	7.31%	23.66%
2016	99.13%	-	0.87%	69.03%	7.31%	23.66%
2015	99.35%	-	0.65%	60.84%	3.95%	35.21%

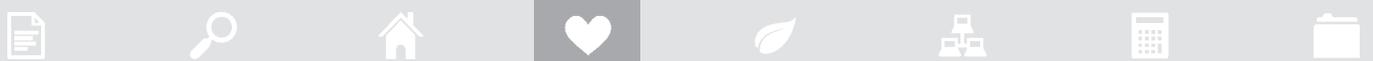


**Our Corporate  
SOCIAL  
RESPONSIBILITY**

ZICULA

4





## 4.1 CSR management approach

### A SOLID COMMITMENT TO CSR (CORPORATE SOCIAL RESPONSIBILITY)

Iberpapel is firmly committed to CSR and sustainability and, within these areas, particularly to quality, service and the environment, given its market positioning as one of Spain's leading companies in the printing and writing paper market.

This commitment to CSR and sustainability begins with the Group's most senior management, since the Company understands that responsible behaviour, accountability and sustainability management are the only path for companies to do business in the XXI century, in response to the expectations of all our stakeholders, overcoming new challenges and seeking to contribute, through our activities, to a better future.

As a sample of senior management's CSR commitment, in 2017 a new Board committee was created, formed by Board directors. The main responsibilities of this new Corporate Social Responsibility Committee are as follows:

- Periodically review corporate social responsibility policies and propose changes or updates to the Board of Directors.
- Examine, promote and guide the Company's corporate social responsibility actions and report them to the Board of Directors.
- Evaluate and review the Company's plans in progress to implement social responsibility policies, monitoring the degree of fulfilment.
- Assess the Group's corporate social responsibility status.
- Issue reports and carry out corporate social responsibility and sustainability activities within the Committee's remit under the corporate governance framework or requested by the Board of Directors or its Chairperson.
- Analyse voluntary initiatives and documents containing recommendations relating to CSR as they arise in the market.

The Company has integrated CSR

and sustainability into its business strategy and all its activities, from good corporate governance and fair remuneration for shareholders and investors to sustainable management of forest resources, promotion of sustainable purchasing and continuous improvement of our environmental performance, including employee training and safety in the workplace, among other aspects.

The Company considers that sound management of the various aspects of CSR enhances its competitiveness and helps to meet stakeholder expectations and demands.

### THE IBERPAPEL GROUP IS COMMITTED TO THE SUSTAINABLE DEVELOPMENT GOALS (SDG)



The Iberpapel Group, through its business, generates a variety of positive impacts in the local community that help to achieve the Sustainable Development Goals (SDG). The main positive impacts that make such contributions are as follows:



- The Group promotes health and safety in the workplace. The number of accidents fell by 13% in 2017 with respect to 2016.



- Iberpapel reduces its environmental impacts through a commitment to clean energies (such as cogeneration plants).



- Stable, lasting employment relationships are promoted through permanent contracts (above 98%), favouring a pleasant working climate.



- The launch of the "Hernani Project" confirms our ongoing focus on innovation and infrastructure improvement to maximise value creation for all stakeholders, while reducing the environmental impact of our activities in local communities.



- The Iberpapel Group seeks to use forest resources sustainably and responsibly, guaranteeing future viability. The Group's best practices include the promotion of silvopastoral systems that help to preserve the local area and generate considerable social and environmental benefits.

## PILLARS OF THE IBERPAPEL GROUP'S CSR MANAGEMENT

The Iberpapel has integrated CSR into its strategy and daily affairs. This CSR management has three key pillars:

- Our commitment to good corporate governance.
- Our environmental responsibility.
- Our responsibility to stakeholders (employees, suppliers, customers, etc.).



## 4.2 Stakeholder dialogue commitment

> [102-40]

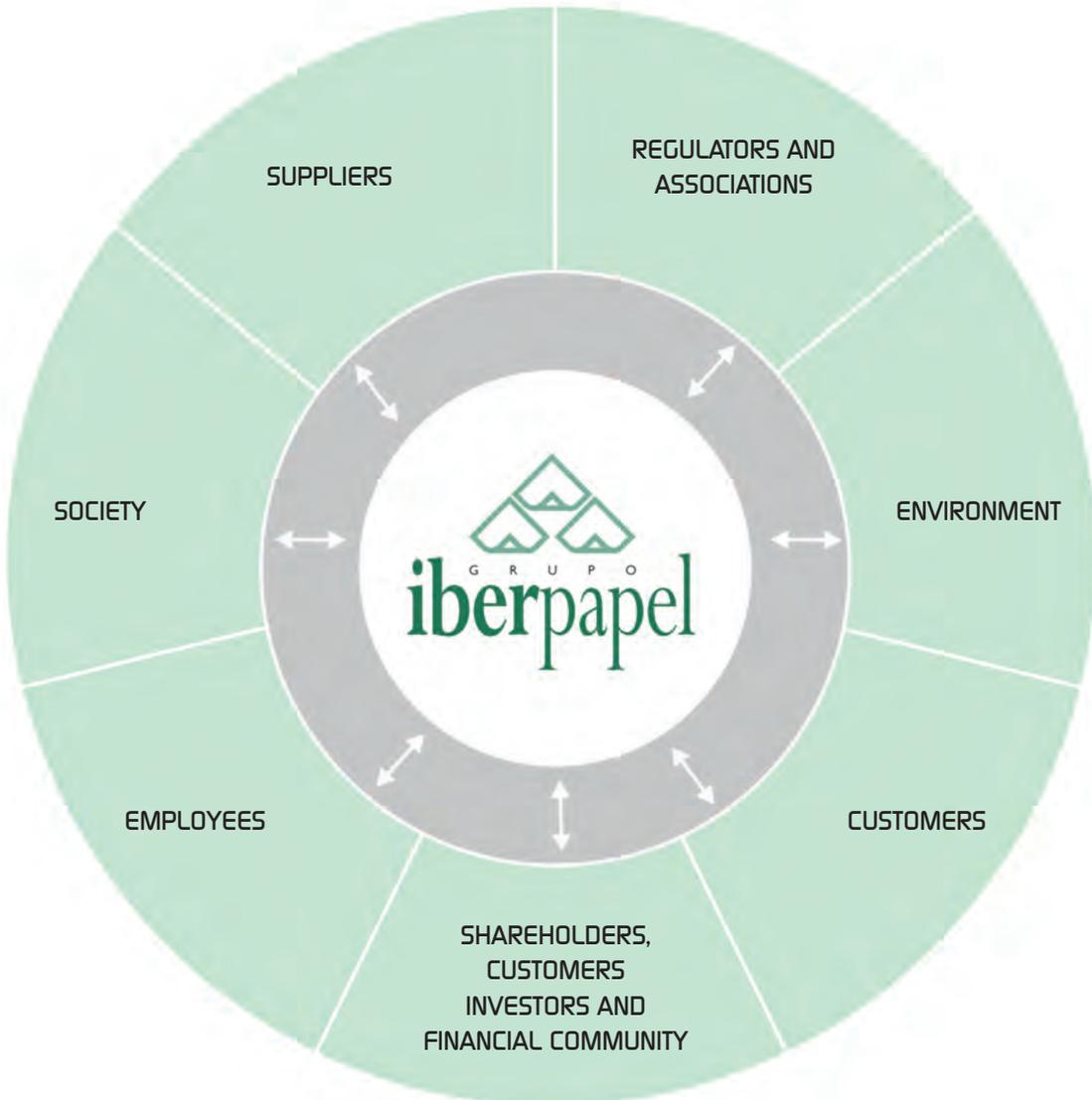
### MANAGEMENT APPROACH TO STAKEHOLDER DIALOGUE

The Iberpapel Group gives maximum priority to close, ongoing communication with all groups and entities that enable our success.

There are multiple and varying communication channels in place, tailored to each stakeholder's needs. They have been designed taking into account each stakeholder's profile and aspects related to our activity that are relevant. We have a dual objective to facilitate communication and drive an increase in and the quality of communication, from and to our stakeholders.

We have therefore established two-way communication channels to receive and respond in a personalised manner to their concerns and to attempt to guarantee their satisfaction.

#### DIALOGUE WITH CUSTOMERS





Dialogue channels



Highlights of our dialogue and relationship

**DIALOGUE WITH CUSTOMERS**

- Personal visits to customers and by customers to our premises.
- Continuous telephone and e-mail contact.
- Industry magazines and publications.
- Quality control system (ISO 9001:2015).
- [www.iberpapelonline.es](http://www.iberpapelonline.es)



- We are in continuous contact with our customers, as orders are placed on a personalised basis. Our long-standing business relationships are proof of our customers' level of satisfaction. Seventy percent of our customers have been working with us for over 10 years.
- We have made an online paper purchasing platform available to our customers.

**DIALOGUE WITH SUPPLIERS**

- Visits by suppliers to our premises and by Iberpapel to their premises.
- Industry presentations, meetings and conventions.
- Industry magazines and publications.
- Continuous telephone and e-mail contact.
- Quality control system (ISO 9001:2015).
- [www.iberpapel.es](http://www.iberpapel.es)



- Over 25% of our timber suppliers have been working with us for more than 30 years.
- Our production process is certified under the PEFC™ and FSC® standards, so all our suppliers of products that originate in forests (timber and/or pulp) are required to provide a statement of the origin of the wood and pulp, or a certificate attesting to related custody chain standards.
- Sound relationships within a framework of loyalty, transparency and honesty.

**ENVIRONMENTAL DIALOGUE WITH STAKEHOLDERS**

- Regular participation in various environmental forums.



- We are active members of the following environmental forums:
  - > Environmental Committee of ASPAPEL (Spanish association of pulp, paper and board manufacturers).
  - > Environmental Committee of the Basque Paper Industry Cluster Association.
  - > Water Planning Committee.
  - > Citizen Participation in the Water Board of the Eastern Cantabrian Water Zone.



> [102-12, 102-13, 102-43, 102-44]



Dialogue channels



Highlights of our dialogue and relationship



### DIALOGUE WITH EMPLOYEES

- Periodic meetings with the Works Committee and dialogue with unions represented.
- Health and Safety Committee.
- Vertical two-way (management-employees) communications channels under SIGPRL (internal occupational risk prevention management system).
- Training process.
- Whistleblower hotline integrated with the Criminal Risk Prevention System.



- In the Group's Industrial Division, in 2017, over 3,100 hours were devoted to work-life balance matters. An average of 54 training hours were taught per employee.
- In accordance with the recommendations of the Unified Code of Good Governance in Listed Companies, Iberpapel has a whistleblower hotline allowing employees to confidentially notify the Supervision and Monitoring Unit of any breach of the General Code of Conduct, relating to the Internal Control over Financial Reporting system or to the Criminal Risk Prevention Principles, as well as workplace and/or sexual harassment.



### DIALOGUE WITH SHAREHOLDERS, INVESTORS AND THE FINANCIAL COMMUNITY

- Annual report, quarterly and half-yearly reports.
- Conference call to announce results, open to all market professionals.
- Annual presentation to shareholders and analysts.
- General Shareholders' Meeting.
- [www.iberpapel.es](http://www.iberpapel.es) - Accionistas e inversores:
  - > Fact-sheet.
  - > Corporate presentation.
  - > Press releases.
- Annual report.
- Dedicated e-mail address: [atención.al.accionista@iberpapel.es](mailto:atención.al.accionista@iberpapel.es).
- Investor Relations Department.



- As a listed company, we comply promptly with the reporting requirements of the Spanish National Securities Market Commission. The reported information is available on our website.
- During 2017, we were in contact with current and potential private and institutional investors. Specifically, a large part of our activities focused on relations with analysts, managers of collective investment undertakings and private banking entities, while support for the Company's traditional small investors continued.
- We take part in the annual MEDCAP (mid-cap companies forum) organised by the company Bolsas y Mercados at the Madrid Stock Exchange. This forum is open to all domestic and international financial market professionals.



Dialogue channels



Highlights of our dialogue and relationship

**DIALOGUE WITH REGULATORS AND ASSOCIATIONS**

- Cooperation with government bodies at the local, regional, autonomous and national levels.
- Domestic and international industry associations such as:
  - > CEPI (Confederation of European Paper Industries).
  - > ASPAPEL (Spanish association of pulp, paper and board manufacturers).
  - > Basque Paper Industry Cluster Association.
  - > EURO-GRAPH (European Association of Graphic Paper Producers).
  - > BASKEGUR (Basque Timber Association).
  - > Bolsa de Papel (association of paper bag manufacturers).



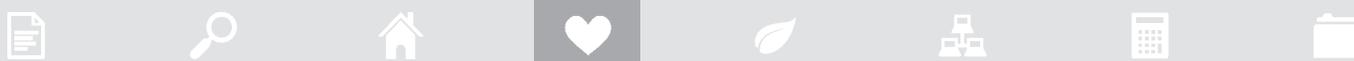
- We are a member of ASPAPEL, the Basque Paper Industry Cluster Association and EURO-GRAPH, which represent the interests of the paper industry, coordinating activities with other international paper industry organisations.
- We are members of BASKEGUR (Basque Timber Association), a professional association providing a voluntary meeting venue and a consultation centre for the Basque forestry sector and associated industries, representing the general interests of the timber sector and its various subsectors.
- We have signed voluntary agreements with the Basque Government and we comply with all applicable Spanish and international legislation.

**DIALOGUE WITH SOCIETY**

- [www.iberpapel.es](http://www.iberpapel.es) | [www.iberpapelonline.es](http://www.iberpapelonline.es) | B2B (Business-to-Business) trade.
- Social action plan to encourage educational development in our local communities.
- Commitment to employment and sustainability.



- We participate in the campaign "Gracias Papel", an initiative launched by the Paper Forum to share current, verified information on paper with the general public.
- We organise courses, talks and other initiatives in schools in our local communities to stimulate rural development.
- We conduct personal interviews and talks in the rural areas of Argentina and Uruguay to inform people about Iberpapel's work in their communities and to discover their concerns.
- We organise conferences in local communities on first aid, food and nutrition.



## 4.3 Responsibility to our people

> [102-8, 103-2, 103-3]

### MANAGEMENT OF OUR PEOPLE IN THE IBERPAPEL GROUP

Human resources management is key to our strategy, since only excellent people management distinguishes us from other companies. We therefore promote stable, lasting employment relationships, resulting in a stable workforce in recent years, in which 25% of our employees have been with us for over 20 years and virtually all of them are on permanent contracts.

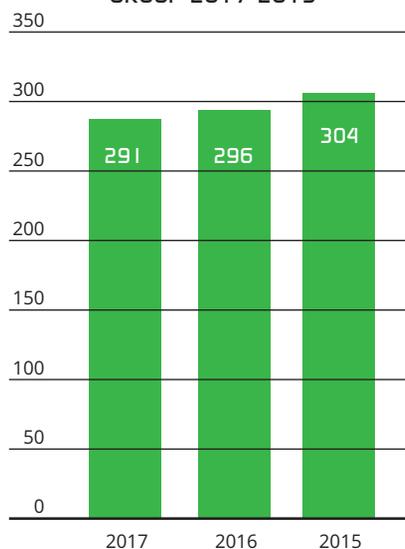
In 2017, the Group had an average headcount of 291 employees, in line with the

average of 296 in the previous year. Their average age was 47.32 years (47.38 in 2016), the majority being between 40 and 49 years of age.

Mutual respect and trust have assured a relatively stable average workforce in recent years, which reflects our employees' commitment to and satisfaction with our work philosophy.

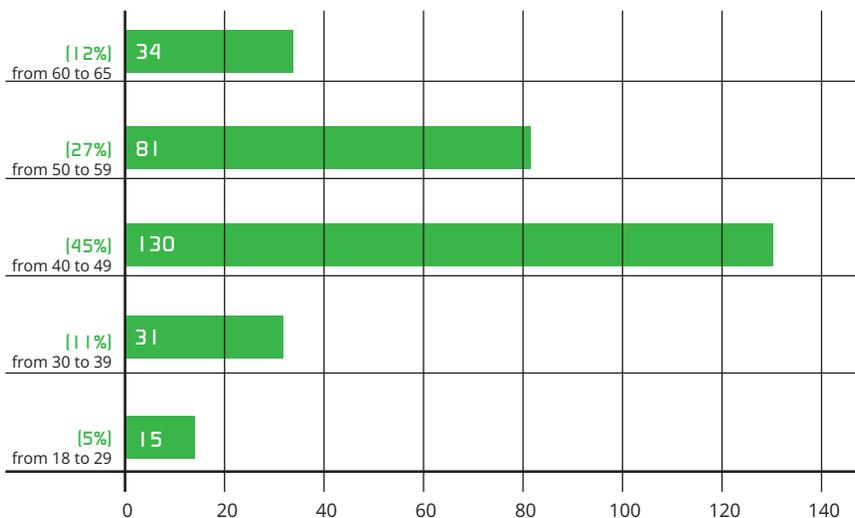
**25.14% of employees (27.4% in 2016) have been with the Group for over 20 years and nearly 50% for over 10 years.**

**EVOLUTION OF THE AVERAGE NO. OF EMPLOYEES OF THE IBERPAPEL GROUP 2017-2015**



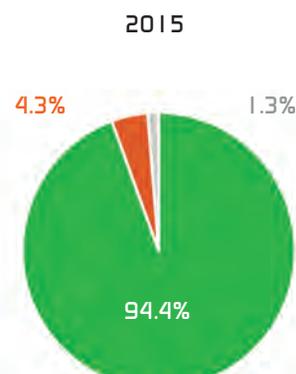
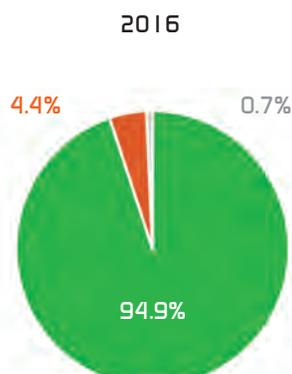
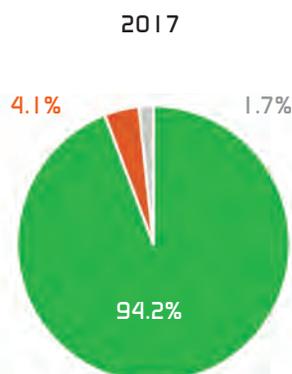
**EMPLOYEES BY AGE BRACKET IN 2017**

NOTE: IN BRACKETS, THE AGE BRACKET AS A PERCENTAGE OF TOTAL EMPLOYEES



## WORKFORCE DISTRIBUTION BY CONTRACT TYPE

● Indefinite ● Indefinite disabled ● Temporary



Virtually all of Iberpapel's employees have permanent contracts thanks to a policy designed to instil the maximum

trust in our employees and promote a pleasant working climate.

## EMPLOYEE CAREER DEVELOPMENT AND TRAINING

> [103-2, 103-3, 401-2]

The Iberpapel Group encourages closeness to our team to discover their career development concerns and adapt to their needs and expectations, an Annual Training Plan having been prepared for each division and included in our ISO 9001 certification.

Our constant concern for the high quality and qualifications of our human resources is reflected year after year in our significant efforts to select and train employees so as to identify the right people, aligned with the Company's culture and values, and drive their personal and professional development.

During 2017, 138 training sessions were conducted at the plant, entailing a total of 15,773 training hours, 47% more than in 2016. The investment made totalled approximately €419,000 in internal and external costs. This training effort translates into an average of 46 hours and €1,100 of training expenditure per employee, which is well above the industry average according to a comparative study carried out annually by the Basque Paper Industry Cluster Association.

**Training hours in 2017 rose by 47% to over 15,700 hours, entailing an average of 54 training hours per employee.**

	2016	2017
Training hours	10,739	15,773
Training hours per employee	46	54
Investment (€)	419,000	615,000

In 2017, there were 138 training actions in the following knowledge categories:

- Courses on safety in the workplace and first aid.
- Induction training.
- Quality improvement courses.
- Training to expand the range of jobs that individuals can perform.
- Improvement of communication with customers and suppliers.
- Software courses.
- New cellulose plant operators.
- New paper mill operators.
- Safety in facilities.

The goal in offering these training programmes is to improve the quality and reduce the cost of our production process by keeping technical knowledge up to date and to enhance productivity by reinforcing employees' range of skills and autonomy. Attention was also focused on improving safety in the workplace through training.

Fully aware of our decisive influence on the working environment and given the high degree of automation at the plant and our heavy investment in technology, the Company carefully

selects the most qualified employees for each of our divisions. Seventy-six percent of employees have a higher education diploma or university degree. The Company also has a variety of profiles, favouring diversity and competitiveness in the organisation.

### ADDITIONAL FRINGE BENEFITS FOR OUR EMPLOYEES

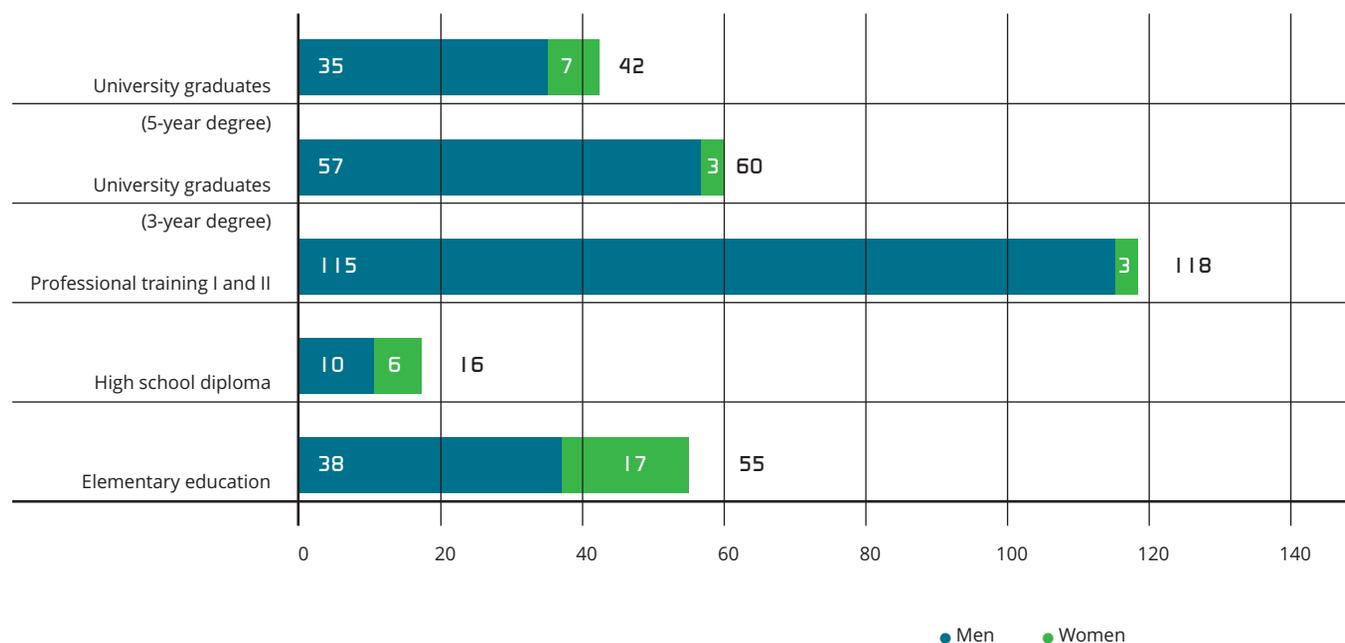
The Iberpapel Group understands that our employees' welfare can be enhanced by means of fringe benefits. For this reason, the employees receive a number of fringe benefits focused on maximising their labour welfare, in particular:

- Medical service including a doctor and a qualified nurse on site in the plant, contracted with the company Unipresalud.
- Group life and accident insurance policy, the premium being paid 60% by the company and 40% by the employee. If there are no claims, a large part of the premium is reimbursed as a share of profits.

- Retirement supplement paid to a voluntary contribution pension fund (GEROA) in monthly instalments by the company, equivalent to 0.60% of the contribution base for general contingencies. In turn, our employees also contribute 0.60% of the contribution base monthly.

These benefits are available to all our employees, irrespective of the type of employment contract.

EDUCATIONAL LEVEL OF THE WORKFORCE IN 2017 BY GENDER





**+ 3,100 hours**  
devoted to life-work  
balance matters in 2017.

## LIFE-WORK BALANCE

The Company considers life-work balance to be important, 466 actions and over 3,100 hours having been devoted to this during 2017, involving men and women, without distinction, on subjects such as:

- Prevention: 182 actions.
- Medical specialists: 73 actions.
- Family care: 84 actions.
- General practitioner and private doctors: 92 actions.
- Death of family members: 12 actions.
- Family marriage: 1 actions.
- Working hour reduction: 2 actions.
- Employee marriage: 0 actions.
- Legal guardian leave: 1 action.
- Minor care issues: 7 actions.
- Paternity: 4 actions.
- Changes of address: 5 actions.
- Other types of action: 3 actions.

The Iberpapel Group defends its employees' right of representation. This is demonstrated by the fact that 100% of the employees are covered by collective agreements and have union representatives.



## INDUSTRIAL RELATIONS

> [102-41, 407-1]

There are union representatives in the Group to ensure balanced relations and the capacity to reach stable collective agreements.

All the local trade unions have representatives: (ELA) Eusko Langileen Alkartasuna (3), (LAB) Langile Abertzaleen Batzordeak (3), (UGT) Unión General de Trabajadores (1), (CCOO) Comisiones Obreras (3) and Independent (1).

There are a total of nine members, three of whom are Risk Prevention delegates and three are Trade Union Area Delegates, representing each of the trade unions present in the Company. All of the plant's employees are covered by the Provincial Collective Agreement for the pulp and paper manufacturing sector. The Group's other employees are also covered by the relevant collective agreements. During 2016, the Provincial Collective Agreement

(2015-2017) negotiations were finalised and the non-stop shift work (2015-2020) agreements were closed with wage rises tied to inflation, achieving a clear consensus between employees and management for the coming years.

The policy is to remain committed to ongoing dialogue through transparent, participative processes, as reflected in the Company's industrial relations, which have always been conducted on reasonably good terms. There have been no strikes for internal reasons in the past 20 years.



## OCCUPATIONAL RISK PREVENTION

> [103-2, 103-3, 403-1, 403-2, 403-3]

**Risk prevention is essential given the complexity of infrastructures and processes.**

The Iberpapel Group's occupational risk prevention policy is based on continuous improvement, which entails a series of specific activities designed to provide employees with the best possible safety in the workplace:

- In-house prevention service.
- Regular prevention activities.
- Implementation of an

occupational risk prevention computer system (Prosafety).

- Maintenance of the Prevenpapel system.
- External prevention service (Prevencilan) to coordinate business activities.
- Observation and control of applicable prevention legislation by the employees themselves.
- Continuation of the CEI Prevention Service Contract, which supports the preparation and update of Safety Instructions.
- Inspection plan roll-out.

We also have a safety structure that includes all senior executives, supervisors, middle managers and workers' representatives, as preventive resources within the prevention service. We have a prevention coordinator and certain external prevention services, a Health and Safety Committee and Plant Safety Committees. Regular meetings of the Health and Safety Committee were held to steadily improve safety by means of new corrective actions, entailing sizeable investments by the Company and significant benefits for employees.

In addition to the Health and Safety Committee meetings, Safety Committee meetings were also held at the plant. These safety meetings are organised on three levels (senior management, specialists and middle management, and workers) so as to guarantee the horizontal and vertical communication of risk prevention. As these meetings become more frequent, the Company's lines of command are assuming greater

responsibility for occupational risk prevention.

In 2017, we continued to deploy a computer system for occupational risk prevention management at all levels (Prosafety). Having made the risk assessment available to all our workers, we have updated all the information on preventive measures that they must be familiar with and observe so as to avoid the risks. The updated information is accessible through the computer system.

We continued to use the Prevenpapel system in 2017. As in other years, we contracted the external prevention service provider Prevencilan to coordinate business activities, given the importance of subcontractors at the Company's facilities. Additionally, we continued to apply the approach whereby the Group's own employees monitor and observe the prevention rules in force, thereby reinforcing the oversight activities that are the responsibility of the business owner and so of the entire management team.

We have also maintained the contract with the CEI Prevention Service, which provides us with support in the preparation and update of Safety Instructions, as well as in the information provided to the employees concerned and in the supervision of compliance.

We have launched an ambitious

inspection plan to guarantee that safety conditions for work teams and facilities remain adequate, as well as a procedure to observe safe behaviour by our employees.

The cost of our own and external human resources dedicated to this activity amounted to approximately €936 thousand in 2017, as reflected in the table on risk prevention resources included in the Annual Report on the Risk Prevention Service. Similarly, the specific actions reflected in that report resulted in costs of approximately €275 thousand to improve signs and warnings, firefighting installations, collective and individual protection, barriers and machine protection. Risk prevention training actions entailed an additional expense of approximately €109 thousand.



### COST OF OCCUPATIONAL RISK PREVENTION ACTIVITIES AND RESOURCES 2017-2015

€ thousands	2017	2016	2015
Own human resources	718	687	673
External resources (Asepeyo, Prevencilan, Unipresalud)	218	224	227
Specific risk prevention actions	275	214	165
Risk prevention training	109	99	168
<b>TOTAL</b>	<b>1,320</b>	<b>1,224</b>	<b>1,233</b>



## OCCUPATIONAL MEDICINE

The Iberpapel Group has contracted the Prevencian Prevention Service for occupational medicine purposes. In 2017, a total of 179 compulsory medical examinations were carried out, 177 workers having been declared fit to work and restrictions having been imposed in 15 cases.

Two workers were declared unfit to work. One was assigned to a different post for which he was declared fit to work by the occupational medicine service and the other left the Company due to a permanent total disability.

As stipulated in the service, a part of the medical examinations are periodic and others are conducted before the worker joins Iberpapel or returns following a prolonged period of leave.

The occupational medicine service detected no cases of significant occupational disease and recognised no incapacity deriving from common illnesses or accidents during the year.

There are also complementary services that the Group considers to be of great importance. A medical service is available to workers for minor care and consultation, as well as a first-aid service in the event of accidents, which is provided by Unipresalud.

The medical service also coordinates seasonal flu vaccination campaigns and tetanus shots.



## ABSENTEEISM DUE TO ACCIDENTS

In 2017 the total number of occupational accidents fell by 13% on the previous year. Accidents causing sick leave decreased by 27% and accidents without sick leave fell by 8%. However, days lost due to accidents rose by 12% on the previous year.

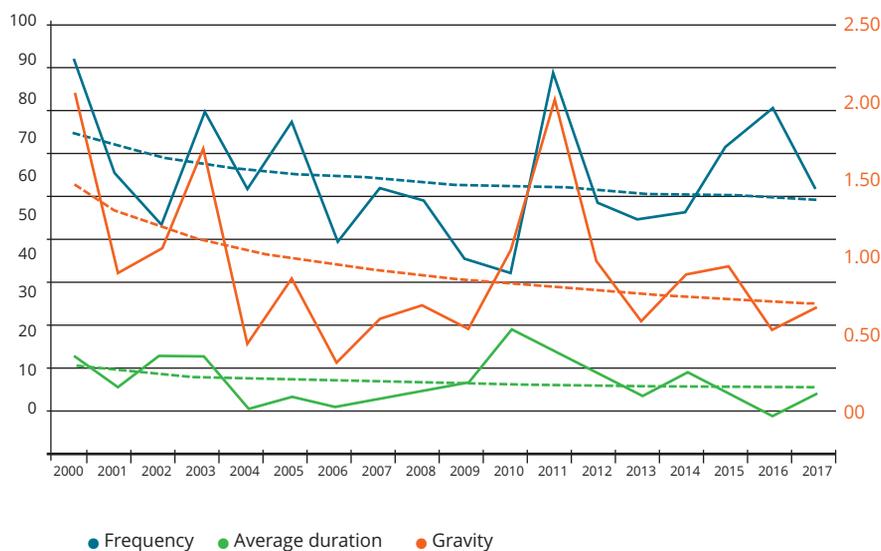
The charts therefore show a reduction in frequency and an increase in average duration and gravity, although all these trends remain favourable.

As regards the main reasons for sick leave caused by accidents, 25% were due to strains, the majority of which have no objective cause, such as load handling, as they merely relate to workers' movements inside the plant. The second most common reasons were impacts from objects or tools, or against immobile objects, accounting for 14% of sick leave days.

Body parts injured were mainly the lower and upper extremities and back, which are the areas usually affected by the pulls and strains referred to previously. Hand injuries accounted for 20% of days lost and are generally caused by impacts from objects and tools. Forty percent of days lost due to accidents relate to muscle injuries (twists, sprains and strains), while 34% relate to superficial injuries.

The chart above shows annual variance and trends in the main accident rates.

EVOLUTION OF THE IBERPAPEL GROUP'S ACCIDENT RATES (2000-2017)





## CRIMINAL RISK PREVENTION POLICY

The Iberpapel Group seeks to combine efficiency in its activities with criminal risk prevention relating to actions and conduct by our employees and people working in the Group.



We therefore have a criminal risk management manual available to all our employees for the following purposes:

- Optimise and facilitate the ongoing improvement of the criminal risk management system.
- Put in place a structured, organic prevention and control system to reduce the risk of crimes being committed.
- Inform all our personnel of the importance of complying with the General Code of Conduct and observing its ethical principles in order to correctly carry out their professional activities.
- Inform all the people acting in the name, on behalf or in the interests of Iberpapel that any infringement of the rules contained in the manual will result in disciplinary measures.
- Make it clearly and publicly known that the Group unequivocally condemns all illegal behaviour, stressing that, in addition to infringing the law, it is contrary to the ethical principles that are key to attaining our business objectives.
- Adapt existing control measures to processes, enabling a quick response in order to prevent and intervene in the event of the risk of crimes being committed.

We are therefore committed to disseminating and ensuring the observance of:

- A General Code of Conduct tailored to our businesses, as the reference and guidance framework for our activities, setting out the ethical principles that must prevail over all employee conduct.
- Whistleblower hotline available to all our employees.
- Criminal Risk Management Control and Monitoring Unit.

Management is committed to allocating the resources necessary to achieve the objectives proposed and asks all our employees to cooperate in the course of their work.

During 2017, in accordance with the Criminal Risk Prevention Plan, we continued to disseminate the General Code of Conduct and the functioning of the whistleblower hotline. No matters were reported during the year.

## PRESENT AND FUTURE COMMITMENT TO OUR PEOPLE



### 2017 MILESTONES

- Roll-out of a safety measure application control system.
- Approval and implementation of updated Safety Instructions.
- Improvement of basic-level risk prevention training.



### 2018 OBJECTIVES

- Carry out a preventive audit.
- Reduce absenteeism due to illness.
- Promote contracts for young professionals.
- Computerise the Human Resources Department in the management of attendance control and salary statement delivery.
- Maintain a stable working climate and improve industrial relations.
- Adapt the occupational risk prevention management system to Prosafety's management system.

## 4.4 Responsibility to our customers

> [102-9]

### CUSTOMER CONFIDENCE IS BASED ON TWO ESSENTIAL PILLARS

- Our capacity to design and manufacture high-quality products that meet their needs.
- Flexible production process and commercial process.
- Competitive, sustainable products and services thanks to the inclusion of innovation in our strategy.

### FOCUS ON CUSTOMER SATISFACTION AND CONFIDENCE

The design and manufacture of top quality products and the flexibility of the production process underpin our success and our customers' satisfaction and confidence.

The Iberpapel Group pursues customer satisfaction and loyalty, basing our quality policy on the supply of products that meet their expectations, a commitment to continuous improvement and an active, reliable role in the paper market.

All our employees are also aware of their role in our quality policy and cooperate actively to:

- Review, improve and optimise existing processes and controls so as to guarantee the quality and traceability of our products.
- Respond to claims through a procedure that assures examination, logging and response.
- Analyse the extent to which deliveries meet our customers' requirements.

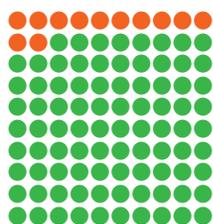
- Build a smooth dialogue with customers to enhance the quality of existing products or develop new products that meet current or future needs.

Customer satisfaction and loyalty is high, as demonstrated by the fact that **88% of the Iberpapel Group's domestic customers have worked with us for over five years; in the case of our international customers, this increases to 92%.**



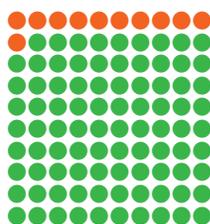
AGE DOMESTIC CUSTOMERS

● Less than 5 ● More than 5



12%  
88%

2017



11%  
89%

2016

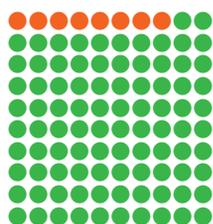


12%  
88%

2015

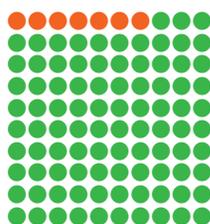
AGE INTERNATIONAL CUSTOMERS

● Less than 5 ● More than 5



8%  
92%

2017



7%  
93%

2016



32%  
68%

2015

**PGZ, after more than 75 years of business, has a solid market image.**

In a context in which customers expect a lot from companies and have more choice than ever before, we have a very stable customer base. More than 88% of our domestic portfolio is made up of customers who have been with us for more than five years, which bears out their high level of satisfaction and loyalty. Our international market image is also excellent, 92% of our customers having worked with Iberpapel for more than five years, in a robust customer base that allows us to look to the future with huge confidence. Iberpapel, in its commitment to business quality and excellence, renewed ISO 9001:2015 Quality Management System certification and ISO 14001:2015 Environmental Management System certification in 2017.

Our efforts to implement the benchmark standards in areas such as quality and the environment are reflected in products that comply fully with environmental and other legislation while also meeting customers' needs.

Both our customers and the international certification systems endorse our high-quality products and our customers place their trust in us as a present and future supplier.



## MARKETING STRATEGY FOCUS AREAS

- Continuous focus on customers' existing and potential needs and expectations, using key information.
- Ongoing review of our pricing policies.
- Product planning and promotion in domestic and international markets.



**A marketing strategy has been developed in line with our continuous improvement philosophy, so as to increase and maintain our customer portfolio by responding to their demands.**

**This strategy is based mainly on:**

-  Obtainment and keeping of key information to be at the cutting edge in new product development.
-  Improvement of existing products so as to offer high quality tailored to our customers' needs.
-  Production to order, combining the high quality demanded by our customers with optimal efficiency in the production process.
-  Ongoing review of pricing policies to adapt to the market context and to our customers' circumstances.
-  Product planning and promotion in domestic and international markets.

## MARKETING STRATEGY

In order to implement the Company's strategies, we have a sales team focused on market analysis, on personalised customer care and on permanent monitoring of our customers' satisfaction with products purchased and the service received. Our competitive advantage is thus attributable to these actions, which are actively coordinated.

Our permanent commercial goals include innovation, ongoing product development and improvement, and the constant pursuit of high quality standards and consolidation of our market position. As a result, in recent years the Company has launched four new products: Zicubag (paper for bags, with high mechanical resistance), Zicubag GR (greaseproof paper) Zicuflex (packaging paper) and Vellum SC (label face).

**Our closeness to customers gives us first-hand knowledge of the market situation and we are among the leading companies in the search for new higher added value products.**

Industrial and commercial flexibility is also one of our main values and allows us to adapt to customers' needs and manage production efficiency. The future commissioning of the new MP5 paper machine (Hernani Project) will diversify the business and give us a strong foothold in the growing flexible packaging market.

The combination of all these factors has allowed us to achieve a good positioning in the industry and to successfully overcome complicated market scenarios.



## 4.5 Responsibility to our suppliers

> [103-2, 103-3, 308-1, 417-1]

We are aware of the relevance of the supply process in our Company and we understand that it must be both efficient and sustainable. We have therefore designed management procedures that enable us to obtain supplies in a rational, effective, economical manner, integrated with corporate procurement policies. We also have two chains of custody that guarantee the sustainable sources of our raw materials obtained from forests. In the paper industry, it is important to seek to assure supplies of basic products such as timber, cellulose pulp and energy. In our case, the Hernani plant integrates cellulose pulp production in the paper production process and guarantees a supply of power and thermal energy, thanks to the new cogeneration plants, which provides a clear advantage in the production process.

### MANAGEMENT APPROACH TO SUSTAINABLE PROCUREMENT

The supply of timber and, to a lesser extent, pulp, involves selecting qualified suppliers that are, above all, committed to the environment. We have two chains of custody for forestry products integrated with our Environmental Management System audited by Det Norske Veritas under ISO 14001:2015.

- The first chain of custody has been operational since 2005 and complies with the PEFC™ standard, undergoing annual AENOR audits.

- The second came into use in 2009 under the FSC® standard and is audited annually by Bureau Veritas.

The purpose of both chains is to systematically guarantee traceability between certified raw materials and certified final products (paper). Through their responsible purchases, our customers thus promote sustainable forest management.

This procedure is applicable to all phases of the forestry product process, from purchase to receipt and transformation of timber and pulp, and the selling of paper; it therefore affects our purchasing centre and our Commercial Department.

Additionally, we make every endeavour to ensure that supplies of raw materials obtained from forests do not deteriorate the environment. With this objective, a part of our global strategy is based on sustainable development through management systems adopted in several Group companies:

- ISO 14001:2015 environmental management system certification at Papelera Guipuzcoana de Zicuñaga, S.A.

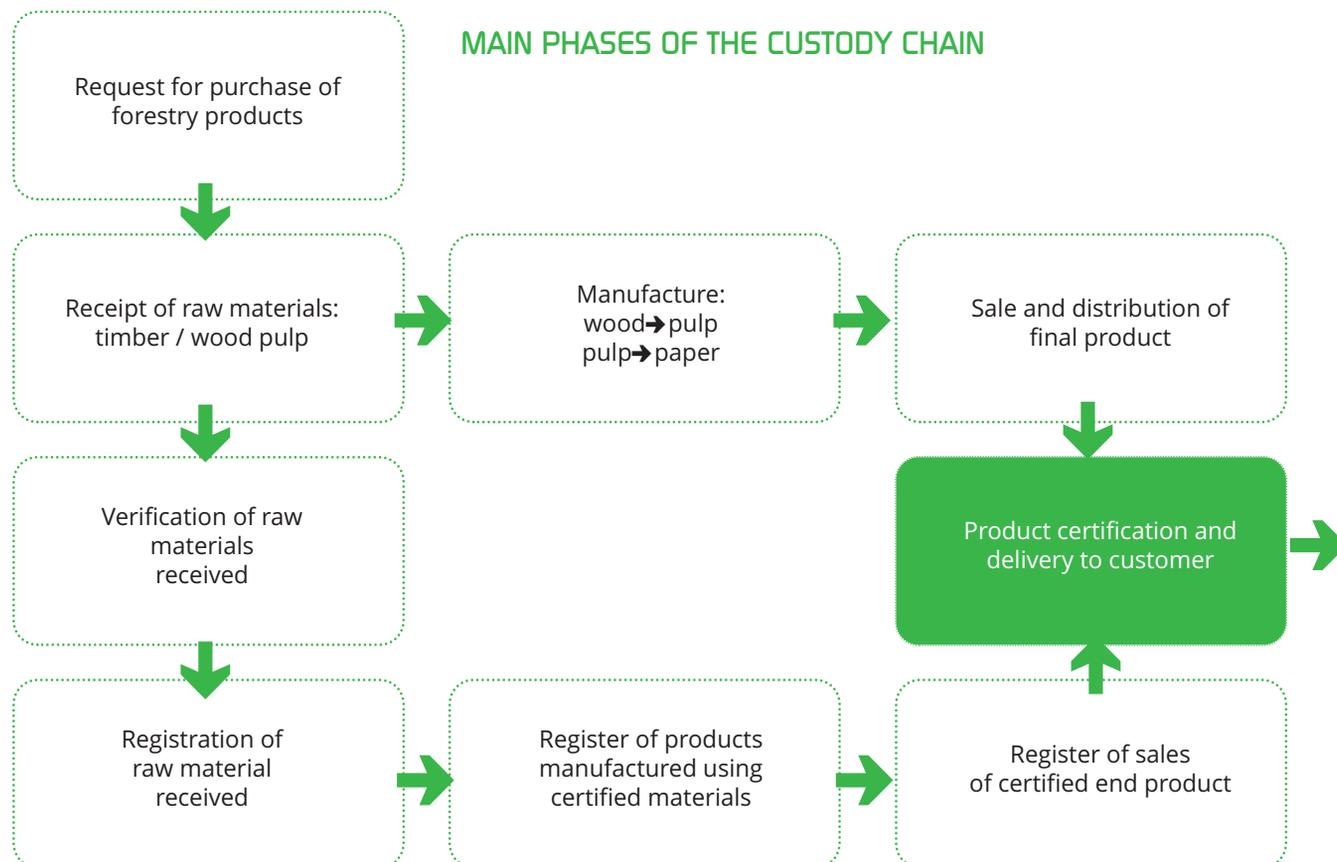
- PEFC™-certified chain of custody at Papelera Guipuzcoana de Zicuñaga, S.A.

- FSC®-certified chain of custody at Papelera Guipuzcoana de Zicuñaga, S.A. and Los Eucaliptos, S.A.

- The chain of custody at Papelera Guipuzcoana de Zicuñaga, S.A.U. is multi-site for FSC®, covering the following companies: Copaimex, S.A.U., Zicupap, S.A.U., Distribuidora Papelera, S.A.U., Moliner, Domínguez y Cía, S.A.U., Central de Suministros de Artes Gráficas Papel, S.A.U., Iberbarna Papel, S.A.U., Iberpapel on line S.L.U. and Ibereucaliptos, S.A.U.

- FSC® and sustainable forestry management certificates at Los Eucaliptos, S.A. and Ibereucaliptos, S.A.U.





## CHAIN OF CUSTODY SYSTEM PERFORMANCE

In recent years, Iberpapel has stood out from its competitors due to the high volume of certified products. Our Group has input certified forestry products into the production system in a ratio that exceeds the Spanish paper industry average. In 2017, we reached 59% certified timber with respect to total inputs.

**Custody chain certification affords us a number of advantages that put us at the cutting edge of the market:**

- Improves our market image through the promotion of sustainable forestry management.
- Guarantees that the products purchased are from sustainably managed forests, inspiring trust in customers and users.
- Enables the improvement of forestry product transformation management.
- Integrates chain of custody management with the environmental management system.
- Facilitates entry into markets that are highly sensitive to environmental issues.



### SUMMARY OF THE RAW MATERIAL SUPPLIER ASSESSMENT AND CONTROL PROCESS

The Group involves its entire value chain in our environmental commitment. We share our environmental policy with suppliers. We therefore only purchase from suppliers that have been assessed and are considered suitable, working with a list of authorised suppliers whose reliability and performance are periodically monitored.

As evidence of the Company's commitment, in 2017, 100% of the timber used by the Iberpapel Group derived from suppliers with custody chain certification (10% above 2016).

The timber delivered by these suppliers is controlled by means of the EUTR Due Diligence System (European Union Timber Regulation).

Additionally, each supplier is continuously evaluated, focusing on two aspects:

- Service: the supplier must observe the Iberpapel Group's delivery deadlines for each order. Non-compliance could cause the supplier to be classed as unsuitable, ending its collaboration with the Company.
- Quality: the product must also fulfil acceptance limits for stipulated quality standards. Non-compliance may lead to the supplier being classed as unsuitable. Orders must also be accompanied by a quality certificate from the supplier.

On the basis of the assessment results, three levels are established:

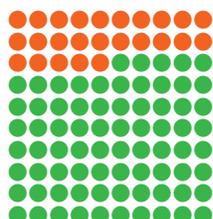
- Recommended supplier.
- Approved supplier, needs to improve.
- Unsuitable supplier, to be struck off.

New suppliers are asked to demonstrate certified company status under ISO 9001:2015 and/or undergo an evaluation process, i.e. they are tested on the basis of the supplies made until they are deemed to be suitable by the Purchasing Department.

The Iberpapel Group has **stable, lasting commercial relationships with its suppliers**. In the past four years, **75% of suppliers have been working with us for more than five years**.

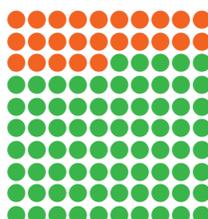
### AGE OF SUPPLIERS: RAW MATERIAL "TIMBER"

2017



● Less than 5 ● More than 5

2016



● Less than 5 ● More than 5

2015

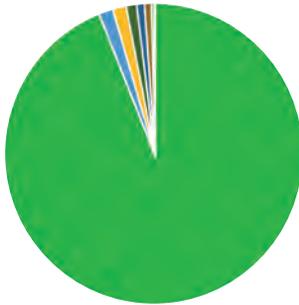


● Less than 5 ● More than 5



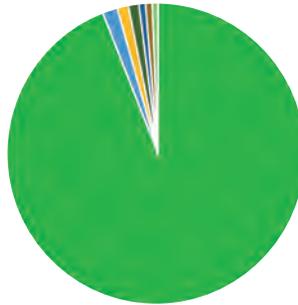
ORIGIN: RAW MATERIAL TIMBER

2017



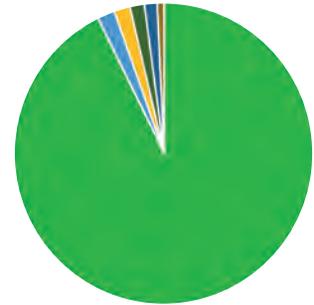
Iberian Peninsula	93.86%
Sweden	1.51%
Germany	1.43%
Austria	1.11%
France	0.83%
Holland	0.72%
Finland	0.32%
Italy	0.07%
Britain	0.02%

2016



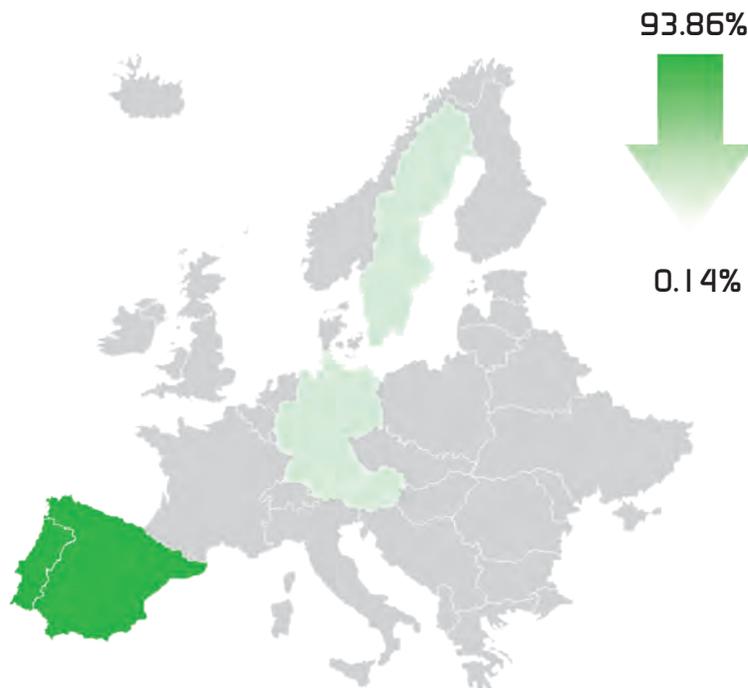
Iberian Peninsula	94.00%
Germany	1.61%
Austria	1.21%
Sweden	1.13%
Holland	0.71%
France	0.72%
Others	0.62%

2015



Iberian Peninsula	92.67%
Finland	1.89%
Sweden	1.75%
Germany	1.56%
Holland	1.39%
Others	0.74%

In 2017, over 90% of the Iberpapel Group's raw material was obtained in the Iberian Peninsula (93.86%). Timber and other supplies are also obtained from European countries, mainly Germany (1.41%), Sweden (1.51%) and Austria (1.11%) which, together with Spain, account for close to 98% of the raw material used by the Company in 2017.





# **Our ENVIRONMENTAL RESPONSIBILITY**



5





## 5.1 Environmental responsibility

> [103-2, 103-3, 307-1]

### THE IBERPAPEL GROUP'S ENVIRONMENTAL PERFORMANCE AT A GLANCE

The Group aligns its business objectives with environmental protection and the suitable management of related stakeholder expectations.

Iberpapel also has an **Environmental Policy** and an Environmental Management System (based on ISO 14001:2015 and certified by an external entity), strengthening the Company's commitment to protecting the environment.

The main environmental achievements in 2017 were as follows:

- **243,894 tonnes of CO<sub>2</sub> avoided** (16% more than in 2016) thanks to the use of power generation technologies (cogeneration and biomass) that have less of an environmental impact.
- **4% cut in water used** (0.2% in power consumed) per tonne of pulp and paper produced last year.
- **100% of the Group's forest assets in Spain and Uruguay are FSC® certified.**
- **100% of our suppliers are custody chain certified.**
- **Energy Management System implemented under the 5000 I standard.**



### INTERNATIONAL ENVIRONMENTAL SITUATION <sup>(1)</sup>

**The world is beginning to understand that economic development cannot continue under the pattern of consumption and business applied to date. International organisations, citizens, states and corporations are increasingly convinced that human progress must take place on the back of sustainable economic growth, since a growing number of countries and populations are overexploiting resources and the environment in an unprecedented way. The intensive use of resources is both an environmental matter and also an economic and human challenge due to the impact of prevailing economic growth models.**

There is currently a trend towards a low-carbon-emissions economy that uses resources efficiently and at the same time is socially respectful in terms of both consumption patterns and the resulting benefits. It must be based on the use of renewable sources of both energy and raw materials, as well as on the efficient use of resources. The World Business Council for Sustainable Development (WBCSD) estimates that efficiency in the use of resources must increase at least fourfold by 2050.

In the European Union, the shift to this economy officially began with the so-called Roadmap to a Resource Efficient Europe, targets having been intensified in the "Community Action Programme on the Environment".

This Programme, under the slogan "Living well, within the limits of our planet", aspires to be a benchmark model for a Worldwide Green Economy and is based on three strategic objectives:

1. Protect, conserve and enhance the Union's natural capital.
2. Turn the Union into a resource-efficient, green, and competitive low-carbon economy.
3. Safeguard the Union's citizens from environment-related risks.

In December 2015, one of the most important environmental events of recent years was held in Paris: the 21st United Nations Climate Change Summit (COP 21), when the Paris Agreement was approved.

At this summit, 195 countries reached the first universal, legally-binding agreement on climate change. The Paris Agreement is ambitious, as it proposes to keep the average global temperature increase clearly below 2°C above pre-industrial levels

In general, the EU countries are on the way to achieving, and exceeding in some cases, many of the objectives included in their Paris Agreement commitments, but this will not suffice to reduce warming to less than 2°C.

<sup>(1)</sup> Sources: Documents of the European Commission, International Energy Agency, United Nations and Spanish Ministry of Agriculture, Fisheries, Food and Environment



In this context, China's transition to an economic model oriented towards internal consumption and services plays a key role when modelling worldwide trends. The proportion of carbon in its energy mix is expected to fall from nearly three quarters at present to less than 45% in 2040, while in India's mix carbon will fall from 75% to 55% in 2040. The main developed economies (United States, European Union and Japan) appear to be clearly on the way to meeting their climate commitments, although it will be vital for them to bring in additional energy efficiency improvements.

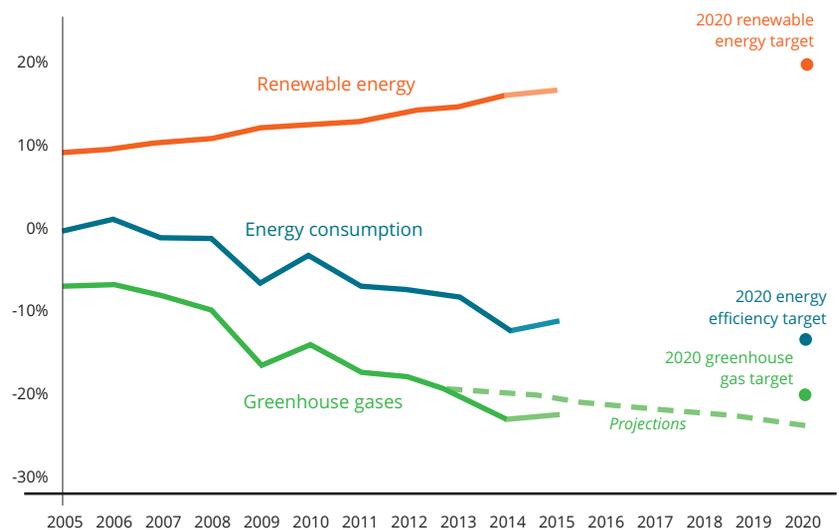
The power industry is the focus of attention of many of the Paris Summit commitments. According to the International Energy Agency (IEA), in 2040 almost 60% of all new power generation capacity will take the form of renewable energies and will be mostly competitive without subsidies. At present, subsidies for renewable energies stand at around USD 150,000 million, 80% of which is for the power industry, 18% for transportation and 2% for heating systems. Nonetheless, these global subsidies will decrease as a result of cost cutting and the foreseeable rise in electricity prices paid by end users.

On this basis, the electricity industry will be practically free from CO<sub>2</sub> emissions: the average intensity of power generation emissions will fall to 80 grams of CO<sub>2</sub> per kWh in 2040, as compared with 515 grams CO<sub>2</sub>/kWh at present.

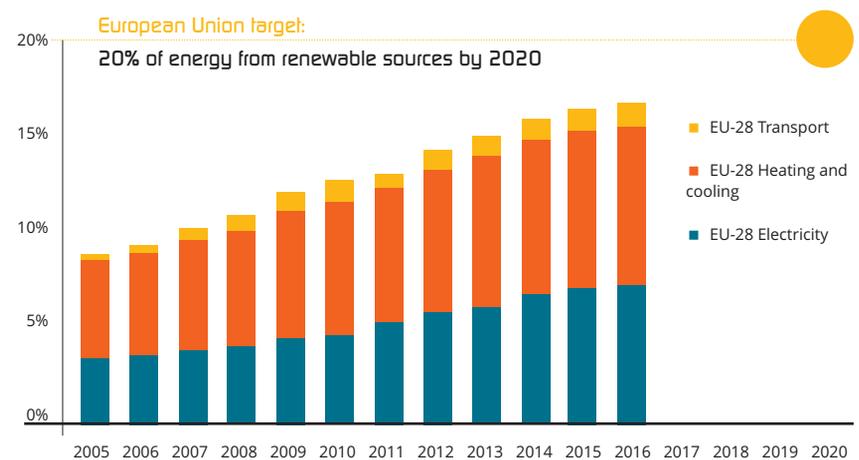
Additionally, information released by the world's governments to comply with the Paris agreements in relation to climate change shows that fossil fuels, particularly natural gas and oil, will remain the mainstay of the world's energy system in the coming decades.

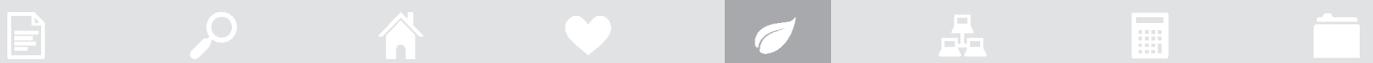
The improvement of energy efficiency is critical to the Paris Agreement. In recent years, global energy intensity, that is the quantity of energy used per unit of gross domestic product, has progressively decreased each year, entailing a significant improvement in energy efficiency.

### THE EU'S PROGRESS TOWARDS CLIMATE AND ENERGY OBJECTIVES (EUROPEAN ENVIRONMENT AGENCY)



### TOTAL RENEWABLE ENERGY CONSUMPTION (EUROPEAN ENVIRONMENT AGENCY)





Yet global progress in energy intensity is still insufficient if we are to shift to an economy with a low-carbon energy system. The IEA considers that energy intensity improvements must increase to 2.6% (from the current level of about 1.5%-1.8%) to be consistent with the climate objectives contained in various agreements (particularly in the Paris Agreement).

Another important aspect of global climate agreements is the promotion of the use of renewable energies (to arrive at a low-carbon economy). According to the latest data published (2), power generation using renewable sources exceeded 1,240 million tonnes of oil equivalent (30% up on 2010 and 70% up on 2005).

While renewable power is taking great strides in capacity, the same cannot be said of biofuels for transport and heat generation using renewable energy.

Biofuels have been heavily penalised by low oil prices, which has led to forecast marginal growth of 4% by 2021.

Heat generation accounts for over half of global power consumption, which is still based fundamentally on the use of fossil fuels. Renewable heat generated efficiently represents only 9% of the total and relates basically to the European Union and North America.

European heads of state and government have agreed on new targets for 2030, whereby GHG (greenhouse gas) emissions will be reduced by at least 40% with respect to 1990 levels and renewable energies will account for at least 27% of final energy consumed, which will be at least 27% lower than in a business-as-usual scenario. This framework, adopted by the EU's leaders in October 2014, is based on a package of climate and energy measures to 2020.

Water is a scarce resource that is distributed irregularly over time. Hydrological planning is thus critical for the management of available resources and related demands.

Hydrological planning may also take into account the content of the Water Framework Directive, so as to prioritise the efficient, sustainable use of water and guarantee an environmentally

friendly supply for all purposes.

On 8 January 2016, the Spanish Government approved a Royal Decree on the review of the Hydrological Plans for the 12 interregional hydrographic basins and a Royal Decree approving four intraregional hydrographic basins.

In 2015 (3), the ecological status of 54.4% of Spain's natural surface water bodies was very good or good, 44.7% of artificial or heavily modified surface water bodies showed good or maximum ecological potential and 83.3% of the total surface water bodies were in a good chemical state. The quantitative status of groundwater bodies was good in 68.3% of cases and their chemical status was sound in 60.3%.

Water is also important due to its relationship with energy. Water is needed in each phase of energy production and energy is critical to water supply and treatment. This interdependence has significant supply security implications in both cases. As they are basic services for economic development and since consumption is on the rise, it is increasingly important to understand the relationships between water and energy and to anticipate possible future scarcity by developing policies and technologies to avoid these risks.

As regards the atmosphere, the World Health Organisation (WHO) indicates that over 80% of people living in urban areas in which air quality is analysed are exposed to levels that exceed the WHO's limits.

The European Environment Agency (EEA), in its "Air quality in Europe - 2017 report", treats air pollution as an environmental and social issue that has numerous adverse effects on human health, ecosystems, construction and climate, posing the greatest risk to environmental health in Europe.

The data show that air quality in Europe is improving slowly due to both past and present policies, and technological progress. Yet the high concentrations of pollutants in the atmosphere are still having a major impact on the health of Europeans, the most damaging being particulate matter in suspension (PM), nitrogen dioxide (NO<sub>2</sub>) and tropospheric ozone (O<sub>3</sub>).

In Spain, the "National Air Quality and Atmospheric Protection Plan 2017-2019: AIR Plan", approved in 2017, is designed to improve air quality and guarantee the protection of health and ecosystems in Spain.

With respect to waste, the State Waste Management Framework Plan (PEMAR) 2016-2022 was approved by the Council of Ministers at the end of 2015. This plan contains waste policy guidelines for the coming years and is the tool that will allow Spain to meet its objectives, some at the European level, and progress towards a resource-efficient society.

The efficient use of resources does not only relate to the improved use of raw materials but also to the concept of a circular economy, which brings the materials contained in waste back into the process, either in the same company or in other facilities, to generate new products or raw materials. This will benefit both the environment and our economic system.

The principle of community hierarchy in connection with waste is thus reaffirmed: the priority is prevention in waste generation, followed by preparation for reuse, recycling and other forms of reuse including energy recovery, with landfills as a last resort.

The PEMAR Plan will be one of the instruments contributing towards the waste reduction targets defined in the "EU Action Plan for the Circular Economy", also approved in December 2015.

Growth in packaging waste recycling and reuse rates has continued in recent years. Spanish industry is a European leader in the recycling of paper and cardboard, exceeded only by Germany. This large recycling capacity in Spanish industry allows us to guarantee that all waste paper and cardboard collected and processed in Spain will finally be recycled. According to data from the Spanish Association of Pulp and Paper Manufacturers (ASPAPEL), the rate of paper collected for recycling stands at 71%.

Soil is a hugely important, non-renewable natural resource that is subjected to degradation resulting in exhaustion, or occupation such as in agricultural or industrial development

<sup>(2)</sup> BP Energy Outlook 2035.

<sup>(3)</sup> Latest data available.



or urban expansion. Soil also absorbs carbon and can help to mitigate climate change.

Soil is among the United Nations' sustainable development objectives in its Agenda 2030, while the European Commission includes soil in its Roadmap to a Resource Efficient Europe. Spain also has specific

environmental regulations on soil protection and degradation at both the national and regional levels.

The Iberpapel Group has environmental management systems that include mechanisms to supervise and monitor legislation so as to ensure full compliance.

## MAIN ASPECTS OF THE IBERPAPEL GROUP'S COMMITMENT TO IMPROVING THE ENVIRONMENT

The Iberpapel Group is aware of the environmental impacts that its industrial activity could have. We have therefore become involved in environmental improvement to minimise these impacts and achieve sustainable business growth.

It should be noted that, in 2017, no fines or penalties were imposed on Iberpapel due to the failure to comply with environmental legislation.



### We promote the use of clean fuels

- We no longer employ heavy fuels that have a strong impact on CO<sub>2</sub> emissions.
- Using natural gas and biomass as our only fuels, we have reduced our carbon footprint and we are progressing towards an industrial activity uncoupled from the emissions that influence climate change.



### We enhance the Company's energy efficiency

- By means of cogeneration, we generate heat and power simultaneously in the most efficient way possible, optimising the fuel employed.



### We use a natural raw material that is sustainable and totally renewable

- We promote timber plantations and sustainable forest management.
- We do not consume trees from natural forests.
- Our activity conserves forests.



### We encourage bioindustry

- Our sector is at the centre of the bioeconomy and is capable of producing natural products with high added value.
- From timber, paper plants can make cellulose, paper, bioenergy, biofuels, biocomposites and a large variety of products that require forest fibre.



### We prefer a new industrial model of sustainable consumption and production

- We want our economy to be circular.
- We reuse waste, which is transformed into resources.



### We continue to work to minimise impacts on local communities

- We reduce greenhouse gas emissions.
- We seek to cut the pollution load in our discharges.



## THE IBERPAPEL GROUP'S ENVIRONMENTAL POLICY

In October 2017, PGZ updated the Group's environmental policy.

The Iberpapel Group, in the aim of making business effectiveness compatible with environmental conservation, in the course of its industrial activity, is committed to:

- Fomenting the reasonable, sustainable use of raw materials and natural resources.
- Bringing continuous improvement guidelines into environmental behaviour and defining objectives and goals that demonstrate achievements.
- Driving environmental awareness building through training and employee participation.
- Communicating and reporting on environmental management (ISO 14001:2015).
- Implementing and maintaining custody chain requirements for our process.
- Avoiding trade in and purchases of timber extracted unlawfully or in violation of traditional and civil rights.
- Rolling-out and maintaining a due diligence system to avoid the purchase of and trade in timber used unlawfully.

For more information, the Iberpapel Group's environmental policy is available in the following link:

<http://www.iberpapel.es/division-industrial#politica-medioambiental-papelera-guipuzcoana-de-zicunaga>.

## ENVIRONMENTAL TRAINING AND AWARENESS BUILDING

Iberpapel considers that the training proposed by the ISO 14001:2015 standard is highly relevant to environmental performance. The purpose of this training is that all the employees contribute towards ongoing environmental improvement and are able to respond to issues arising in their activities. To this end, they need to be familiar with certain basic concepts and acquire related new skills.

Personnel engaged in specific functions or functions that could cause considerable environmental impacts (waste management, handling of raw materials, noisy activities, atmospheric emissions, etc.) must be correctly trained, during their studies or subsequent work experience, and must also comply with the necessary requirements defined in the relevant post profile.

There are three essential interrelated concepts:

- Environmental awareness-building in all the Company's employees.
- General training of all employees in environmental management.
- Professional competence in the functions performed.

It is important to identify environmental training needs so as to provide adequate training for people who are related to the impacts of the Company's business.

These needs are analysed through annual training plans validated by

Company management. Additionally, all new personnel receive environmental awareness training and are instructed so that they participate and collaborate actively in our environmental management system.

The Iberpapel Group has environmental monitoring plans in place for suppliers and subcontractors, which are particularly relevant to assuring custody chain traceability for the fibre (timber and pulp) that reaches our facilities, guaranteeing the sustainable sources of our supplies.





## ENVIRONMENTAL MANAGEMENT HIGHLIGHTS

	2017	2016	2015
Atmospheric emissions of sulphur	0.0097 kg/t of pulp produced	0.0081 kg/t of pulp produced	0.0045 kg/t of pulp produced
Nitrogen oxide emissions	0.61 kg/t of pulp & paper produced	0.86 kg/t of pulp & paper produced	0.68 kg/t of pulp & paper produced
Atmospheric emissions of particulates	0.16 kg/t of pulp produced	0.16 kg/t of pulp produced	0.25 kg/t of pulp produced
Consumption of cogeneration electricity	100% of electricity consumed	100% of electricity consumed	100% of electricity consumed
External reuse of waste generated by the plant	47%	64%	55%
Waste generated classed as "hazardous"	0.1% of plant's total waste	0.1% of plant's total waste	0.1% of plant's total waste
Water employed per unit of pulp & paper produced	15.8 m <sup>3</sup> /t	16.4 m <sup>3</sup> /t	17.3 m <sup>3</sup> /t
CO <sub>2</sub> saving due to use of biomass	184,093 t	165,253 t	171,983 t
CO <sub>2</sub> saving due to cogeneration	59,801 t	45,042 t	55,113 t
Electricity consumed	0.526 Mwh/t	0.527 MWh/t	0.536 MWh/t
Thermal consumption	2.28 Mwh/t	2.19 MWh/t	2.24 MWh/t
Emissions of CO <sub>2</sub> (*)	218,844 t	203,724 t	201,752 t

(\*) CO<sub>2</sub> emissions calculated and audited as per Decision 2007/589/EC and the specific follow-up plan approved by the environmental authority.

## ENERGY AND CLIMATE CHANGE

> [103-2, 103-3, 302-1, 302-3]



The international community has agreed to limit the average temperature rise to 2°C above the temperature during the pre-industrial era. Scientists have demonstrated that global emissions must peak in 2020 and fall from then on to achieve that limit. With this aim, global emissions must be between 40% and 70% lower than in 2010 and fall to nearly zero in 2100.

Since 2005, the emissions trading system (ETS) has been the cornerstone of the strategy to reduce greenhouse gases in industry and the energy sector. The European Union is in a position to fulfil its reduction commitment for 2020. However, in October 2014, European leaders set more ambitious reduction levels as part of the EU's energy and climate change policy for 2030, increasing the reduction commitment to at least 40%. This target must be achieved collectively by the EU and cost effectively; it must include reductions in ETS and non-ETS sectors.

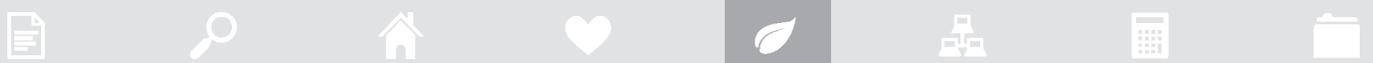
In July 2015, the European Union proposed an amendment to the EU's emissions trading system (EU-ETS) covering emissions from industrial and energy sectors. Emission reductions are also forecast to be facilitated by a number of specific initiatives in some sectors or by other broader policies such as the low-emission mobility strategy or the circular economy.

At the start of phase three, the emissions trading mechanism showed a large imbalance between supply and demand, resulting in a surplus of approximately 2.1 billion EUAs (European Emission Allowances) in 2013. This was cut to 1.78 billion by 2015.

The European Commission regards emissions trading as a suitable tool to achieve its greenhouse gas reduction goals, since in 2015 emissions from participating facilities were cut by 0.4%, confirming the trend that began five years ago.

The EU's emissions trading system is operational in all 28 Member States plus Iceland, Liechtenstein and Norway. It spans approximately 11,000 energy and industrial facilities in different sectors, as well as emissions from 520 airlines that operate flights between European airports. This system covers around 45% of greenhouse gas emissions generated.

In the current phase three, sectors affected are those that have energy-intensive facilities such as refineries, steel, cement, glass, ceramics, bricks, pulp and paper, aluminium, petrochemicals and producers of nitric, adipic and glyoxylic acids. The system covers emissions of carbon dioxide, nitrous oxide, perfluorocarbons and nitric, adipic and glyoxylic acids.



The European Commission regards emissions trading as a suitable tool to achieve its greenhouse gas reduction goals, since in 2015 emissions from participating facilities were cut by 0.4%, confirming the trend that began five years ago.

2015 also saw a trend change as regards the surplus allowances that had been generated in prior years, due mainly to the serious economic recession that caused facilities' activities to decline. This change is attributable partly to an improvement in the economy and also to the implementation of the control mechanisms described above.

The European Commission expects the EU-ETS to continue to drive investment in low-carbon technologies following the change that will come into effect in phase four (2021-2030), allowing the commitments acquired in the Paris Summit to be fulfilled.

At the end of 2016, the European Commission published the proposal "Clean energy for all Europeans", better known as the "Winter Package", comprising several legislative proposals designed to complete the internal power market and implement the so-called "Energy Union".

The proposed legislative measures are intended to:

€100 /  
tonne of  
CO<sub>2</sub> emitted

The emissions trading directive (EU-ETS) imposes penalties of €100 for every tonne of CO<sub>2</sub> emitted that is not offset by 1 EUA within the stipulated annual period. Additional penalties may be established by the Member States.

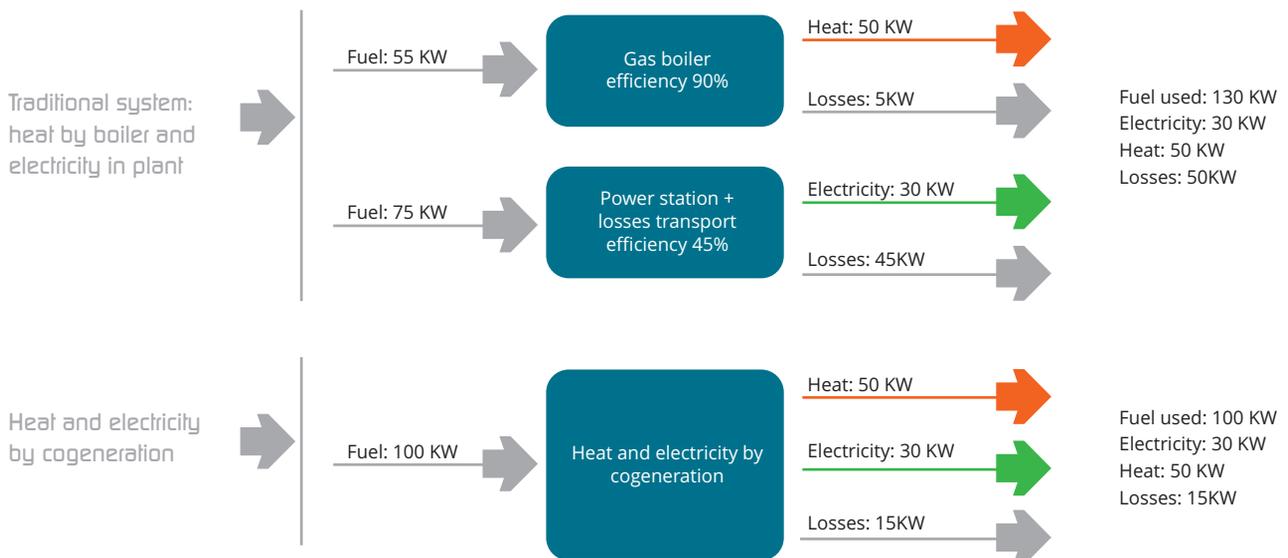
- Create a common energy market in the European Union and assure that energy systems are adequate.
  - Promote better integration of electricity generated using renewable sources and implement bioenergy sustainability principles.
  - Progress towards energy efficiency in buildings, industries and transportation in order to meet climate objectives.
  - Implement governance rules for the European Energy Union.
- These objectives will be achieved by reforming the Internal Electricity

Market Directive, the Electricity Market Regulation, the Renewable Energies Directive, the Energy Efficiency Directive, the Energy Performance of Buildings Directive and other less significant regulations. The passage of these legislative proposals takes approximately 18 months.

The impact of these changes, combined with the current reform of the ETS market, is very significant, so European industry is following the process initiated by the European Commission with great interest. Various European industrial associations have signed a joint statement requesting the Commission's involvement.

From the viewpoint of the European paper industry, energy is considered to be a key matter at present and also in the future. As energy can account for over 30% of a plant's operating costs, the paper industry has invested in sustainability and renewable energies; it is now one of the energy-intensive industries that relies least on fossil fuels. The industry has made large investments in cogeneration and in other energy efficiency measures, achieving a 20% reduction in GHG emissions in the last decade.

**SAVING IN COGENERATION AS COMPARED WITH CONVENTIONAL GENERATION TECHNOLOGIES**





## Joint declaration for an EU industrial strategy:

The European Commission must:

- Reaffirm its commitment to reaching the target of 20% of GDP from industry under an ambitious plan.
- Adopt a plan to tackle the challenges that the industrial sectors are facing.
- Commit to implement these actions under a specific programme and in a timely manner.



The Iberpapel Group is aware of the impact of our industrial activity and we have therefore carried out numerous actions to promote energy efficiency and help to combat climate change, such as the complete substitution of heavy fossil fuels by clean fuels, promotion of cogeneration as the best available technique and thermal and electricity generation using biomass.

The Group has cogeneration systems in its facilities (this type of generation is recognised as a best available technique (BAT) in Directive 96/61/EC). As a result of the use of cogeneration in its facilities, our group has cut emissions by 59,801 tonnes of CO<sub>2</sub>, which would have been released into the atmosphere had the heat and power been produced separately.

The use of biomass as a renewable fuel reduced the CO<sub>2</sub> that would have been released into the atmosphere using fossil fuels to generate the equivalent amount of energy by 184,093 tonnes.

The Iberpapel Group avoided total CO<sub>2</sub> emissions of 243,894 tonnes by using cogeneration and biomass.

These emissions have contributed towards the country's overall GHG reduction objective.

In 2017, the Iberpapel Group consumed 4,799,919 GJ directly (including natural gas and electricity) and 1,698,557 GJ indirectly to generate power.

In 2017, 100% of the electricity and thermal energy consumed by the industrial plant was produced by means of cogeneration using biomass and a high-performance gas combined cycle plant. Hydraulic energy in the water captured from the Urumea river is harnessed using a small turbine. It is important to mention that the Group does not use heavy fossil fuels.

The use of the best available techniques applicable to our sector keeps the Iberpapel Group within very high energy efficiency ratios.

### ENERGY CONSUMPTION (GJ)

	2017	2016	2015
Natural gas	3,900,974	3,634,211	3,601,530
Electricity	898,945	862,128	871,247

### PRIMARY ENERGY CONSUMED DURING ELECTRICITY GENERATION (GJ)

	2017	2016	2015
Consumption of primary energy in production of electricity consumed	1,698,557	1,628,974.90	1,646,205.08

The calculations have been made based on the data obtained from the International Energy Agency (2009)

<sup>(2)</sup> Cogeneration consists of generating thermal energy and electricity in a simultaneous, highly-efficient process that has a very favourable impact on the environment, since it requires less fuel than the separate production of the same quantity of heat and electricity.



## IMPORTANCE OF THE BIOECONOMY

In 2012, the European Commission approved the strategy “Innovating for Sustainable Growth: a Bioeconomy for Europe” in which the bioeconomy is defined as an economy that uses biological resources and waste as supplies for production.

This is a boost for the bioeconomy, a low-emissions economy that promotes sustainable management in agriculture, fishing and food security, using resources sustainably.

According to the European Commission, the core sectors involved in the bioeconomy are agriculture, forestry, fishing and pulp and paper manufacturing, plus, to a lesser extent, chemicals, biotechnology and energy.

The European cellulose and paper sectors are at the forefront of the bioeconomy, in which renewable raw materials are replacing fossil resources, thereby helping to improve the environment and the quality of life as part of the reduction in the impacts of climate change.

The Confederation of European Paper Industries (CEPI) has launched its CEPI 2050 roadmap, designed to:

- Cut the industry's fossil CO<sub>2</sub> emissions by 80%.
- Increase the added value of products manufactured by 50% by 2050.

The European pulp and paper industry produces bioproducts using timber and recovered paper, which are renewable materials. It is also the leading industrial sector in terms of bioenergy generation capacity and bioenergy consumption. The paper industry, with its traditional products such as paper, and its new products, plays a key role in society, supplying products that are efficiently manufactured, fully recyclable and produced using renewable raw materials.

The term “biorefinery” is now used in the industry to refer to cellulose production plants. The biorefinery concept is analogous to that of a petrochemical refinery, which produces a broad range of products and fuels using fossil resources. Biorefineries can produce numerous bioproducts and biofuels using renewable carbon sources and bioprocesses. There is a chemical derived from bioproducts that is equivalent to the chemical derived from oil.

A biorefinery's economic competitiveness is based on the co-production of small volumes of high-value-added products together with the cellulose or biofuels. Biorefineries can process different types of biomass to generate energy

and a wide variety of products and synthesis intermediates. There are two types of biorefinery facilities based on energy generation, including biofuel plants, and on the production of chemicals, which can also generate electricity or heat simultaneously.

A biorefinery can be a single unit, such as a plant that produces cellulose and paper and generates electricity and heat using by-products in the process, or a group of facilities processing by-products or waste from neighbouring facilities.

Different biorefinery concepts are currently being developed, some of which are highly complex. Biorefineries can produce numerous bioproducts and biofuels using renewable carbon sources and bioprocesses.

The European cellulose and paper industry has been among the most active in the bioeconomy, making fully renewable, recyclable products and generating bioenergy to replace fossil fuels. It has also begun to develop biorefinery projects to obtain products in alternatives ways to the petroleum-based chemical approach. The industry is thus clearly committed to decarbonisation.

## RENEWABLE, RECYCLABLE RAW MATERIAL:

- The European Union's forests are estimated to absorb 10% of the EU's total greenhouse gas emissions.
- Between 2005 and 2015, European forests grew by 44,000 km<sup>2</sup>.
- Cellulose plants can obtain greater added value from timber components and secondary production processes, thereby minimising waste.



## THE IBERPAPEL GROUP'S ENVIRONMENTAL MANAGEMENT SYSTEM

The Iberpapel Group has an Environmental Management System (EMS) in which the Company's functioning is planned, measured and assessed to ensure that its operations are in line with applicable environmental regulations and corporate policy. The aim is to effectively integrate and coordinate the overall system of business management so as to assure consistent decision-taking across the Company.

The EMS is a tool that allows the organisation to integrate the environment with overall management but does not, in itself, reduce the Company's environmental impacts.

The objectives of an EMS are as follows:

- Identify and assess the environmental effects of the organisation's present and future activities, products and services.

- Identify and assess the environmental effects of incidents, accidents and emergency situations.
- Compile and apply the relevant regulations.
- Permit the adoption of priorities and definition of the organisation's environmental objectives and goals.
- Facilitate planning, control, supervision, audits and reviews to ensure that the policy is applied.

The key aspects of the Iberpapel Group's EMS are as follows:

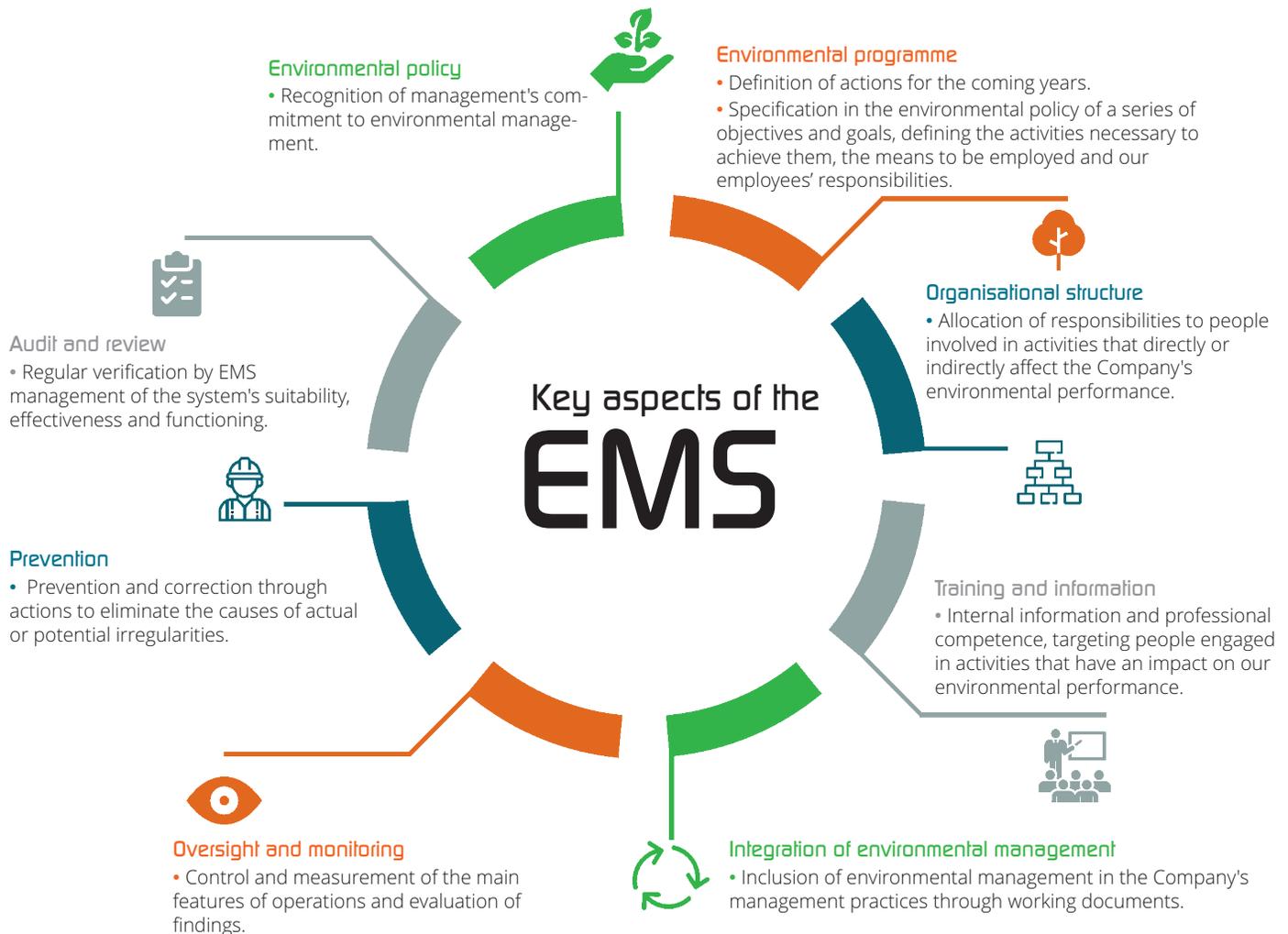
The Environmental Management System is based on the ISO 14001 standard and certified by Det Norske Veritas (DNV), which carries out annual inspections and audits.

It includes a procedure for monitoring GHG emissions, which identifies emission sources and defines the approach to be adopted to take the ne-

cessary measurements so as to verify the allocation of GHG emission allowances under the national allocation plan. Annually, prior to the surrender of emission allowances, GHG emissions are audited by an independent entity.

The same environmental management system includes a procedure for managing Iberpapel's two custody chains for certified raw materials (timber and pulp). These systems guarantee traceability from the raw materials to the certifiable final product requested and received by our customers.

The Iberpapel Group has also implemented an Energy Management System under ISO 50001. This certification helps to improve energy efficiency and the use and consumption of energy, thereby reducing GHGs. The energy management system is certified by Det Norske Veritas, DNV.





## MECHANISMS DERIVED FROM THE KYOTO PROTOCOL

The Kyoto Protocol was approved in 1997 and is legally binding on developed countries with respect to the emission reduction objectives. The first protocol compliance period ran from 2008 to 2012 and the second began on 1 January 2013 and will end in 2020. At present, 197 countries have adopted the Convention and 192 countries are Kyoto Protocol members.

The 2015 Paris Agreement is the latest step in the evolution of the United Nations climate change scheme, intensifying actions and investments necessary for a sustainable, low-carbon future.

In the European Union, emission rights trading is the cornerstone of the European policy to combat climate change. This scheme currently affects around 10,000 facilities throughout Europe.

PGZ (Papelera Guipuzcoana de Zicuñaga), as a plant subject to the emissions trading system, must comply with the relevant regulations and is therefore required to obtain greenhouse gas emission authorisation, to continuously monitor atmospheric emissions and to surrender one allowance per tonne of CO<sub>2</sub> emitted. All operations holding emission allowances are reflected in the plant's credit account in the European electronic register.

In 2015, the European Union proposed an amendment to the EU's emission allowance trading system (EU-ETS) covering emissions from industrial and energy sectors.

At the start of phase three, the emissions trading mechanism showed a large imbalance between supply and demand, resulting in a surplus of approximately 2.1 billion EUAs in 2013. This was cut to 1.78 billion by 2015.

2017 forms part of the third compliance period, which runs from 2013 to 2020. PGZ received newly allocated allowances, in its single European register credit account, in accordance with the new allocation following the results of a benchmark study carried out on the most competitive companies in each sector at the European level.

In the first quarter of 2018, the Company, fulfilling its legal obligations, will surrender the quantity of allowances covering its 2017 CO<sub>2</sub> emissions, amounting to 218,844 tonnes of CO<sub>2</sub>.

## CLEAN DEVELOPMENT MECHANISM

The Clean Development Mechanism (CDL) is an agreement arranged under Article 12 of the Kyoto Protocol which allows the governments of industrialised countries or of the countries included in Annex 1 to the Kyoto Protocol and their companies to enter into agreements so as to meet GHG reduction objectives.

In 2005, the Iberpapel Group initiated a reforestation project in Uruguay to increase CO<sub>2</sub> emission removals in its forests, which act as sinks of greenhouse gases. This project consisted of planting Eucalyptus globulus forests on very severely eroded soils, combined with silvopastoral activities. The project's forestry plantations were located in the departments of Canelones, Maldonado and Lavalleja, with a total surface area of 4,550 hectares.

The Group previously developed a specific methodology for calculating and monitoring the CO<sub>2</sub> removals generated by recovering degraded land through reforestation, assisted regeneration and silvopastoral systems. This methodology, under the name Afforestation and Reforestation of Degraded Land (ARACM0001), was approved by the United Nations and is applied in other forestry projects located both in Uruguay and in Brazil, Chile, China, India and the Democratic Republic of the Congo; it is the first consolidated methodology to have been approved for the forestry industry.

During 2010, Iberpapel obtained Verified Carbon Standard (VCS) certification for the project. The project will therefore target voluntary carbon markets.

Our Silvopastoral System on Degraded Land project will offset just over 880,000 tonnes of CO<sub>2</sub> in the coming 50 years.

The project has been validated by the Rainforest Alliance and entered in the Markit Register of voluntary market projects at the international level. All project information is available through the following link <http://xurl.es/xbfyh>.

Potential purchasers of the allowances are analysed prior to verification of the reductions by an independent third party.





## BEST AVAILABLE TECHNIQUES

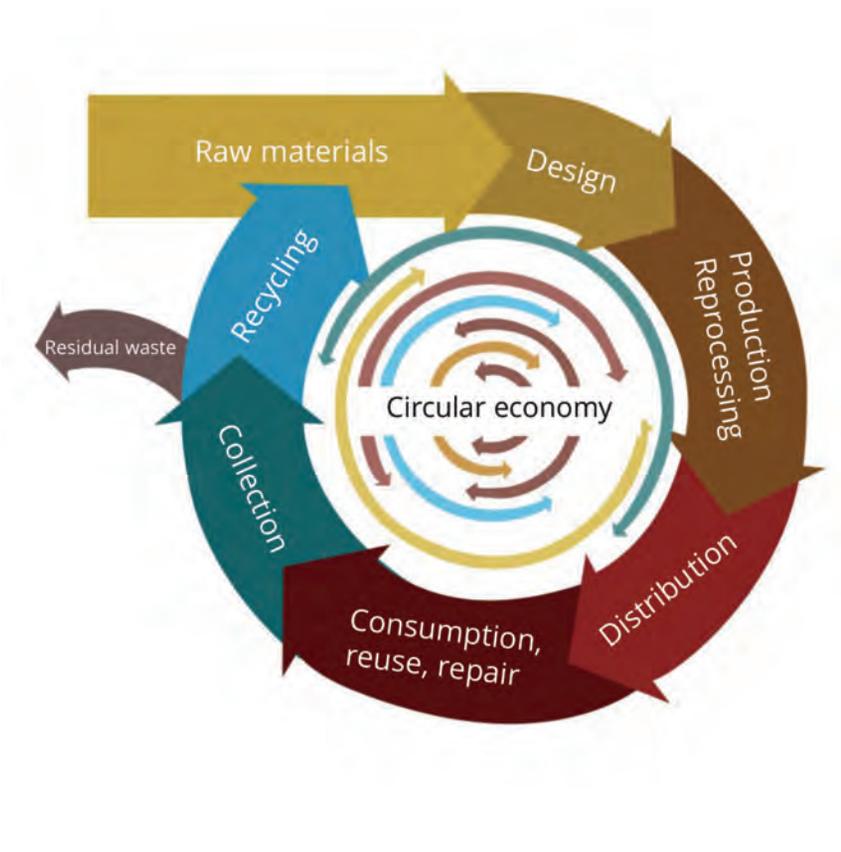
The IPPC (Integrated Pollution Prevention and Control) Directive and Law have defined the concept of Best Available Techniques (BATs)<sup>(5)</sup> to serve as a reference for both industry facilities and the environmental authorities responsible for setting emission limits in integrated environmental authorisations. Best Available Techniques may be defined as the most environmentally friendly way of carrying out an activity, taking into account that the cost to companies required to employ them is within reasonable limits.

The mechanism for defining BATs entails the exchange of information between the agents involved. Coordination of this work is carried out by the European IPPC Bureau, a Seville-based body designated by the European Union. This body prepares and draws up the documents containing the BATs, referred to as BREFs (BAT Reference Documents) or Reference Documents on Best Available Techniques.

In September 2018, a new industry BREF on the manufacture of pulp and paper will come into effect, defining the 53 best available techniques, some for general applications and others for each of the pulp and paper manufacturing segments. Unlike the previous BREF, which set recommended figures for atmospheric emissions and discharges, the new BREF lays down mandatory maximum emission values called BAT AELs.

The authorities responsible for renewing the integrated environmental authorisation (IEA) will set the new limits applicable to the facilities before that date.

## CIRCULAR ECONOMY

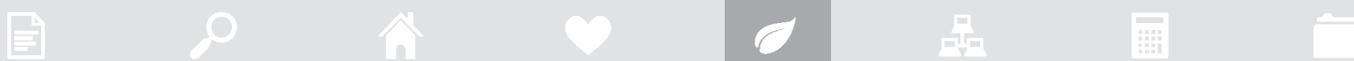


**The Iberpapel Group applies Best Available Techniques to a high level in its manufacturing processes with the aim of assuring the least possible impact on the natural environment.**

<sup>(5)</sup> The IPPC Directive and Law define best available techniques as "The most effective and advanced phase of development of activities and related operating methods, demonstrating the practical capacity of certain techniques to form, in principle, the basis of emission limit values used to avoid or, where this is not possible, reduce emissions in general and their impact on the environment as a whole and on human health".

This legislation fully clarifies the meaning of best available technique:

- Technique: the technology used and the way in which the installation is designed, built, maintained, operated and decommissioned.
- Available: techniques developed on a scale which allows implementation in the relevant industrial sector, under economically and technically viable conditions, taking into consideration the costs and advantages, whether or not the techniques are used or produced inside the Member State in question, as long as they are reasonably accessible to the operator.
- Best: techniques that are most effective in achieving a high general level of protection of the environment as a whole.



## WASTE MANAGEMENT

> [103-2, 103-3, 301-1, 306-1, 306-2]

**In the paper industry, one of the key aspects of environmental management is adequate waste management. Yet the efficient use of resources does not only relate to the improved use of raw materials but also to the concept of a circular economy, which brings the materials contained in waste back into the process, either in the same company or in other facilities, to generate new products or raw materials.**

The European Commission is working on this and has approved Communication COM (2015) 614 final "Closing the loop - An EU action plan for the Circular Economy", in which the foundations are laid for European businesses and consumers to undertake the transition to a more solid, circular economy that employs resources more sustainably. The drive towards recycling and reuse will help to "close the loop" in product life cycles, benefiting both the environment and the economy.

In Spain, the State Waste Prevention Programme 2014-2020 and the State Framework Waste Management Plan (PEMAR) 2016-2022 are currently in force, establishing the strategies and measures necessary to advance towards the so-called circular economy and fulfil the EU's waste-related targets.

At PGZ we prioritise the reuse of resources in our activity, assuring a second use inside the plant and thus contributing towards the circular economy. One example is the use of carbonate slurry generated at the causticizing plant as a raw material in the production of lime that can be used in the same plant. Another example is the reuse of water from the paper machines as a substitute for clean water in the pulp manufacturing process.

However, some materials are generated during the manufacturing process that cannot be reused in the process and become waste.

Process waste is mostly classed as non-hazardous waste and only a small part is deemed to be hazardous (specifically, 0.10% in 2017).

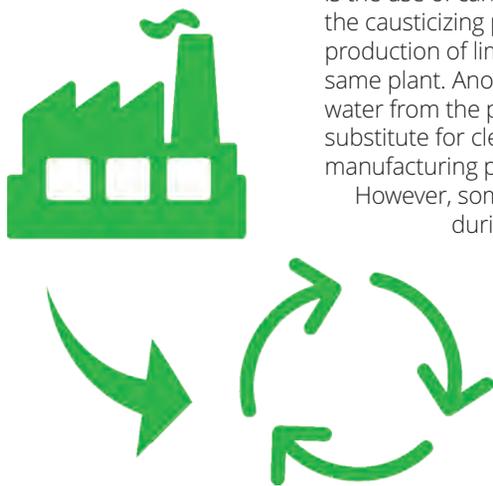
This basically relates to oils, batteries, fluorescents or laboratory reactivities associated with all industrial activities, which are managed by authorised companies.

All wastes are separated at source in each production plant and are individually managed. The main wastes generated in 2017 during the production of cellulose and paper were carbonate slurry, caustic sludge, and water and bark treatment sludge. Others, such as plastic, paper and cardboard, metal waste and other waste that is similar to ordinary municipal waste were also generated. They are all considered to be non-hazardous.

During 2017, waste generated per production unit amounted to 125 kg/tonne.

The most frequently used approach to waste reuse is through the cement industry, particularly in the case of carbonate slurry from our lime oven. The calcium carbonate that we supply to the cement producers replaces the limestone that they need to quarry; we provide a consistent, ground waste which they use as a raw material, in a clear example of the circular economy. In 2017, the revival of the cement industry continued, increasing this method of waste reuse.

Landfills are used for waste that cannot be reused in other sectors. In 2017, 53% of waste generated was deposited in landfills when reuse or recovery was not an option. PGZ participates in various projects with the aim of reusing this waste in a way that is technically and economically feasible, so that the smallest possible fraction is sent to a landfill.



### WEIGHT OF WASTE

	2017	2016	2015
Hazardous waste	55 t	65 t	51 t
Non-hazardous waste	59,486 t	46,500 t	40,590 t
Total waste	59,541	46,565 t	40,641 t
% hazardous	0.10%	0.14%	0.12%

# 86.56%

**of the raw materials employed in our cellulose pulp and paper manufacturing process are renewable.**

## TOTAL WEIGHT OF WASTE GENERATED BY TYPE OF TREATMENT METHOD

	2017	2016	2015
Reuse	27,905 t	29,802 t	22,235 t
Landfill	31,581 t	16,763 t	18,406 t
Totals	59,486 t	46,565 t	40,641 t
<b>Type of reuse:</b>			
Cement plants	10,985 t	7,424 t	2,557 t
Composting	12,706 t	16,247 t	13,471 t
Recovery	4,214 t	6,131 t	6,207 t
Total reused	27,905 t	29,802 t	22,235 t

At the industry level, according to ASPAPEL data, the management of waste from the paper process may be summarised as follows:

- Energy recovery: 27%.
- Direct agricultural uses: 24%.
- Composting: 10%.
- Uses in other industries: 12%.
- Other uses: 4%.
- Deposit in landfills: 23%.

## LIQUID EFFLUENTS AND WATER USE

> [103-2, 103-3, 303-1]

**Water is essential in the manufacture of cellulose and paper to break up and carry fibrous materials and additives. Water is also used as a heat exchange fluid, to seal pumps and vacuum systems, and to generate steam, basically.**

Unlike other major water users, the pulp and paper industry returns the majority of the water to the natural environment. The water is returned to surface waters once it has been properly purified.

Pulp and paper plants focus on reducing the water consumed in the process and ensuring that the water returned to the natural medium contains the smallest possible pollution load. With this aim, water is reused as much as possible in the different processes and the water that cannot be finally reused is purified.

According to ASPAPEL's 2017 sustainability report, total water use remained at the same level as in the previous year (€109 million m<sup>3</sup>), despite the increase in paper and cellulose production from 7.8 to 7.9 million tonnes. With respect to 2000, total water use has fallen by 32%, despite the fact that 2016 cellulose and paper production was 22%

higher than 15 years earlier.

PGZ prepares water consumption reduction plans as a basic tool to control water use. Our reduction plan 2016-2020 is currently in progress. These plans allow us to maintain the low levels of water consumption stated in the BREF document issued by the European Commission on BAT in the pulp and paper industry.

Specific water use in 2017 totalled 15.8 m<sup>3</sup> of water per tonne produced, representing a reduction of 3.6% on 2016. These values are much lower than the ranges described in the BREF for BAT application.

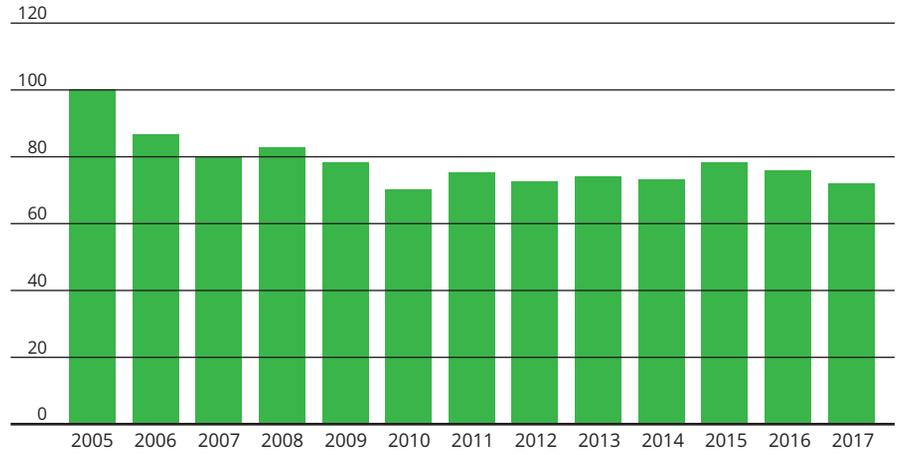


## WATER CAPTURE BY SOURCE IN 2017

Source type	% capture
River water	76.30%
Groundwater	23.70%

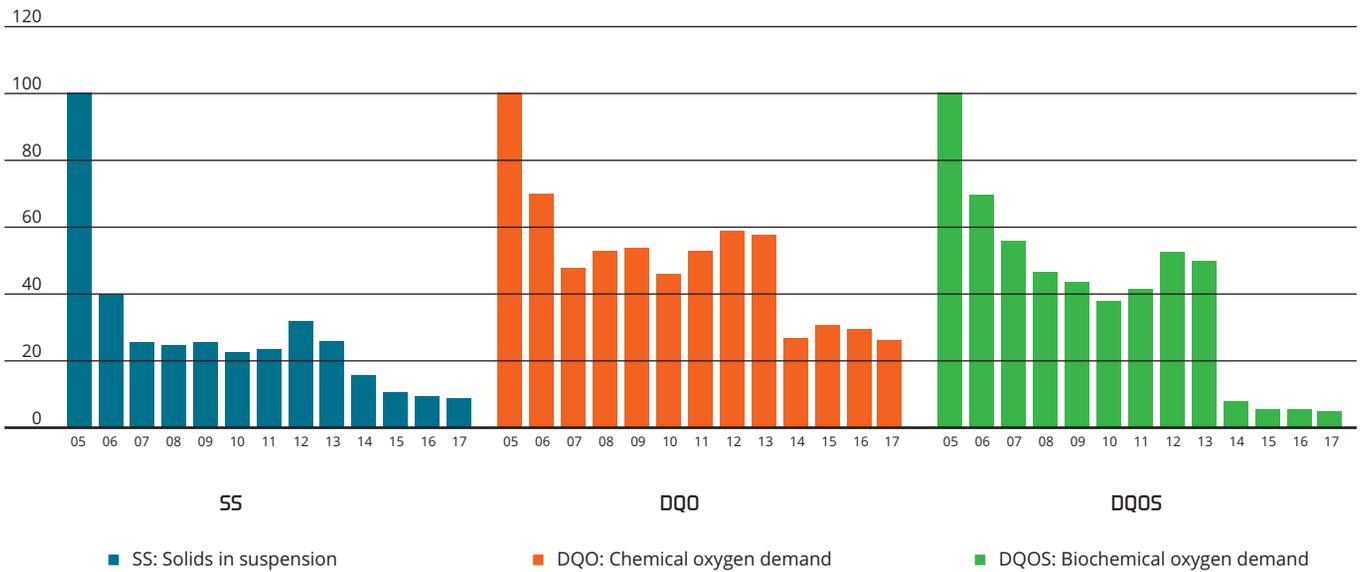
The accompanying chart reflects the efforts made by PGZ to improve effluent discharge in recent years, with respect to 2005 base figures:

PERCENTAGE REDUCTION IN FRESH WATER USE (2005-2017)



As regards the pollution load in effluents, the following chart reflects the reduction achieved, particularly since the biological treatment plant became operational: During the 11-year period (2005-2017), PGZ's effluents contained only 9% of their initial suspended solids, 26% of their initial chemical oxygen demand and 5% of their initial biochemical oxygen demand.

PERCENTAGE REDUCTION IN EFFLUENT LOAD (2005-2017)



■ SS: Solids in suspension      ■ DQO: Chemical oxygen demand      ■ DQOS: Biochemical oxygen demand



## ATMOSPHERIC EMISSIONS

> [103-2, 103-3, 305-1, 305-5, 305-7]

In Europe, the most problematic pollutants in terms of human health are particulate matter, ozone and nitrogen dioxide. SO<sub>2</sub>, NO<sub>x</sub> and NH<sub>3</sub> can also cause acidification and eutrophication in ecosystems, as well as harm to buildings and vegetation. According to the 2017 Air Quality in Europe report, air quality is improving slowly due to both past and present policies, and technological progress. It may therefore be stated that the European Union is managing to uncouple economic growth from atmospheric emissions. For example, while the European economy has grown considerably in the past two decades, emissions have decreased.



Industrial activities emit pollutants into the air, either through specific points (chimneys) or through more diffuse sources. These emissions may derive from a great variety of processes and are subject to prevailing legislation.

PGZ's atmospheric emissions are mainly associated with the processes employed to generate the power required for its industrial activity and fundamentally consist of carbon dioxide (CO<sub>2</sub>), sulphur dioxide (SO<sub>2</sub>) and nitrous oxide (N<sub>2</sub>O). Additionally, the use of biomass generates particulates and total reduced sulphur compounds (TRS). Our use of cogeneration considerably cuts GHG emissions compared with the separate generation of heat and power.

One specific feature of our emissions is the low concentration of sulphur dioxide, since the only fuels employed are biomass and natural gas, both classed as clean fuels.

Nitrogen oxide emissions are generated at the biomass plant and the cogeneration facility due to the presence of nitrogen in the fuel's composition or in the atmospheric air used in combustion. Emissions of this compound in 2017 amounted to 0.61 kg/product tonne.

The main points at which particulates are emitted into the atmosphere are the lime furnace chimney and the recovery boiler chimney, both of which have electrostatic precipitators to reduce emissions. Emissions of the smallest particulates, referred to as PM<sub>10</sub>, totalled 0.07 kg per tonne of pulp produced in 2017. Both the boiler source and the furnace source are permanently connected to the Basque Government's atmospheric surveillance network, supplying the authorities with real time emission values.

PGZ has a number of odour elimination systems that considerably reduce the impact on the surrounding area. Using these systems, reduced sulphur compounds, which are mainly responsible for the smell, are channelled to the recovery boiler where they are burned, making use of the sulphur content, which is reincorporated into the process. These technologies are classed as BAT in the European BREF document on the manufacture of pulp and paper.

All emission points are analysed and inspected periodically by independent bodies validated by the administration. Findings are reported periodically to the administration. Our measuring equipment is calibrated by an external entity and maintenance contracts ensure that it operates reliably throughout the year.

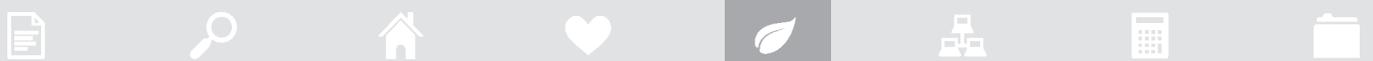
Public opinion identifies CO<sub>2</sub> as one of the main agents of air pollution. Emissions are related to the use of fossil fuels. The use of non-fossil fuels is the way to cut CO<sub>2</sub> emissions. PGZ therefore needed to release only 0.251 tonnes of CO<sub>2</sub> per Mwh of electricity generated and 0.172 tonnes of CO<sub>2</sub> per tonne of pulp and paper produced during 2017.

CO<sub>2</sub> emissions have been avoided thanks to the Group's more efficient generation. In this way, we avoided emissions amounting to 243,984 tonnes of CO<sub>2</sub> that would have been necessary in 2017 had the power been generated using conventional methods. Additional power would have been lost during transmission from the generation point to the point of use, which is also avoided through in situ cogeneration.

CO<sub>2</sub> emissions avoided at our plant in recent years are as follows:

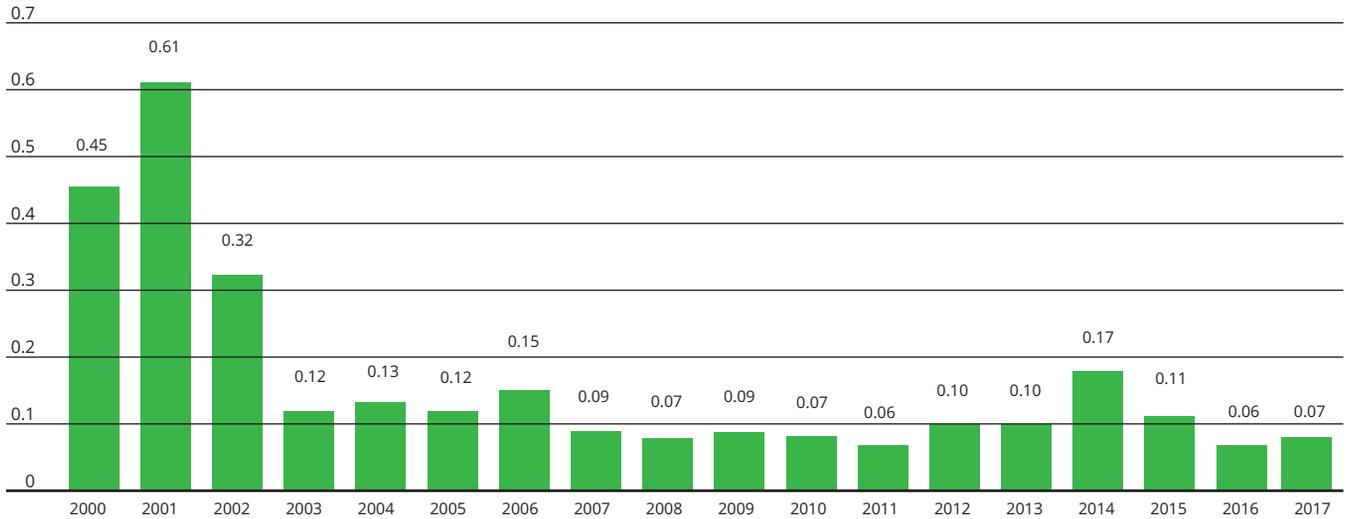
### SAVING OF CO<sub>2</sub> EMISSIONS

Year	CO <sub>2</sub> Tonnes
2009	194,855
2010	203,402
2011	198,332
2012	205,701
2013	202,780
2014	204,599
2015	227,096
2016	210,295
2017	243,984



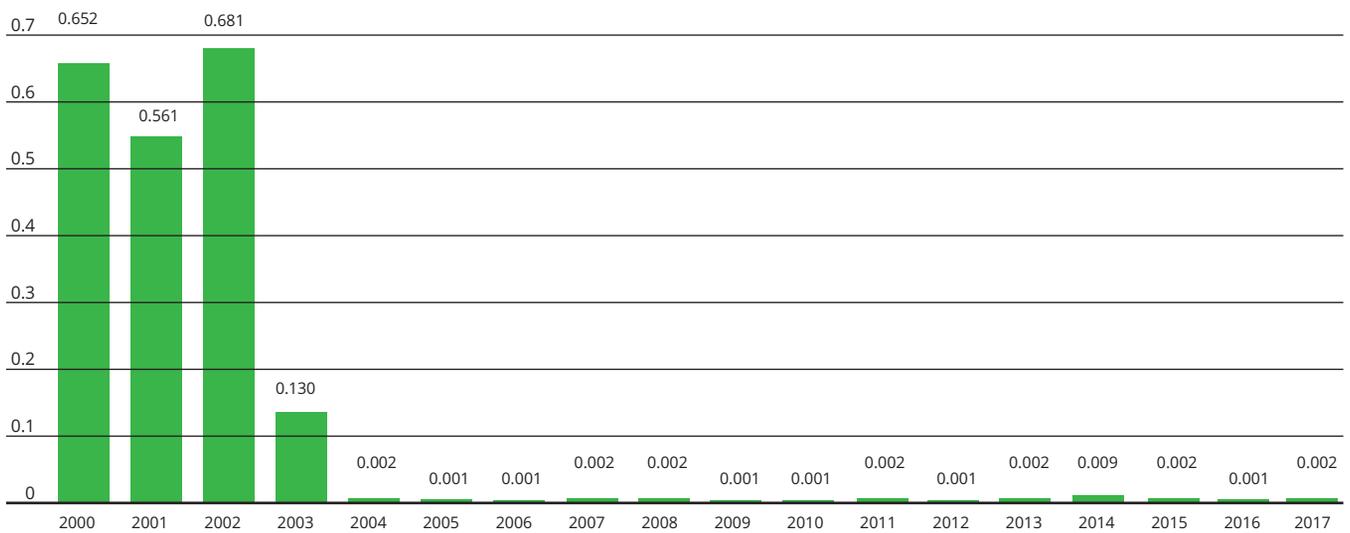
The main indicators of atmospheric quality and related changes in the past years are as follows:

### EMISSIONS OF PM10 INTO THE ATMOSPHERE (2000-2017)



Note: Kilos of particulate matter per tonne of paper and pulp produced

### EMISSIONS OF SO<sub>x</sub> (2000-2017)



Note: Kilos of particulate matter per tonne of paper and pulp produced



## CONSUMPTION OF RAW MATERIALS AND BY-PRODUCTS

**The most important raw material that enters the Iberpapel Group's plant is Eucalyptus timber. All the timber is obtained from plantations, not from natural forests. These plantations are continuously replanted and regenerated. In the Group's case, the plantations focus exclusively on fast-growing species, so the CO<sub>2</sub> responsible for climate change is sequestered much more efficiently than by other tree species.**

We exhaustively monitor our suppliers and the timber that we receive so that we can assure sustainable sources. We work to promote sustainable forest management and the suitable use of both this resource and the land on which it is grown. The supply of timber from certified sustainable forest management enters our custody chain systems, guaranteeing our customers absolute traceability in both the FSC® system and the PEFC™ system.

Chemical products are an essential part of current society. In order to guarantee they are safe, the European Union has developed the world's most advanced chemical product legislation, the REACH regulations on the registration, evaluation, authorisation and restriction of chemical substances and

mixtures. All chemical substances made in or imported into the EU must be registered at the European Chemicals Agency in Helsinki. The most hazardous products are subject to particularly strict rules.

Timber is a natural raw material and is therefore exempt from the REACH regulations.

The Iberpapel Group fosters the use of environmentally sustainable chemical substances and products.

Other important raw materials used in paper making are calcium carbonate or starch, which are products that occur normally in nature. Polymers are also used as sizing or retention agents, as aids in production.

## SUSTAINABLE FOREST MANAGEMENT IN THE IBERPAPEL GROUP

The Iberpapel Group's forest management is based on the following principles:

- Sustained maintenance of the natural resource.
- Preservation and promotion of environmental values such as biodiversity, soil quality, air and water.
- Local community development through job creation.
- Upkeep of social values.
- Support for training or availability of areas freely accessible to the general public.



The surface area managed by Iberpapel in Spain, Argentina and Uruguay is used mainly to produce Eucalyptus globulus timber, with Eucalyptus grandis as a secondary species, under a sustainable system on land that is adequate for forestry purposes. The Eucalyptus globulus forests planted in South America are managed under a silvopastoral system, a forestry model that combines animal and forestry production on the same land. Our Eucalyptus grandis are pruned and cleared systematically to obtain quality timber for sawing. Forestry activities in Spain are integrated into the natural highland systems and forestry is

complemented by hunting activities.

One of the mainstays of the Company's forestry management is the introduction of the silvopastoral system in South America, which has been recognised by Uruguayan government bodies.

Under this system, trees bind and improve the soil. Underneath the trees, a micro-climate is generated which protects livestock from the weather, reducing energy expended; the livestock control undergrowth, reducing clearing costs and helping to prevent fires. This forestry and livestock farming model is highly important in social terms because it integrates previous land uses with a new activity such as

**The silvopastoral system, involves the use of land on which trees are deliberately combined with herbaceous plants, such as crops or pastures, and animals. Integration makes livestock and afforestation complementary and mutually beneficial, resulting in a number of additional benefits.**



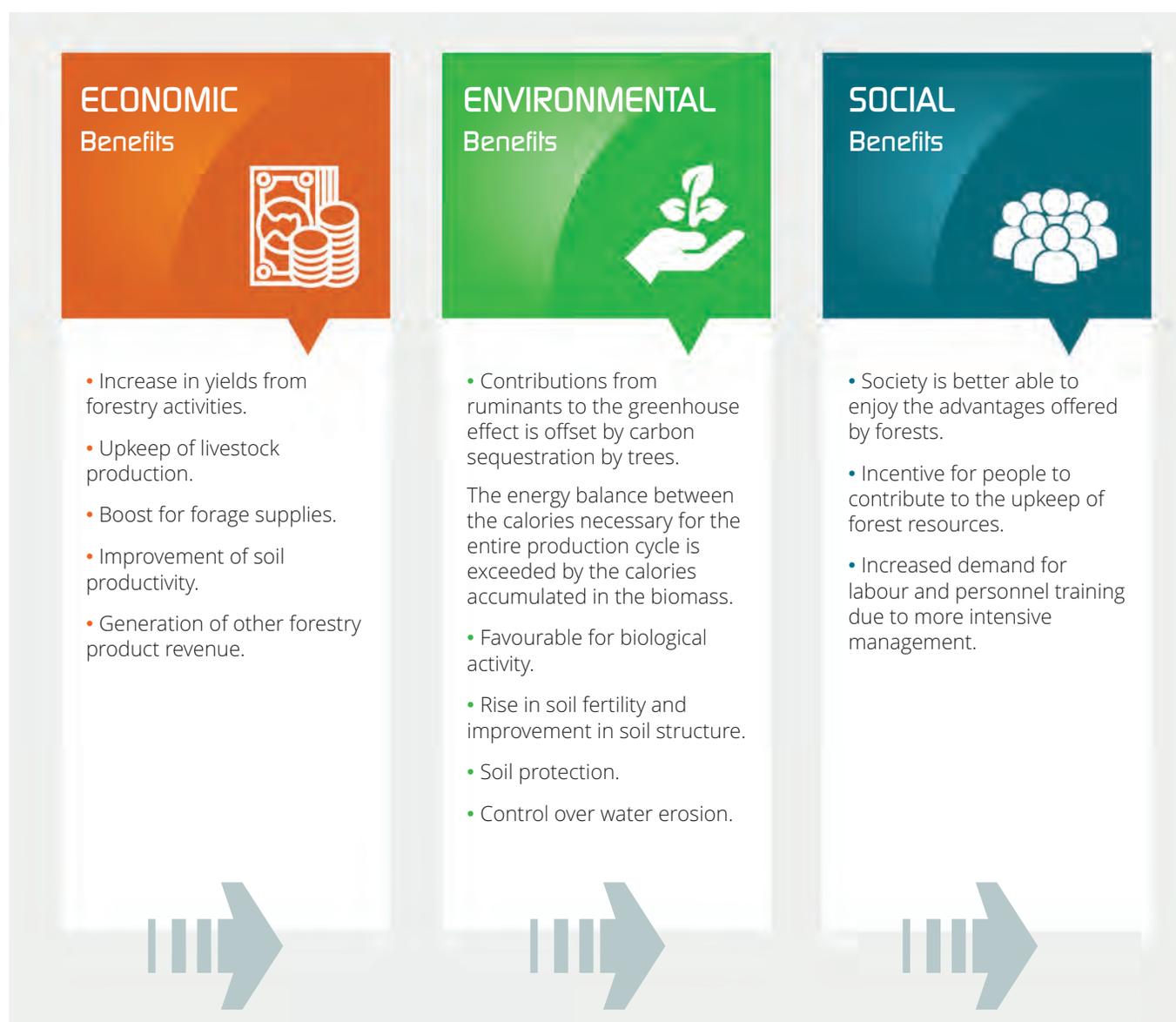
forestry without dislocating the area's traditional activities.

This livestock-forestry production system thereby optimises and boosts the production capacity of fields previously used as pastureland through extensive livestock farming focused on the rearing of cows and sheep while conserving protected native woodland.

Silvopastoral management systems

have become an essential tool due to the pressing need to use, exploit and manage natural resources sustainably. These production systems allow economic, environmental and social benefits to be obtained, as shown in the chart.

### BENEFITS OF SILVOPASTORIL MANAGEMENT SYSTEMS





The Iberpapel Group is very aware of the importance of sustainable forestry and the role it plays in driving social and economic development in local communities. We thus opt for a forestry system that is responsible and sustainable, environmentally friendly and adapted to the social environment in which our projects are undertaken.

The afforestation of degraded land using silvopastoral systems earned the support of the Uruguayan Ministry of Livestock and Agriculture and Directorate of Afforestation, to the extent that the afforestation project at the San Luis and Piedras de Afilar

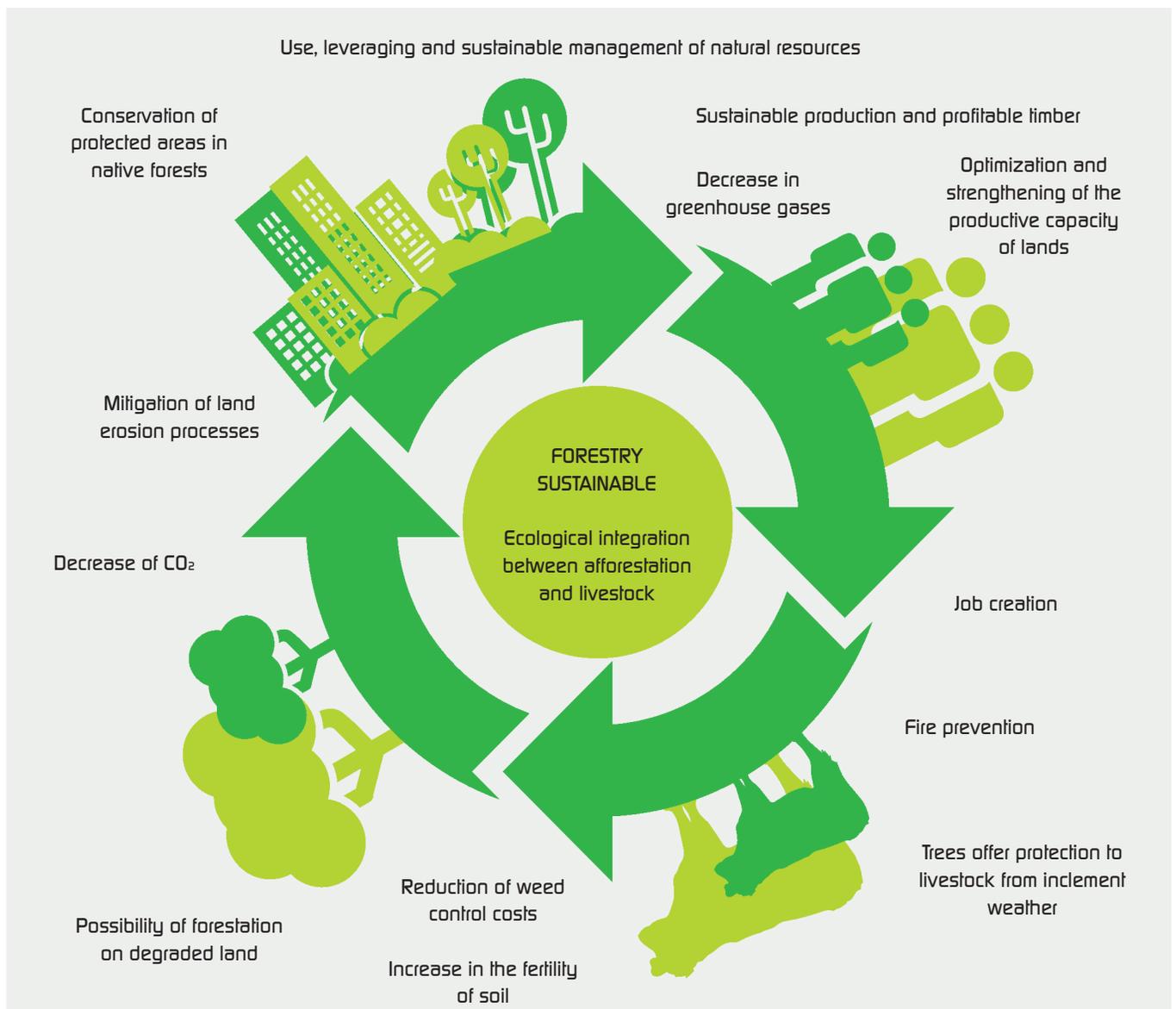
plantations to protect and recover eroded land using silvopastoral systems was selected by the Uruguayan Government for presentation to the Committee on Forestry (COFO) at the FAO meeting held in Italy in 2007.

The Uruguayan Government's commitment to the silvopastoral projects being carried out by Los Eucaliptus, S.A. is reflected in the Directorate for Afforestation's approval and classification of the plantations as "Artificial Protective Forests" under the silvopastoral and soil conservation system, through the afforestation of

Eucalyptus globulus. The latest forest property to obtain this recognition was "El Flaco", at the end of 2014.

Additionally, since 2007, we have worked with the University of Montevideo's Agronomy School, in collaboration with the National Agricultural Research Institute and livestock owners, to improve natural pastures and livestock management within forestry activities, including the continuous improvement of silvopastoral systems which has increased livestock productivity in fields and allowed higher returns on the investment made by our Group.

**SUSTAINABLE FOREST MANAGEMENT**





## OBJECTIVES PROPOSED IN THE SUSTAINABILITY MODEL AND APPLIED AT THE IBERPAPEL GROUP'S PLANTATIONS

- Plant forests on highly suitable land during Spring: in the southern hemisphere summer (January, February, March) the land is prepared for afforestation in Spring (September, October, November and December). We use seeds selected from Australia (Jeerelang) and the best clones.
- Improve the capacity to produce forage in the rest of the field, in the space between rows of trees and in the wet and fertile areas that are not suitable for the Eucalyptus trees. At the recently forested properties, the areas between rows of trees are being seeded with Lotus sp.
- Conserve and care for the native forest areas recognised by bodies responsible for natural resources: one of the main conditions for FSC® certification of forestry land owned by the group company Los Eucalyptus, S.A. is the demarcation and conservation of the native forests on the land.
- Improve the productive capacity of the land: we are achieving this by means of the best forestry techniques, the introduction of high-quality material and the implementation of integrated silvopastoral systems.
- Protect the land from erosion processes in areas that are degraded and/or have a high degree of incline: all of the plantations in Uruguay are covered by land conservation projects using silvopastoral systems that include Eucalyptus afforestation, declared to be "Artificial Protective Forests" by the local authorities.
- Produce timber sustainably: as timber is exploited in an orderly manner in terms of time and space, as well as the correct use of new shoots, sustainable production is assured over time.
- Produce timber profitably: this is achieved through the selection of adequate plantations, use of suitable cultural practices and seeding of high-quality materials.
- Increase complementary livestock production by improving pastures and assuring adequate planting patterns: we achieve this by implementing silvopastoral systems.
- Produce timber for energy generation with waste not suitable for industrial uses: in Uruguay, timber is habitually used as an energy source and is thus a good application for the wood that is not suitable for our business.
- Assure appropriate genetic biodiversity: we employ Eucalyptus globulus clones and seeds selected from diverse sources to increase the variability of our forests.





## FSC® FORESTRY MANAGEMENT CERTIFICATION

Forestry certification is one of the main tools available to guarantee the promotion and development of sustainable management systems. The main objectives of the certification process are to encourage woodland conservation, improve forestry management and facilitate market access for forestry products.

The Forest Stewardship Council (FSC®), an international organisation with widely recognised certification processes and product labels, is one of the most prestigious forestry certification systems <sup>(6)</sup>.

Our Group's forestry activities ob-

serve these internationally recognised standards. Since July 2008, forest assets managed in Uruguay have been certified under the FSC®'s GFA-FM/COC-002528 Forestry Management Certificate.

In 2014, the international organisation validated and approved the local Argentinian regulations, specifically the Argentinian forestry certification system CERFOAR, which will allow plantations certified under these regulations to acquire the international certificate. The Group's Argentinian companies are undergoing this certification process.

Finally, in Spain, our forest assets have had FSC® Sustainable Forestry Management certification under code GFA FM/COC-002538 since 2013.

**100%**  
of the Iberpapel Group's forest assets in Spain and Uruguay are FSC® Sustainable Forestry Management certified.

© FSC® is an independent, non-governmental, non-profit organisation whose goal is to promote economically viable, socially beneficial and environmentally appropriate forestry management for woodlands worldwide. Certification is valid for five years, but comprehensive reviews of management systems and their results on the ground are carried out annually.

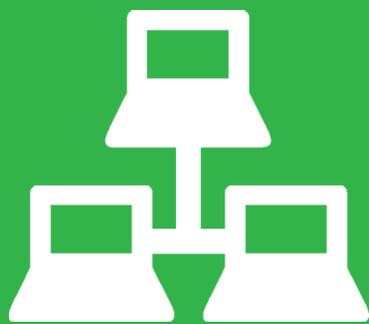


The image shows an industrial site under a blue sky with light clouds. In the foreground, a white Scania truck with a trailer is parked on a paved area. To the right, there are large stacks of cut logs. In the background, there are industrial buildings with large pipes and a green excavator. The text 'Our CORPORATE GOVERNANCE' is overlaid in large white letters on the left side of the image.

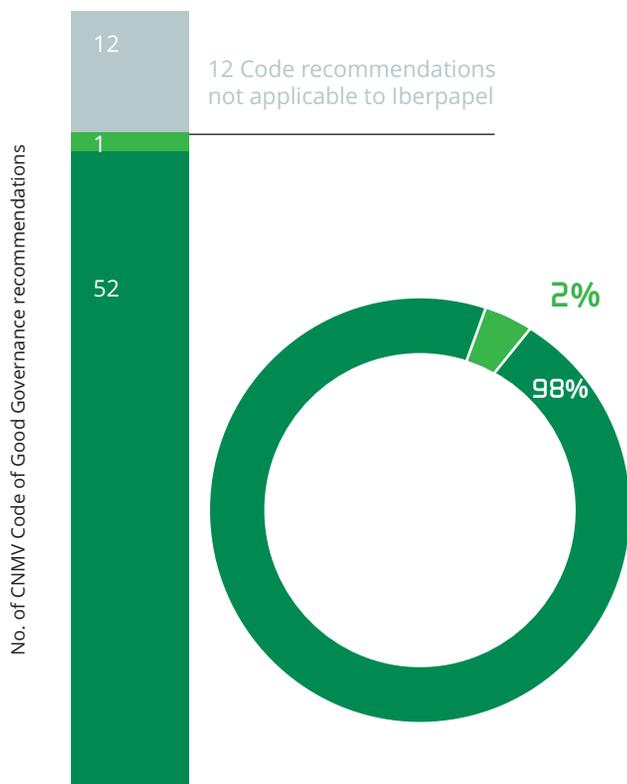
# Our CORPORATE GOVERNANCE



# 6



## 6.1 Corporate Governance at Iberpapel



### INTRODUCTION

The Iberpapel Group has made a commitment to apply the highest standards of business ethics and the best practices in corporate governance. A tangible reflection of this commitment is our almost complete fulfilment (over 98%) of the Unified Code of Good Governance recommendations applicable to the Group.

Indeed, in 2017 the only recommendation that the Iberpapel Group did not follow was Recommendation No. 7: "The Company should broadcast the General Shareholders' Meeting live on its website".

The Company does not consider the live broadcast of the 2017 Annual General Meeting on its website to be suitable, for organisational reasons and in view of the high level of shareholder attendance at the meetings held, whether in person or through representatives (84.51% in 2016 and 79.55% in 2017)

Further information on the CNMV's Code of Good Governance is available through this link: [https://www.cnmv.es/DocPortal/Publicaciones/CodigoGov/Codigo\\_buen\\_gobierno.pdf](https://www.cnmv.es/DocPortal/Publicaciones/CodigoGov/Codigo_buen_gobierno.pdf).

The Iberpapel Group oversees compliance with good corporate governance recommendations and best practices, which entails the continuous review and update of related regulations and procedures.

### MAIN CORPORATE GOVERNANCE ACHIEVEMENTS IN 2017

- **Approval of a Whistleblower Hotline Use Policy**

In line with this culture of ethics and compliance in place at Iberpapel, our personnel are allowed to report potential risks and infringements of applicable legislation and internal policies.

- **Approval of the Board director selection and Board diversity policy**

Following corporate governance best practices, in December 2017 the Board of Directors approved a policy designed to assure that director appointment or re-appointment proposals favour the diversity of gender, experience, knowledge and competencies and, in general, include no implicit bias that could entail discrimination of any kind; in particular, the selection of women Board directors is encouraged.

- **Creation of the Corporate Social Responsibility Committee**

This committee was formed in 2017, reporting directly to the Board, to manage non-financial aspects related to the Group's activities. Its remit will include the periodic review of the CSR Policy, promotion of the corporate governance strategy and evaluation of CSR plans (assessing degree of fulfilment), among other responsibilities.

- **Review and update of the Criminal Risk Prevention Model**

The review and update of the Criminal Risk Prevention Model was completed last year in response to the latest reform of the Criminal Code.



## 6.2 Main aspects of our Corporate Governance

> [102-18]

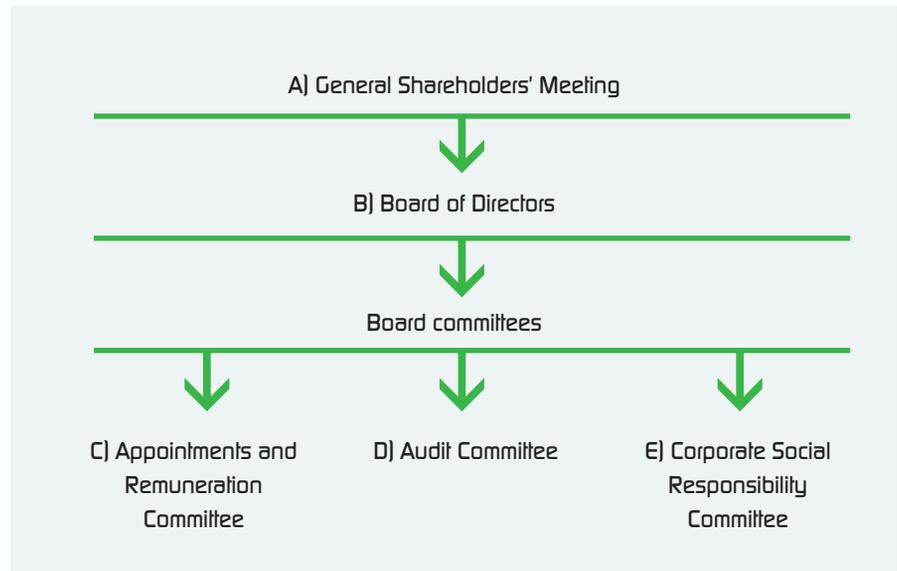
### GOVERNING BODIES

Iberpapel has two main governing bodies: the General Shareholders' Meeting and the Board of Directors, which in turn has formed three governance committees:

Appointments and Remuneration Committee, Audit Committee and Corporate Social Responsibility Committee. The functions of these bodies reflect the provisions of Spanish legislation and the CNMV's rules and recommendations.

The following pages provide further details on the Board of Directors, the Appointments and Remuneration Committee, the Audit Committee and the Corporate Social Responsibility Committee.

### Governing bodies:



### A) GENERAL SHAREHOLDERS' MEETING

Pursuant to Spanish legislation and the Company's Bylaws, the General Shareholders' Meeting's main functions relate to the adoption of the following resolutions:

- Appointment and removal of the Board directors, liquidators and, if applicable, auditors, as well as actions for liability against any of them.
- Approval, if applicable, of the annual accounts, distribution of results and management of the Company's affairs.
- Issuance of debentures and capital increases and reductions, delegating to the Board of Directors, if appropriate and within the legally stipulated periods, the power to set the execution date(s); the Board may use all or part of such powers, or even refrain from execution based on market circumstances, the Company's own situation or any fact or event of particular relevance that justifies such a decision, at the Board's discretion. In this case, the decision will be explained to the first General Meeting held following the end of the execution period. The power to increase share capital in the terms stipulated by Law may also be delegated to the Board of Directors.
- Amendment of the Company's Bylaws and confirmation or

rectification of the interpretation afforded to the Bylaws by the Board of Directors.

- Dissolution, transformation, merger, spin-off and assignment of all the Company's assets and liabilities; transfer of the Company's registered office abroad.
- Approval of the final liquidation balance sheet.
- Approval of Specific General Meeting Regulations and subsequent amendments.
- Decisions on any matter submitted to it by the Board of Directors, in the event of relevant circumstances or events affecting the Company, its shareholders or its governing bodies and, in any case, in the event of a takeover bid on shares issued by the Company, where the Board of Directors' report is not favourable.
- Granting of powers to the Board of Directors for unforeseen cases, as deemed fit.
- Approval of the acquisition, disposal or contribution to another company of critical assets. An asset is presumed to be essential when the amount of the transaction exceeds twenty-five percent of the value of the assets reflected in the latest balance sheet approved.
- Approval of the transfer to subsidiaries of essential activities

performed up to that time by the Company, even though the Company retains full ownership. Activities are presumed to be essential when the volume exceeds twenty-five percent of the total assets reflected in the balance sheet.

- Approval of transactions the effect of which is equivalent to the liquidation of the Company.
- Approval of the directors' remuneration policy as stipulated by Law.

### B) BOARD OF DIRECTORS

The approval in a plenary meeting of the Group's general policies and strategies is reserved for the Board, in particular:

- Supervision of the effective functioning of the committees created and the activities of any designated delegate bodies and executives.
- Determination of the Company's general policies and strategies.
- Its own organisation and functioning.
- Issuance and submission to the General Meeting of the annual accounts.
- Appointment and removal of CEOs and stipulation of their contractual terms.
- Decisions relating to directors'



remuneration, within the framework stipulated in the Bylaws and, if applicable, the remuneration policy approved by the General Meeting.

- Calling of the General Shareholders' Meeting and preparation of the agenda and resolution proposals.
- Treasury share policy.
- Approval of the strategic or business plan, management objectives and annual budgets, investment and financing policy, corporate social responsibility policy and dividend policy, the treasury share portfolio and particularly applicable limits.

- Determination of the risk control and management policy, including tax matters, and supervision of internal information and control systems.
- Determination of the corporate governance policy of the Company and the group parented by the Company, its organisation and functioning and, in particular, the approval of its own regulations.
- Definition of the Company's tax strategy.

As stipulated in the Bylaws, the Board of Directors has between three and nine members designated by the

General Meeting for a maximum term of four years; they may be re-appointed one or more times for the same maximum period.

## COMPOSITION OF THE BOARD OF DIRECTORS IN 2017

Name	Director category	Position in the Company	Date first appointed	Date last appointed	Membership of committees
Mr. Iñigo Echevarría Canales	Executive directors	Chairman of the Board	21.07.1997	25.04.2013	
Mr. Néstor Basterra Larroude	Independent external directors"	Board director	21.10.1997	25.04.2013	<ul style="list-style-type: none"> <li>• Appointments and Remuneration Committee</li> <li>• Audit Committee</li> </ul>
Mr. Iñaki Usandizaga Aranzadi	Nominee Directors*	Board director	21.10.1997	25.04.2013	<ul style="list-style-type: none"> <li>• Audit Committee</li> </ul>
Mr. Jesús Alberdi Areizaga	Independent external directors	Board director	22.05.2014	22.05.2014	<ul style="list-style-type: none"> <li>• Corporate Social Responsibility Committee</li> </ul>
Mr. Martín González del Valle Chavarri	Independent external directors	Board director	22.02.2005	25.06.2015	<ul style="list-style-type: none"> <li>• Appointments and Remuneration Committee</li> <li>• Corporate Social Responsibility Committee</li> </ul>
Mr. Gabriel Sansine-nea Urbistondo	Independent external directors	Board director	24.06.2010	24.04.2016	<ul style="list-style-type: none"> <li>• Corporate Social Responsibility Committee</li> </ul>
Ms. María Luisa Guibert Ucin	Independent external directors	Board director	24.06.2010	24.04.2016	<ul style="list-style-type: none"> <li>• Appointments and Remuneration Committee</li> </ul>
Mr. Iñaki Martínez Peñalba	Independent external directors	Board director	22.09.2011	21.06.2012	<ul style="list-style-type: none"> <li>• Audit Committee</li> </ul>

Note: Further information on each director's CV may be found on our website [www.iberpapel.es](http://www.iberpapel.es) or in the *Iberpapel Group's 2017 Annual Corporate Governance Report*.

\* The Board evaluated both his personal interest and his family group interest in the share capital, as well as their legal knowledge.

The Non-Voting Secretary to the Board is Mr. Joaquín Manso Ramón. In 2017, the Board of Directors held 10 meetings, all attended by the Chairman.



## C) APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee is the body that assists the Board in the relevant matters. Its main functions are as follows:

- Evaluate and propose to the Board of Directors the evaluation of the necessary competencies, knowledge, diversity and experience of the members of the Board of Directors and key Company personnel.
- Propose to the Board of Directors the appointment of independent directors for designation by co-optation or for submission to the General Shareholders' Meeting, as well as proposals for the re-appointment or removal of such directors by the General Meeting.
- Report the proposed appointments of other directors to be appointed by co-optation or by submission to the General Meeting, as well as proposals for the re-appointment or removal of such directors by the General Meeting.
- Report to the Board on gender diversity matters, ensuring that member selection procedures favour the diversity of experience and knowledge and facilitate the selection of female members; establish a representation target for the gender that is less represented on the Board of Directors and prepare guidelines to achieve that target.
- Monitor and control the proper functioning of the corporate governance system in the Company, making improvement proposals as deemed necessary.
- Oversee the independent directors' independence.
- Propose the Annual Corporate Governance Report to the Board.
- Supervise the Company's actions in relation to corporate social responsibility and submit related proposals to the Board of Directors as appropriate.
- Prepare decisions relating to remuneration; in particular, report and propose to the Board of Directors on the remuneration policy, the system and amount of annual remuneration for Board directors and senior managers, and the individual remuneration of the executive directors and senior managers, as well as other terms and conditions of their contracts, particularly economic terms. For the purpose of these Bylaws, senior managers are understood to be the general managers or those that carry out

senior management functions reporting directly to the Board, Executive Committees or the CEO and, in any event, the Company's internal auditor.

- Propose to the Board the approval of reports or remuneration policies that it is required to submit to the General Meeting and inform the Board of proposals related to remuneration that it intends to propose to the General Meeting, as the case may be.

The Appointments and Remuneration Committee is formed by a minimum of three and a maximum of five non-executive directors and a majority must be independent directors.

### Committee members

Name: Mr. Martín María González del Valle Chavarrí

Office: Chairman

Category: Independent

Name: Mr. Néstor Basterra Larroude

Office: Director

Category: Independent

Name: Ms. María Luisa Guibert Ucín

Office: Director

Category: Independent

This Committee met five times in 2017 to carry out its main functions, i.e. supervision of the re-appointment of Board directors and definition and oversight of their remuneration. All the meetings were called by the Committee Chairman.

In the Board meeting held on 27 February 2018, the directors agreed to submit to the Annual General Meeting the re-appointment as an independent Board director of Mr. Iñaki Martínez Peñalba for a four-year term, at the proposal of the Appointments and Remuneration Committee.

## D) AUDIT COMMITTEE

Without affecting the other functions attributed to it by the Law or the Bylaws, or any others that may be assigned by the Board of Directors, the Audit Committee has the following minimum basic duties:

- Report matters raised by committee members, within its remit, to the General Meeting.
- Submit to the Board proposals for the selection, appointment, re-appointment and replacement of the external auditor, pursuant to applicable legislation; define the auditor's terms of engagement and

obtain regular information from the auditor on the audit plan and execution, while assuring independence in the performance of the committee's functions.

- Oversee the effectiveness of the Company's internal control, internal audit and risk management systems, including tax aspects, and discuss with the auditor any significant weaknesses identified in the internal control system during the audit. In particular, the committee must:
  - a) Propose the selection, appointment, re-election and resignation of the person responsible for internal audit;
  - b) Approve the annual internal audit work plan for the Internal Control over Financial Reporting (ICFR) system and receive periodic information on audit work findings, and the action plan to correct weaknesses observed;
  - c) Oversee the independence and effectiveness of the internal audit function;
  - d) Propose the budget for that service;
  - e) Receive periodic information on internal audit activities; and
  - f) Check that senior management takes into account reported findings and recommendations.
- Oversee the preparation and presentation of mandatory financial information.
- Become familiar with the internal control systems. In particular, the Audit Committee must oversee:
  1. The suitability of control policies and procedures in place.
  2. The preparation and integrity of financial information on the Company and the Group, ensuring the proper design of the ICFR system, fulfilment of regulatory requirements, adequate definition of the consolidation scope, taking into consideration, among other aspects, the possible existence of complex corporate structures or special-purpose entities, the correct application of accounting policies; and
  3. Review, analyse and comment on the financial statements and other relevant financial information with senior management and internal and external auditors, so as to confirm that the information is reliable, understandable and relevant, and that accounting policies applied are consistent with prior-year policies.
  4. Review internal control and risk



management systems so that the main risks are adequately identified, managed and reported.

5. Act as a communication channel between the Board and the auditor, oversee the findings of each audit and the management team's response to recommendations, and mediate in the event of discrepancies between the auditor and the management team in connection with the principles and policies applied during the preparation of the financial statements. Specifically, the Committee must ensure that the accounts finally issued by the Board are presented to the General Meeting without reservations or qualifications in the audit report.

6. Supervise compliance with the auditor's contract, seeking to ensure that the opinion on the annual accounts and the main content of the audit report are drawn up clearly and accurately.

7. Oversee auditor independence, paying attention to circumstances or matters that could jeopardise independence and any other matters related to the auditing process; receive information and communicate with the auditor as stipulated in audit legislation and technical auditing standards. Specifically, verify the amount of fees paid for all items as a percentage of the audit firm's total revenue, and the period during which the partner responsible for the audit team has been providing the Company with services.

The annual report will contain information on fees paid to the audit firm, including details of fees paid for non-audit professional services. The Committee must also ensure that the Company publicly announces the change of auditor, accompanied by a declaration on the existence and, if applicable, content of discrepancies with the outgoing auditor; in the event that the auditor discontinues the audit services, the circumstances must be examined.

- Establish the relevant relationships with the external auditor in order to receive information on any issues that may jeopardise their independence, for review by the Audit Committee, and any other issues related to the audit, as well as any notifications provided under auditing legislation and technical auditing standards. In any event, the Committee must obtain an annual declaration of

independence from the external auditor with respect to the Company or entities related directly or indirectly to it, as well as information on additional services of any kind provided and the relevant fees received from such entities by the external auditor, or by persons or entities related to the auditor, pursuant to audit legislation.

- Issue annually, prior to the issuance of the audit report on the accounts, a report expressing an opinion on the independence of the auditors. This report will contain, in any event, an assessment of the provision of the additional services referred to in the previous point, addressed individually and as a whole, other than the statutory audit and in connection with the independence regime or with audit regulations.

- Report, previously, to the Board of Directors on all the matters envisaged in the Law, the Bylaws and the Board Regulations, particularly on:

1. The financial information that the Company must publish periodically;
2. The creation or acquisition of interests in special-purpose entities or entities domiciled in countries or territories classed as tax havens; and
3. Transactions with related parties.

- Oversee compliance with the Group's Code of Conduct in capital markets and, in general, with its corporate governance rules.

The Audit Committee is formed by a minimum of two and a maximum of four directors, at least two of whom must be independent directors and one must be appointed on this basis of his/her knowledge and experience in accounting and auditing, or both.

#### Committee members

Name: Mr. Iñaki Martínez Peñalba

Office: Chairman

Category: Independent

Name: Mr. Iñaki Usandizaga Aranzadi

Office: Director

Category: Nominee

Name: Mr. Nestor Basterra Larroude

Office: Director

Category: Independent

In 2017, the Audit Committee was responsible for reporting favourably on the 2017 Annual Accounts and for supervising the effectiveness of the Company's internal control and audit and risk management systems.

The Audit Committee held seven meetings in relation to the 2017 financial year that were regularly

attended by the Chairman of the Company's Board and by the Finance Director (in the case of meetings with the external and internal auditors). Attendance by members of the senior management team ensures that the committee is well informed on the matters falling within its scope.

Full details of the directors' profiles may be found in the following link to Iberpapel's website:

<http://www.iberpapel.es/consejo-de-administracion>.

#### E) CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Corporate Social Responsibility Committee was formed in 2017, mainly to manage non-financial aspects related to the Group's activities.

Pursuant to Article 10.3 of the Board Regulations, the Committee's functions include:

- Periodically review social responsibility policies and propose changes or updates to the Board of Directors.
- Promote the Company's corporate governance strategy.
- Oversee compliance with legal requirements and corporate governance system standards.
- Examine, promote and guide the Company's corporate social responsibility actions and report them to the Board of Directors.
- Evaluate and review the Company's plans for the implementation of social responsibility policies, monitoring the degree of fulfilment.
- Assess the Group's corporate social responsibility status.
- Issue reports and carry out corporate social responsibility and sustainability activities also within the Committee's remit, under the corporate governance framework or requested by the Board of Directors or its Chairperson.
- Analyse voluntary initiatives and documents containing recommendations relating to corporate social responsibility as they arise in the market.

The Committee shall be formed by a minimum of three and a maximum of five Board directors designated by the Board of Directors, who may be executive directors or external directors.

**Committee members**

Name: Mr. Jesús Alberdi Areizaga

Office: Chairman

Category: Independent

Name: Mr. Martín González del Valle Chavarri

Office: Director

Category: Independent

Name: Mr. Gabriel Sansinenea Urbistondo

Office: Director

Category: Independent

**OTHER RELEVANT CORPORATE GOVERNANCE MATTERS****Remuneration scheme**

The Board of Directors, in its meeting of 27 February 2018, approved the Annual Report on Directors' Remuneration, at the proposal of the Appointments and Remuneration Committee. This report was made available to shareholders when the Annual General Meeting was called and will be put to a vote by shareholders on a consultative basis. The report may be consulted in the following link:

[http://www.iberpapel.es/archivos/accionista\\_e\\_inversores/gobierno\\_corporativo/consejo\\_administracion\\_comisiones/informe-anual-remuneraciones-2017.pdf](http://www.iberpapel.es/archivos/accionista_e_inversores/gobierno_corporativo/consejo_administracion_comisiones/informe-anual-remuneraciones-2017.pdf).

The Board of Directors' current structure and the remuneration system defined in the Bylaws (which is described at the start of this section) conform to the content of Recommendations 13, 57, 58 and 59 of the 2015 Unified Code of Good Governance in listed companies.

In the meeting of 27 February 2018, the Board of Directors agreed to propose to the Annual General Meeting the approval of the remuneration policy for 2018, 2019 and 2020, following a favourable report from the Appointments and Remuneration Committee.

The remuneration policy proposed to replace the current policy was approved by the General Shareholders' Meeting held on 25 June 2015 and expires at the end of the current financial year. In order to approve the remuneration policy, the Company availed itself of the Transitional Provision of Law 31/2014 authorising listed companies to approve the annual report on remuneration on a consultative basis during 2015, so as to extend the period for adapting to the new legal requirements.

The Annual Report on Remuneration approved in 2015 therefore represented the Company's remuneration policy for 2016, 2017 and 2018. The previous policy will be replaced and rendered void by this remuneration policy, once it is approved by the General Shareholders' Meeting.

The directors' remuneration policy includes the same clear items and simple remuneration system as the previous policy, plus the following new developments:

(i) In a meeting on 21 September 2017, as part of Iberpapel's ongoing exercise in transparency and communication with shareholders and the markets, the Board of Directors resolved to include the Corporate Social Responsibility Committee among the Board committees, as an internal informative and consultative body created by the Board, without executive functions and with powers of information, advice and proposal within its remit.

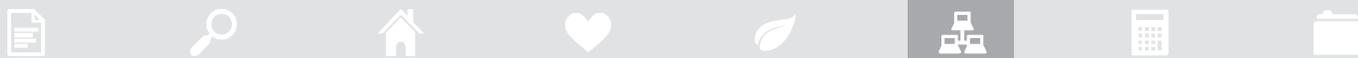
The Board also resolved that the members of the Corporate Social Responsibility Committee will receive remuneration equivalent to the amount received by the members of the Appointments and Remuneration Committee.

(ii) Iberpapel's Board is aware that legislation and official bodies have been increasing the functions and powers of Board committees, and the responsibilities of their members, which entails a greater number of meetings and therefore, for the proper performance of their functions, additional dedication and availability on the part of the members, which must entail bringing their remuneration into line with market standards for listed companies.

(lii) The new remuneration proposed for the office of Board director is the same amount and item as was approved by the General Shareholders' Meeting on 24 April 2013, agreeing to the amendment of Article 22 of the Bylaws, the amount received by each director having been updated to account for the increases applied since 2013, in the amounts stated in Article 22.

**Related-party transactions**

During 2017, the Iberpapel Group did not carry out any transactions with its directors or other related parties, besides those described in the annual accounts.



## 6.3 Ethical framework and regulatory compliance

> [102-16]

The Iberpapel Group has fully integrated ethics, transparency and responsible management into its daily affairs, as reflected in behaviour policies and principles applicable to the Group and to all the entities that come into contact with the Company.

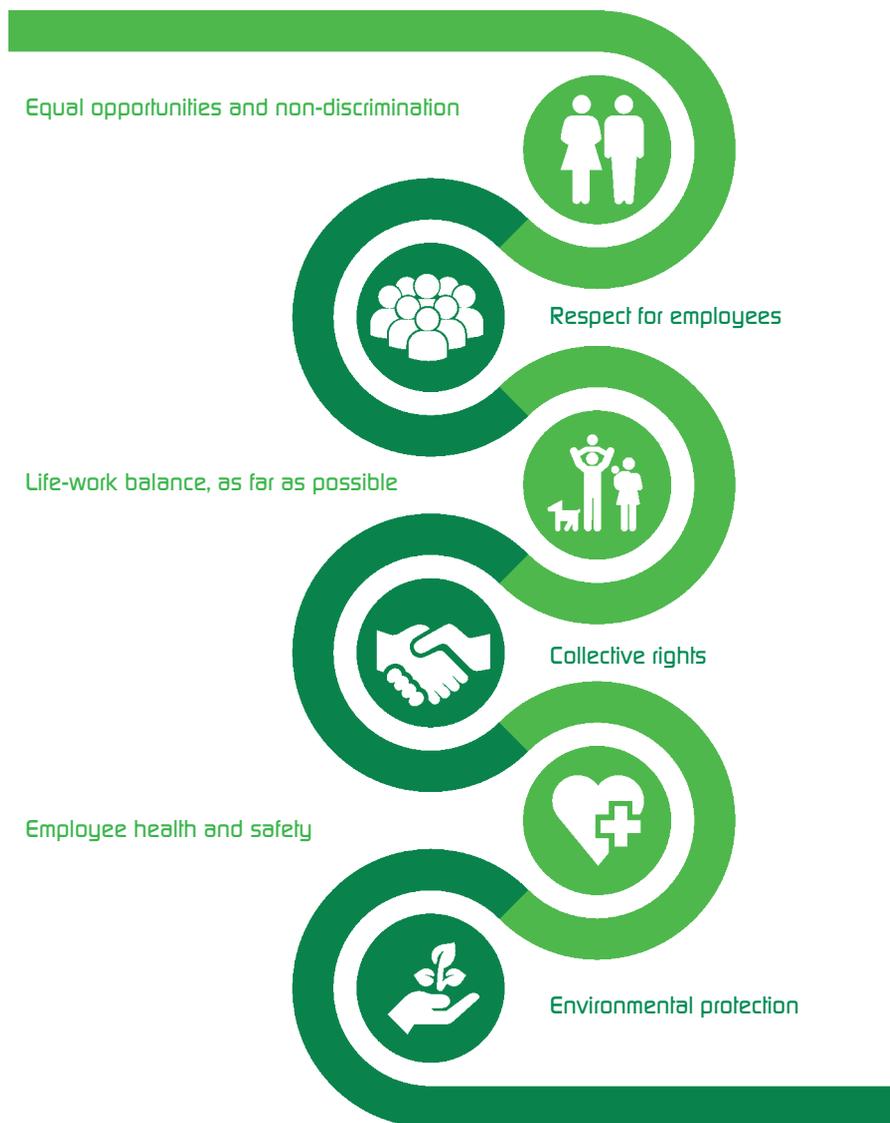
The Board of Directors approved the General Code of Conduct on 22 February 2012. The code lays down general guidelines for conduct that must be observed by all our employees in their daily professional activities, irrespective of their hierarchical level and geographic or functional position. It addresses the Group's commitment to act in accordance with prevailing legislation on various matters including human rights and internationally accepted ethical standards.

The Supervision and Monitoring Unit is responsible for overseeing the fulfilment and application of the General Code of Conduct and reports regularly to Iberpapel Gestión, S.A.'s administrative body on the level of compliance, weaknesses identified and improvement actions proposed.

### IBERPAPEL GROUP'S GENERAL ETHICAL PRINCIPLES

In their activities, all our employees must be guided by ethical values defined in international commitments such as the International Bill of Human Rights, the core conventions of the International Labour Organisation (ILO) and the United Nations Global Compact, which the Group endorses, as well as compliance with applicable legislation.

The Iberpapel Group is fully committed to the following basic principles:





## 6.4 Integrated risk management

### INTRODUCTION

The Iberpapel Group has mechanisms in place to manage all of its own risks, as part of the ordinary management systems, allowing risks to be controlled and identified. It is updated periodically, with the following aims::

- Create a common management culture
- Achieve the objectives stipulated
- Have the capacity to adapt as necessary in order to mitigate threats as they arise in such a competitive environment.

As defined in Article 10.1 of the Board Regulations, the Audit Committee is responsible for overseeing the effectiveness of the Company's internal control, internal audit and risk management systems, including tax-related aspects. The Board of Directors controls and manages risks based on an assessment of the risks overseen by the Audit Committee.

### CONTROL ENVIRONMENT

The Iberpapel Group has continuously developed and promoted an internal control culture and prioritises a control environment within the organisation as the basis for all the other components of internal control, assuring discipline and structure.

Senior management therefore takes direct charge of the most important tasks related to control in the organisation, such as:

- Design and review of the organisational structure
- Definition of lines of responsibility and authority, including the suitable distribution of tasks and functions
- Assurance that there are sufficient procedures to disseminate control processes across the Company.

The policies, management style and organisational structure are designed so that all the activities carried out by the Group's professionals are performed in an integrated manner.

### CONTROL ACTIVITIES

The Iberpapel Group also designs and implements the control activities that must be carried out at each level in order to reduce the risks detected. Depending on the associated risks, control actions designed can span different procedures.

All controls are designed to prevent, detect, mitigate, offset and correct the potential impact of risks on a timely basis. Depending on the type of activity, the following are designed:

- Preventive control guidelines that help to mitigate risk.
- Detective control guidelines to locate risks that arise.
- Manual and/or automatic controls.

These activities and procedures are communicated by senior management to ensure that they are understood by the relevant employees and applied correctly.

### INTERNAL OVERSIGHT PROCEDURE

Iberpapel has developed an internal supervision procedure in line with the standard universal risk model in order to update the risk map, calculate the impact of each risk and implement follow-up and management actions in each of the areas mentioned.

The Company considers an oversight system to be essential to ascertain the level of functioning and operability, in due time and form, of our internal control system, such that it is possible to apply the necessary measures in the event that the various controls designed are not working correctly. Reviews are therefore conducted as often as deemed necessary to keep the system up to date.

### IBERPAPEL GROUP'S 2017 RISK MAP

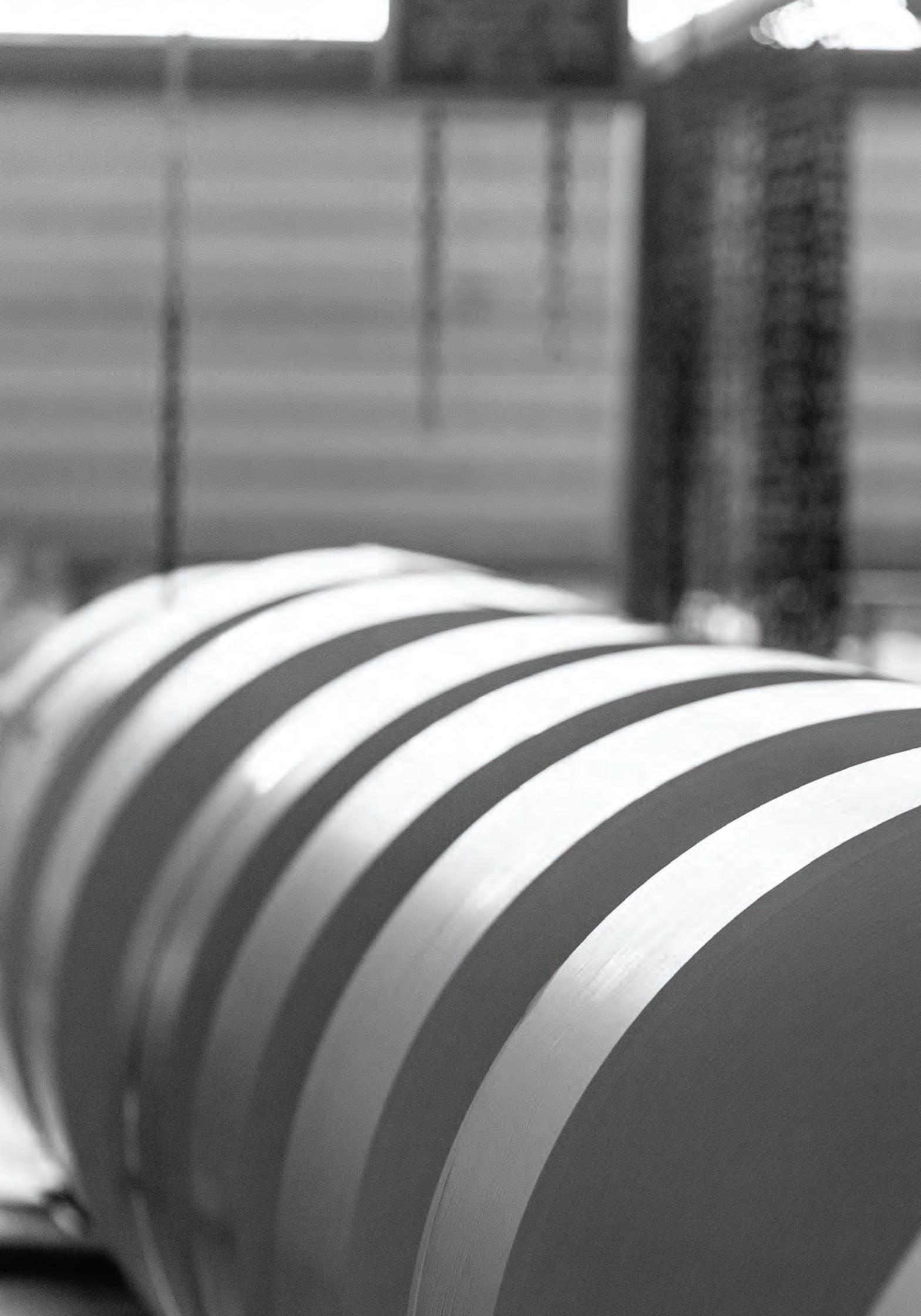
In 2017, in line with previous years, we have put in place the mechanisms necessary to control and manage risks under the universal assessment model that addresses all risk types. Due to its universal and dynamic nature, the system allows the continuous management of the risks affecting the Group so that it can adapt to changes, review objectives and strategies, and update its monitoring and supervision process.

The main contextual, process and decision-taking information risks are identified below, indicating general risks and the main specific risks in each group.



## MOST RELEVANT RISKS TO THE IBERPAPEL GROUP IN 2017

CONTEXTUAL RISKS	RIESGOS GENERALES	RIESGOS ESPECÍFICOS
Contextual risks	Competition	1. "Price war" strategy due to market pressures.
		2. International circumstances causing prices to fall.
	Regulation	3. Tensions in raw material markets.
		4. Relevance of changes to environmental regulations.
		5. Relevance of regulatory amendments for power companies.
		6. Financial solvency of customers in the current economic situation and impact on the sums insured (by insurance companies).
	Financial markets	7. Foreign exchange fluctuations (e.g. US dollar) causing changes to paper industry supply and demand that may be significant.
		8. Tense global financial situation.
Process risks	Environment	9. Implementation of environmental management policies.
	Health and safety	10. Compliance with health and safety regulations at facilities.
	Forestry risk coverage	11. Risk prevention in the forestry business unit (e.g. fires not covered by insurance policies).
	Damage to property	12. Material damage risk coverage due to the centralisation of the Group's production in a single location (Hernani plant).
	Cyberattacks	13. Cyberattacks. Threats to the Group's assets, operations and information related to IT security and the risk of fraud.
Decision-taking information risks	Strategic planning/Investments	14. Relevance of decision-making relating to growth and significant investments in the paper industry (machine-intensive). Given the significance of such strategic investments, the analysis of funding and monitoring of implementation is vital, even foreseeing a negative market scenario when the investment becomes operational.
		15. Total dependence on market evolution to define prices, which complicates the use of a medium- and long-term planning tool.
		16. Regulatory changes (related to the power industry) having a considerable impact on decisions in connection with investments to be made and related recoverability and return.
		17. Reliability of financial information for third parties and for decision-making.

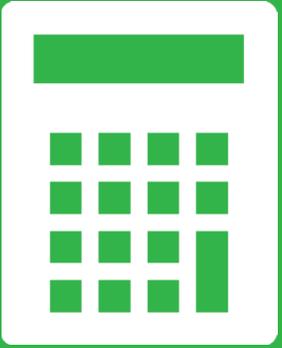


# Fiscal Year 2017





7





## 7.1 Our results

In a stable market environment, with a moderate 1.5% rise in paper prices as compared with 2016, the Iberpapel Group continued along the positive path followed in recent years.

### MANAGEMENT RESULTS

In 2017, Iberpapel improved in all business areas except the Forestry Division. The resulting net profit amounted to €22.91 million (2016: €20.11 million), 13.93% up on 2016.

EBITDA also rose, by 3.67% on the previous year, to reach €36.91 million. Financial highlights are set out below to provide a more detailed analysis of the Group's performance:

### FINANCIAL HIGHLIGHTS

Figures (in millions of euros)	2017	Change 2016	Change 2015	Comments
<b>INCOME*</b> (+ Info: point 7.1.1 of this report)	220.75	8.00%	-1.62%	The Iberpapel Group's income rose significantly (+8.0%) in 2017 compared with 2016.
<b>EXPENSES</b> (+ Info: point 7.1.2 of this report)	183.84	8.91%	-4.79%	Expenses increased in line with the growth in income during the year.
<b>EBITDA</b> (+ Info: point 7.1.3 of this report)	36.91	3.68%	17.10%	The Iberpapel Group's EBITDA rose 3.7% last year and 17.1% since 2015.
<b>NET PROFIT</b> (+ Info: point 7.1.4 of this report)	22.91	13.93%	42.21%	Net profit exceeded €22.9 million, as compared with €20.1 million in 2016 and €16.1 million in 2015.

\* Income: Revenue + other income.

Note: In addition to the four highlights provided above, point 7.1.5 describes other representative items.

### CONSOLIDATED MANAGEMENT RESULTS

In millions of euros	2017	2016	Change 2016-2017	2015
Revenue	217.05	201.89	+7.51%	218.24
Income	3.70	2.51	+47.41%	6.15
<b>Income</b>	<b>220.75</b>	<b>204.40</b>	<b>+8.00%</b>	<b>224.39</b>
Changes in inventories of finished goods and work in progress	-2.52	2.77	-	-10.69
Raw materials and consumables	-84.91	-84.47	+0.52%	-79.32
Staff costs	-20.10	-19.25	+4.42%	-18.78
Other expenses	-76.31	-67.85	+12.47%	-84.08
<b>EBITDA</b>	<b>36.91</b>	<b>35.60</b>	<b>+3.68%</b>	<b>31.52</b>
Depreciation/amortisation	-10.87	-10.62	+2.35%	-9.90
Profit/(loss) on fixed asset disposals	0.47	-	-	-
<b>EBIT</b>	<b>26.51</b>	<b>24.98</b>	<b>+6.12%</b>	<b>21.62</b>
Net financial income/(expense)	-0.58	0.01	-	0.40
<b>Profit before tax</b>	<b>25.93</b>	<b>24.99</b>	<b>+3.76%</b>	<b>22.02</b>
Taxes	-3.02	-4.88	-38.11%	-5.91
<b>NET PROFIT</b>	<b>22.91</b>	<b>20.11</b>	<b>+13.92%</b>	<b>16.11</b>



## 7.1.1 Income

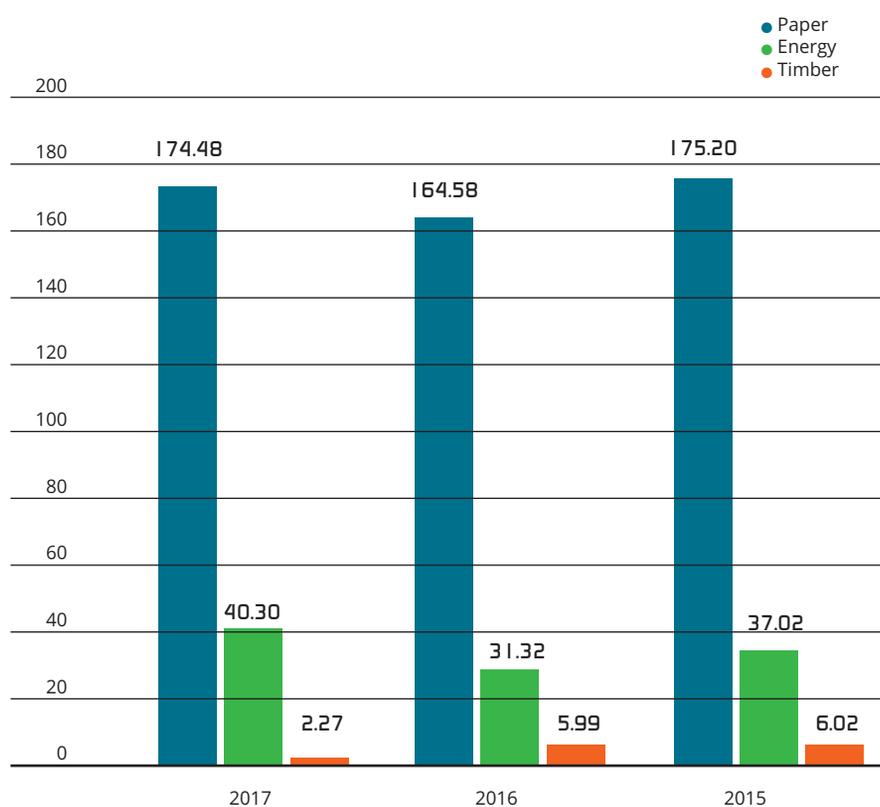
### KEY ASPECTS OF INCOME

- 8% increase in total income in 2017.
- 28.67% growth in electricity sales revenue in the past year.
- Moderate 1.5% increase in the paper selling price.

The Iberpapel Group's most significant revenue items are broken down below:

In millions of euros	2017	2016	Change 2016-2017	2015
Revenue	217.05	201.89	+7.51%	218.24
Paper sales	174.48	164.58	+6.02%	175.20
Electricity sales	40.30	31.32	+28.67%	37.02
Timber sales	2.27	5.99	-62.10%	6.02
Other income	3.70	2.51	+47.41%	6.15
Income (Net amount + Other income)	220.75	204.40	+8.00%	224.39

SALES OF THE MAIN PRODUCTS (million euro)

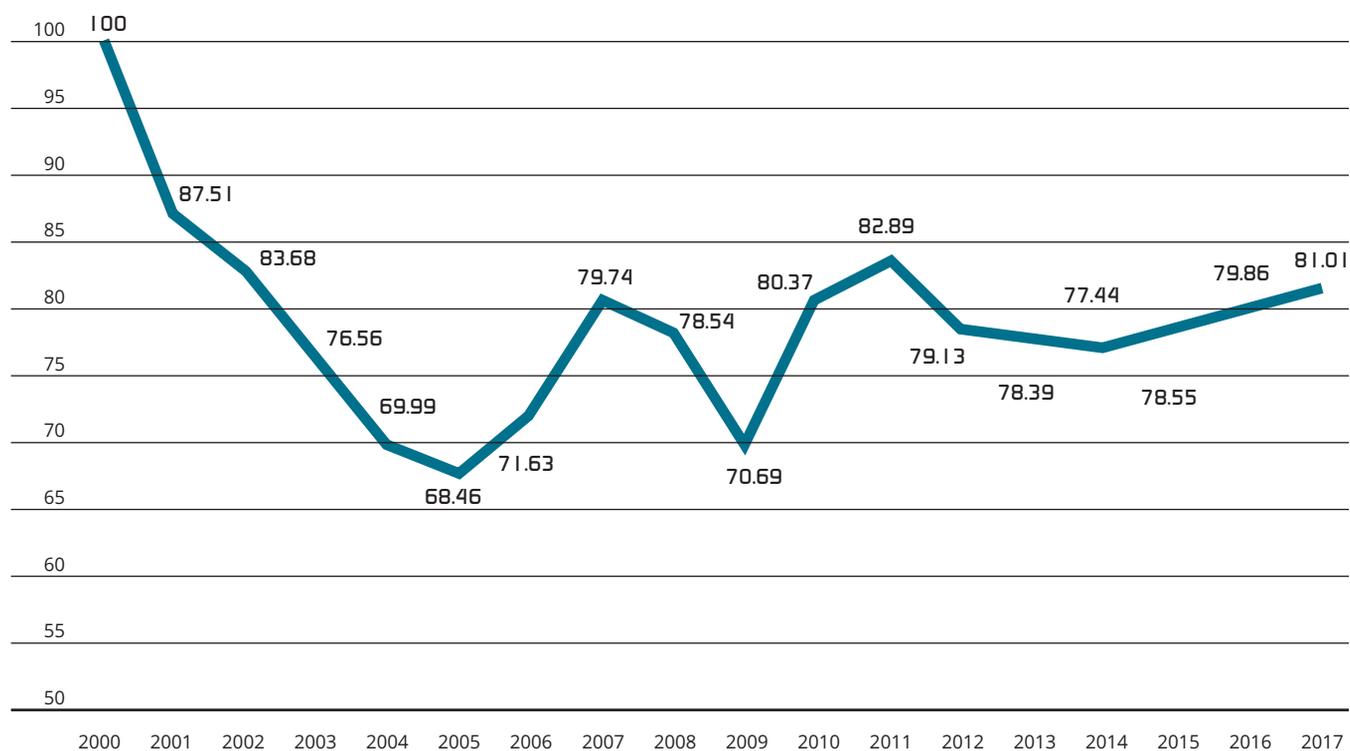


**+6.02%**  
increase in  
paper sales in  
2017





### PAPER PRICE EVOLUTION (BASE 100, FY 2000)



#### PAPER SALES

The 6.02% increase in paper sales is due mainly to the growth in the number of physical units sold and, to a lesser extent, the slight rise in paper selling prices.

#### ELECTRICITY SALES

Revenue growth in this area is explained by the increased efficiency of our gas cogeneration turbine and a rise in the pool price.

#### TIMBER SALES

During 2017, in line with the Group's strategy in this business area, the forestry companies sold Eucalyptus timber in Uruguayan markets in the amount of €2.27 million (2016: €5.99 million). While no tensions are observed in timber prices on the Cantabrian coast, Iberpapel will continue to sell timber in the local markets.

#### OTHER INCOME

In millions of euros	2017	2016	Change 2016-2017	2015
Lease income	0.99	0.78	+26.92%	0.71
Sundry service income	0.82	0.36	+127.78%	0.43
Grants released to income for the year	1.19	1.30	-8.46%	4.78
Other income	0.70	0.07	+900.00%	0.23
<b>Total other income</b>	<b>3.70</b>	<b>2.51</b>	<b>+45.42%</b>	<b>6.15</b>



## 7.1.2 Expenses

### KEY ASPECTS OF EXPENSES

- Expenditure on raw materials and consumables, and staff costs, in line with the previous year.
- Expenditure on utilities (gas and electricity) rose slightly (+16.7% in 2017 vs. 2016).

### OPERATING EXPENSES

#### • Raw materials and consumables

Raw materials and consumables remained in line with the previous year (€84.91 million in 2017 and €84.47 million in 2016).

#### • Accrued wages and salaries

The average headcount in 2017 fell slightly on 2016 to 291, including senior management (296 employees in 2016). The average number of disabled employees remained stable at 12 during 2017 (13 in 2016).

### OTHER EXPENDITURE

The most significant items are explained below:

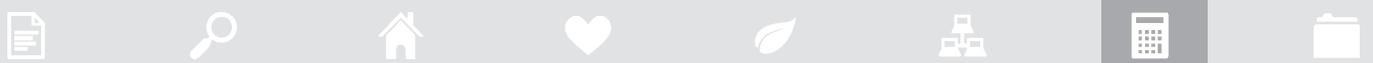
- Utilities (gas and electricity) amounted to €41.27 million (€35.25 million in 2016).
- Other taxes, including tax on electricity, totalled €5.49 million (€4.58 million in 2016).
- CO<sub>2</sub> allowances consumed during the year reached a value of €1.43 million (€1.38 million in 2016).

### IBERPAPEL GROUP'S AVERAGE HEADCOUNT BY PROFESSIONAL CATEGORY

	2017	2016	2015
Board directors	1	1	1
Executives	8	9	9
Technical specialists and administrative staff	76	74	73
Workers and specialistss	206	212	221
<b>TOTAL</b>	<b>291</b>	<b>296</b>	<b>304</b>



For more information about employees, see chapter 4.3 Responsibility to our people in this Annual Report.



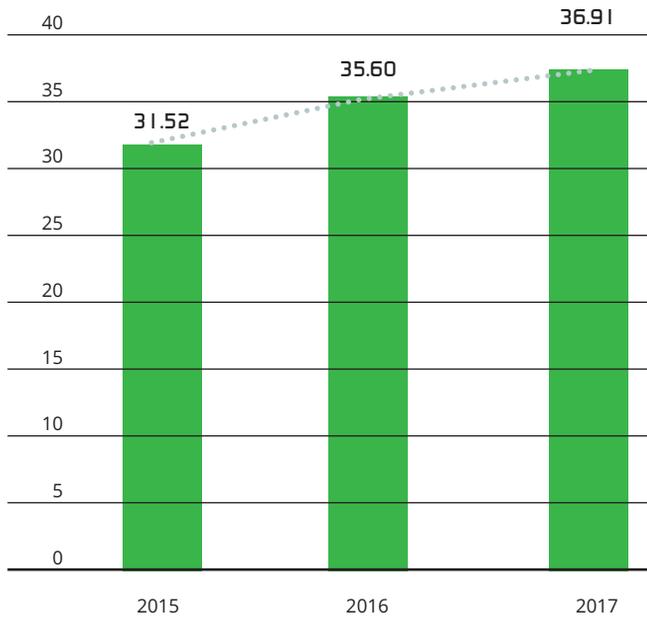
### 7.1.3 EBITDA

#### KEY ASPECTS OF EBITDA

- 3.68% EBITDA growth in the past year to reach €36.91 million.

The Iberpapel Group's EBITDA amounted to €36.91 million (2016: €35.60 million), representing a 3.68% rise.

EBITDA (million euro)



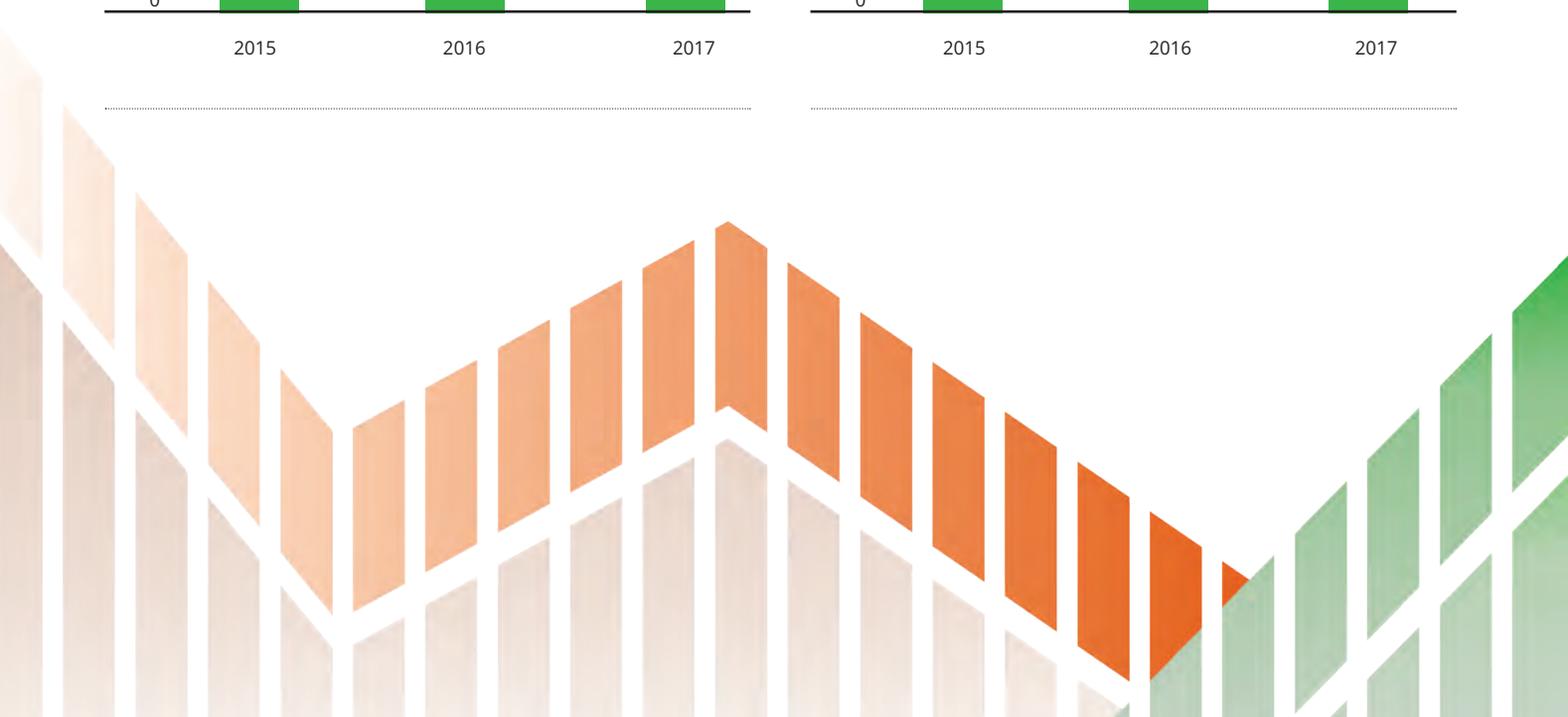
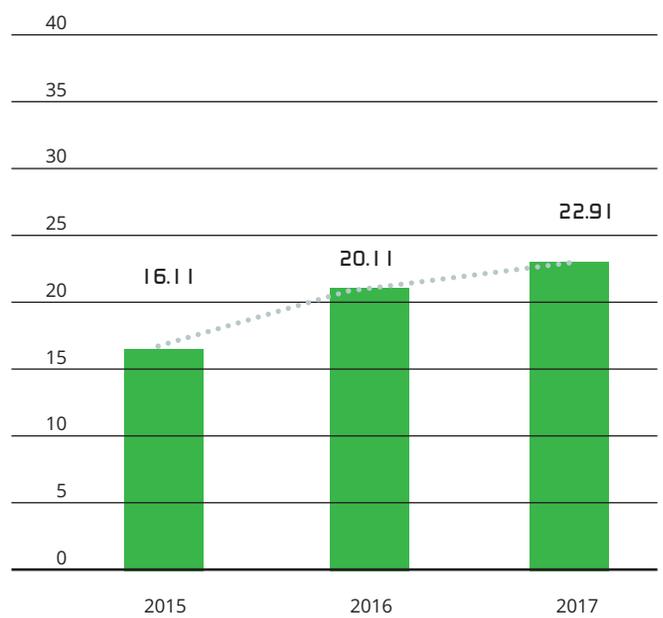
### 7.1.4 Net Profit

#### KEY ASPECTS OF NET PROFIT

- 13.92% net profit growth in the past year to reach €22.91 million.

Our net profit for 2017 amounted to €22.91 million (€20.11 million in 2016), having risen by 13.92%.

NET PROFIT (million euro)





## 7.1.5 Other representative items

### CORPORATE INCOME TAX

The Group's average tax rate in 2017 was 27.87% (25.28% in 2016).

### OTHER MATTERS

#### Treasury shares

In 2017, the Company purchased 99,756 treasury shares on the Continuous Market. A total of €2,894 thousand was paid for the shares. In 2017, 54,731 treasury shares were also sold for €1,536 thousand. At 31 December 2017, the Company held a total of 120,156 treasury shares at an original cost of €2,418 thousand. These shares represent 1.099% of the Company's share capital. They are held as a treasury share portfolio, observing the limits stipulated in Article 509 of the Spanish Companies Act.

On 20 April 2016, the Annual General Meeting granted authorisation to the Board of Directors, for a five-year period, including specific substitution powers, so that the Company itself or its subsidiaries could acquire treasury shares, as stipulated by law, cancelling the authorisation granted by the General Meeting on 22 June 2011.

### Information on capital reductions and increases in the Iberpapel Group in recent years

Further information on this matter may be found on pages 133-135 of the [Iberpapel Group's 2016 Annual Report](#).

### Commitment to our shareholders

Our strategy is to continue with the dividend policy followed to date, whereby around 35% of profits for each year are paid out as dividends.

### Shareholder remuneration in the last year

#### > Remuneration for 2016 (paid in 2017)

In a meeting held on 27 February 2017, the Board of Directors approved an interim dividend of €0.30 per share, payable out of 2016 profits. The General Meeting also approved a gross supplementary dividend of €0.35 per share, bringing gross remuneration to a total of €0.65 per share. The share price at 30 December 2016 was €22.89 and therefore the dividend yield in 2016 was 2.84%.

The dividend yield for the last year stands at

# 2.84%

### Sound financial position

At 31 December 2017, shareholders' funds accounted for 67.02% of total liabilities (82.39% in 2016).

#### > Remuneration for 2017 payable in 2018

On 23 January 2018, the Board of Directors resolved to pay out an interim dividend for 2017 in a fixed, gross amount of €0.30 for each outstanding share carrying dividend rights. The remuneration-related proposals that the Board of Directors will submit to the Annual General Meeting include the following:

- Payment of a supplementary gross dividend of €0.25 per share on 11 May 2018.
- Share capital increase charged to reserves. The new shares issued will be allotted free of charge to the Company's shareholders in the proportion of one (1) new share for every 100 free allotment rights. Each Company share shall carry one (1) free allotment right.

### BALANCE SHEET

In millions of euros	2017	2016	2015
<b>TOTAL ASSETS</b>	<b>353.30</b>	<b>276.06</b>	<b>264.35</b>
Non-current assets	144.80	158.89	158.65
Current assets	208.50	117.17	105.70
<b>TOTAL EQUITY/LIABILITIES</b>	<b>353.30</b>	<b>276.06</b>	<b>264.35</b>
Capital and reserves	236.77	227.45	213.90
Non-current liabilities	78.20	10.09	9.22
Current Liabilities	38.33	38.52	41.23

Note: Data at 31 December each year

### FINANCIAL STRUCTURE



● Own funding  
● Borrowings

Note: Data at 31 December each year



## Net debt

The Iberpapel Group has obtained long-term credit lines and loans totalling €175.00 million (€41.40 million in 2016) to fund the "Hernani Project".

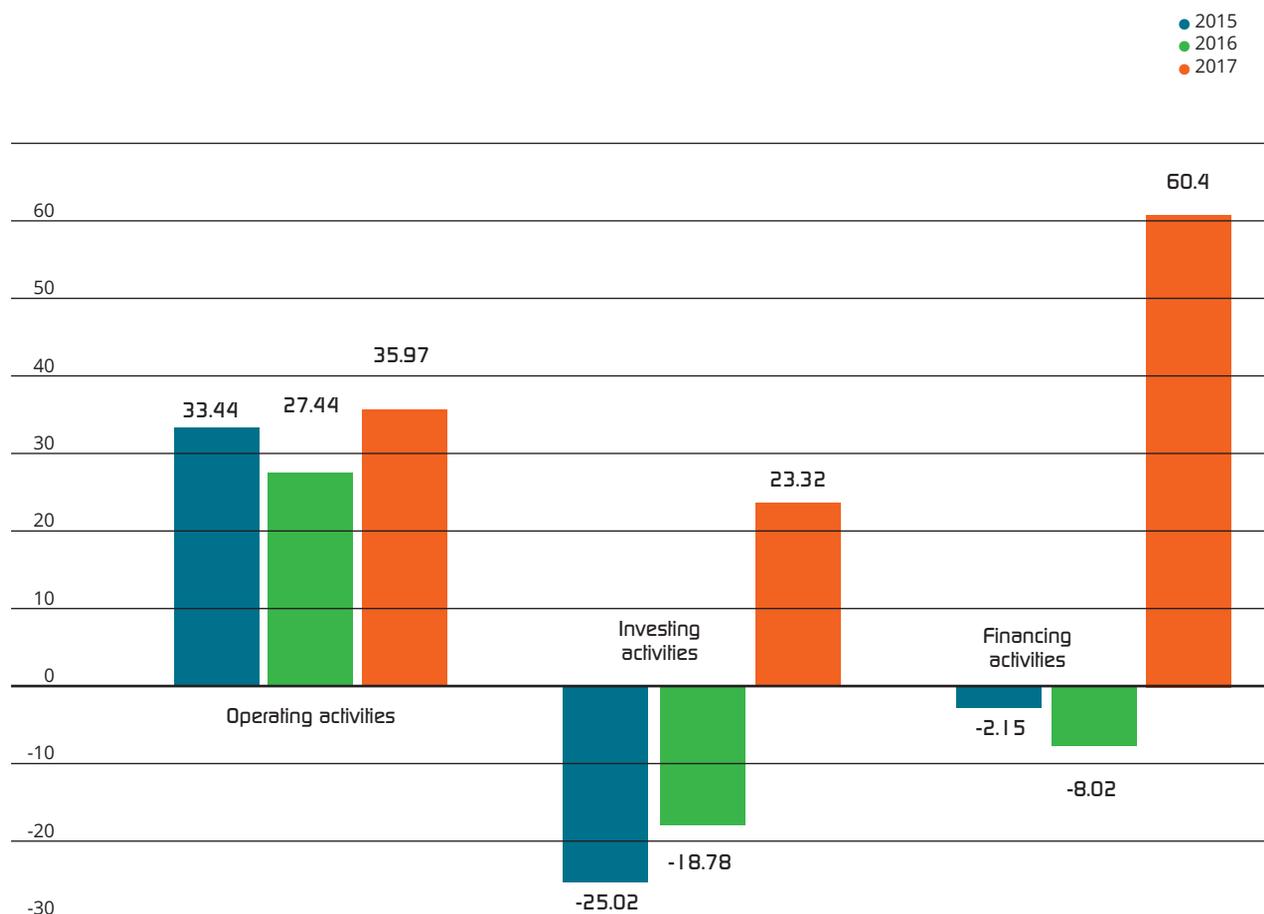
In the 2017 item "Short- and long-term bank borrowings", the amount of €2.09 million relates to discounted bills payable (€2.20 million in 2016).

Iberpapel has cash resources of €79.13 million at 31.12.2017 and €175 million in long-term credit lines and loans.

In millions of euros	2017	2016	2015
<b>NET DEBT</b>	<b>-79.13</b>	<b>-55.13</b>	<b>-45.01</b>
Short- and long-term bank borrowings	74.07	5.28	5.73
(Less: Cash and cash equivalents)	-153.20	-60.41	-50.74
Equity	236.77	227.45	213.90
Leverage ratio	-33.42%	-24.24%	-21.04%

Note: Data at 31 December each year

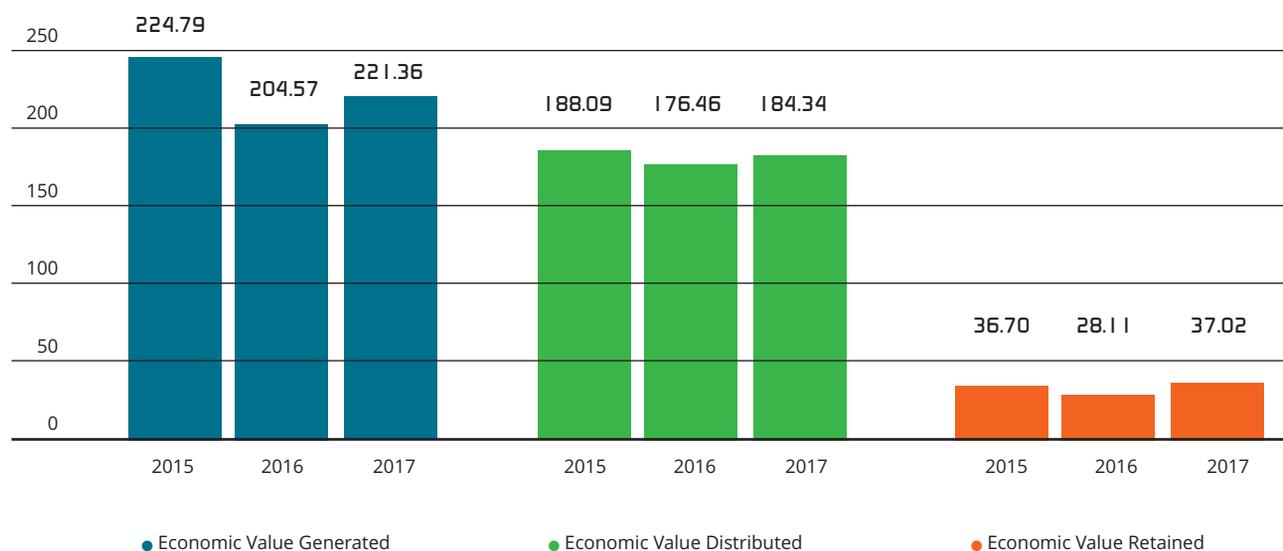
## CASH FLOWS BY ACTIVITY (MILLION EURO)





> [103-2, 103-3, 201-1]

## ECONOMIC VALUE GENERATED, DISTRIBUTED AND RETAINED. IBERPAPEL GROUP 2017 (MILLION EURO)



The Iberpapel Group makes a valuable contribution to society through its activities. Economic value generated, distributed and retained during 2015, 2016 and 2017 is shown in the above chart.

There follows a breakdown of the items included in each case:

### Economic Value Generated (EVG)

- Income (net sales plus income from financial assets and asset sales).

### Economic Value Distributed (EVD)

- Operating costs.
- Salaries and fringe benefits for employees.
- Taxes paid.
- Local community investments.

### Economic Value Retained (EVR)

- Reserves, depreciation and amortisation, etc.

### EVOLUTION OF ECONOMIC VALUE GENERATED (EVG) 2017-2015

In millions of euros	2017	2016	2015
Net sales	217.05	201.89	218.24
Other income	3.70	2.51	6.15
Financial income	0.13	0.17	0.4
Profit/(loss) on disposal of non-current assets	0.48	-	-
<b>ECONOMIC VALUE GENERATED</b>	<b>221.36</b>	<b>204.57</b>	<b>224.79</b>

### EVOLUTION OF ECONOMIC VALUE DISTRIBUTED (EVD) 2017-2015

In millions of euros	2017	2016	2015
Raw materials and consumables	84.91	84.47	79.32
Other expenses	76.31	67.86	84.08
Wages and salaries	20.10	19.25	18.78
Income tax	3.02	4.88	5.91
<b>ECONOMIC VALUE DISTRIBUTED</b>	<b>184.34</b>	<b>176.46</b>	<b>188.09</b>

### EVOLUTION OF ECONOMIC VALUE RETAINED (EVR) 2017-2015

In millions of euros	2017	2016	2015
<b>ECONOMIC VALUE DISTRIBUTED</b>	<b>37.02</b>	<b>28.11</b>	<b>36.70</b>

## 7.2 Stock price performance



### KEY ASPECTS OF THE SHARE PRICE

- In 2017, the Iberpapel Group's stock rose 27.57% as compared with 7.40% in the IBEX-35.

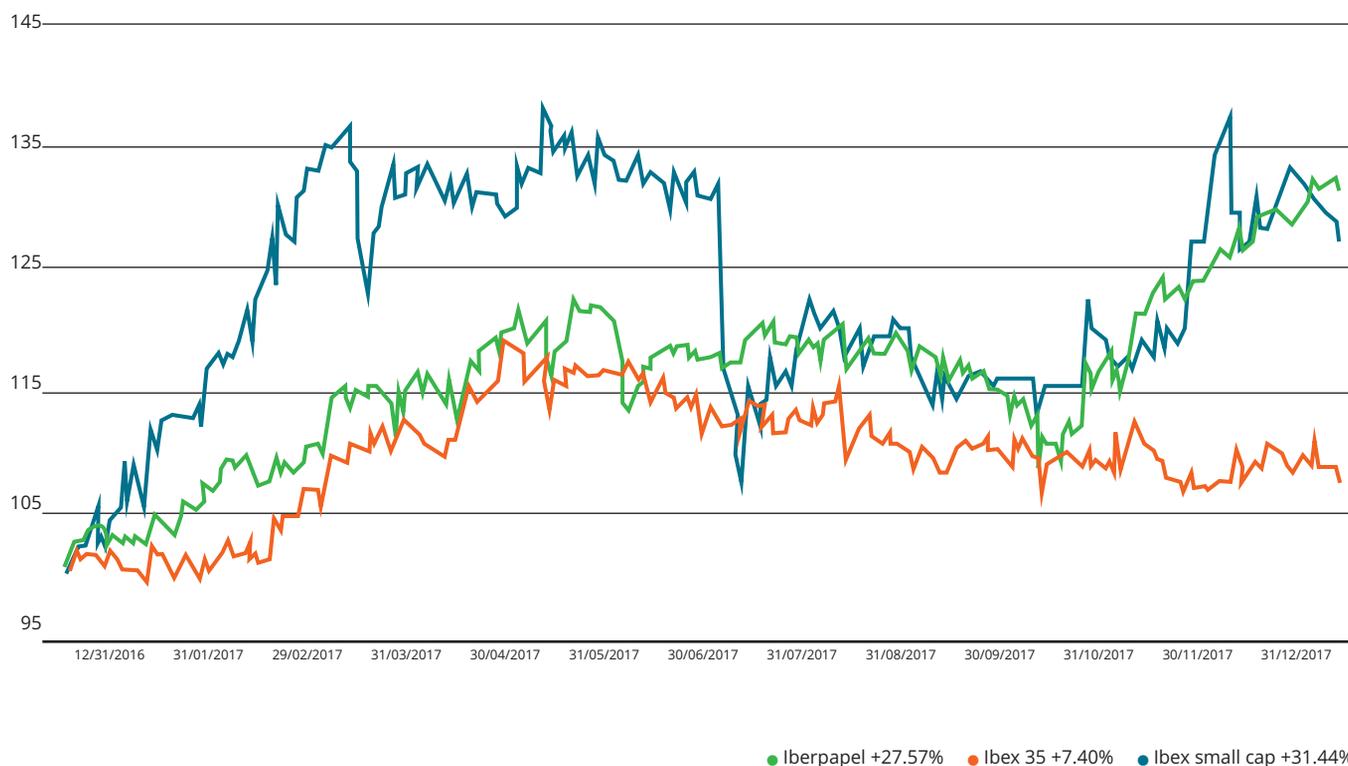
### THE IBERPAPEL GROUP'S STOCK VS. IBEX 35 AND IBEX SMALL CAP

Volatility was historically low in both fixed income and equity markets during 2017. This was supported by positive expectations of worldwide economic

growth in the coming years without significant inflationary pressures on the horizon. In this context, Iberpapel's stock performed very well, ending the

period at €29.20 after having risen 27.57% in 2017, as compared with 7.40% in the IBEX 35 and 31.44% in the Ibex Small Cap.

PERFORMANCE OF IBERPAPEL'S STOCK PRICE AS COMPARED WITH MARKET INDICES (BASE 100 AT 31/12/2016)





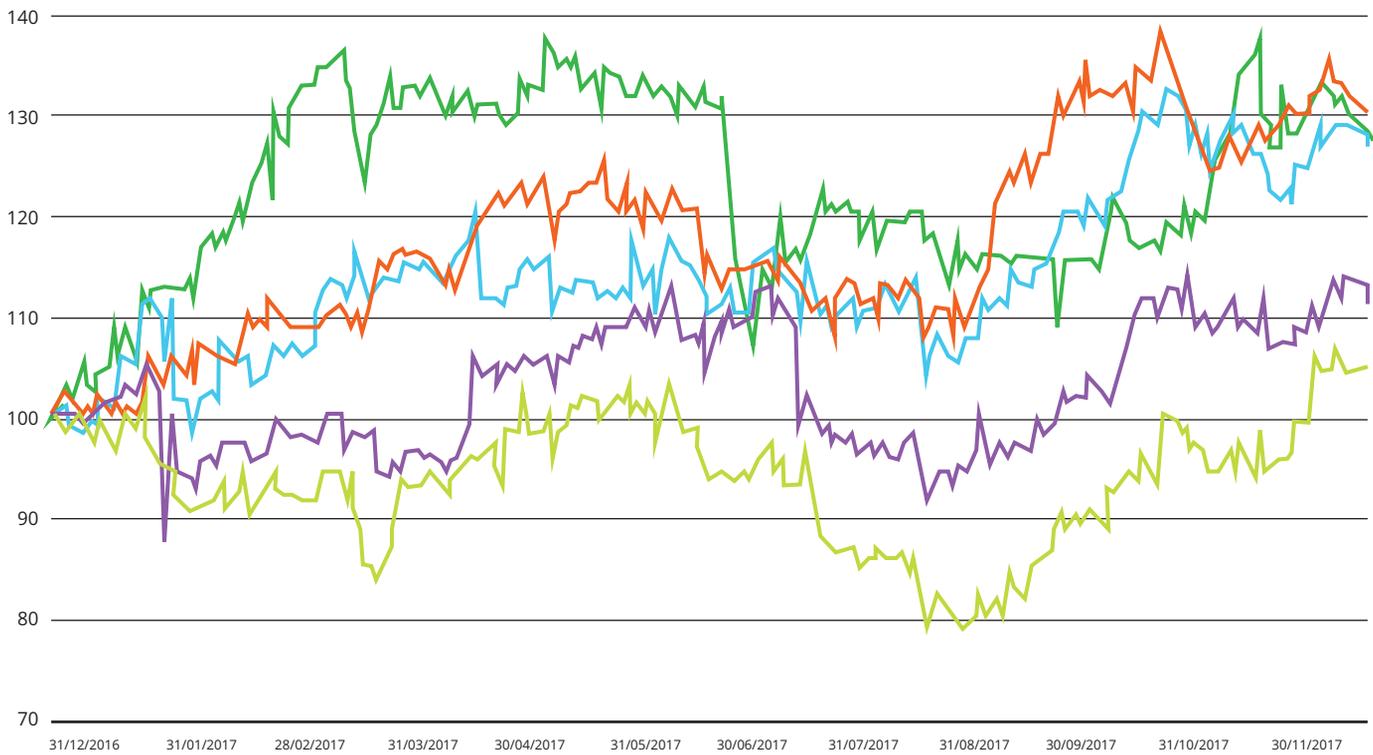
### THE IBERPAPEL GROUP'S STOCK PRICE AS COMPARED WITH THE LEADING EUROPEAN INDUSTRY COMPANIES

Despite the strength shown by the industry in the first half of the year, in the second half the stocks of the main European paper companies were hit

by the return to a complicated price environment. During this period, the Iberpapel Group, The Navigator Company and Stora Enso stood out,

their stocks having risen by 27.57%, 30.23% and 26.31%, respectively, in 2017.

PERFORMANCE OF IBERPAPEL'S STOCK PRICE AS COMPARED WITH OTHER INDUSTRY COMPANIES (BASE 100 AT 31/12/2016)



- Iberpapel Gestión (Madrid) +27.57%
- The Navigator Company (Lisbon) +30.23%
- Metsa (Helsinki) +5.15%
- UPM (Helsinki) +11.01%
- Stora (Stockholm) +26.92%



## SHAREHOLDER AND INVESTOR RELATIONS

The Iberpapel Group has a relationship with its shareholders and investors based on transparency and adequate information channels to assure a permanent flow of information accessible to all.

Our website <http://www.iberpapel.es/> is continuously updated to include all the information necessary on the Company, as well as quarterly and half-yearly results, significant events and any other information of interest.



Our Investor Relations Department is open to all queries. The following communication channels are available:

- Website: [www.iberpapel.es](http://www.iberpapel.es)
- E-mail: [atencion.al.accionista@iberpapel.es](mailto:atencion.al.accionista@iberpapel.es)
- Tel.: +34 91 564 07 20

### SHAREHOLDINGS ABOVE 3% OF CAPITAL (AT 31 DECEMBER 2017)

Shareholder's name or business name	% of total voting rights	No. of indirect voting rights	No. of direct voting rights
ONCHENA, S.L.	882,188	-	8.07
MIQUEL Y COSTAS & MIQUEL, S. A.	-	551,783	5.05
NORGES BANK	545,969	-	4.99
MAGALLANES VALUE INVESTORS, S.A., SGIIC	-	356,963	3.27
SANTANDER ASSET MANAGEMENT S. A. SGIIC	-	327,983	3.00

### MAIN STOCK DATA 2017-2015 (AT 31 DECEMBER 2017)

	2017	2016	2015
Shares admitted to trading (€M)	6.56	6.56	6.75
No. of shares (x1000)	10,930	10,930	11,247
Capitalisation (€M)	319.17	250.20	194.01
Volume traded (thousands of shares)	2,960	1,998	2,796
Amount traded (€M)	83.12	38.37	40.25
Closing price (€)	29.20	22.89	17.25
Maximum price (€)	31.88 (15-May)	22.89 (30-Dec)	17.50 (17-Dec)
Minimum price (€)	22.12 (3-Jan)	15.57 (15-Feb)	12.20 (7-Jan)

# APPENDICES

8





# Appendix I. Regarding this report

> [102-51, 102-52]

## A. Methodology

### SCOPE

Each year, the Iberpapel Group publishes information that is relevant to the Company and its stakeholders on our management results and the initiatives implemented in the areas of Corporate Social Responsibility and Corporate Governance.

This report covers the Iberpapel Group's activities in our three divisions (forestry, industrial and commercial) and in the countries in which we operate (Spain, Argentina and Uruguay), as well as the areas in which we have sales representatives (Europe and Africa), for 2017. The previous report published was the 2016 report.

Any scope limitations on the information reported are disclosed in the pertinent section of the report.

### PREPARATION OF THE ANNUAL REPORT

Since 2011, the Iberpapel Group has prepared its Annual Report observing the requirements of the Global Reporting Initiative (GRI) on the preparation of Sustainability Reports. This year, for the first time, the latest "GRI Standards" on sustainability reporting have been applied.

The Iberpapel Group has reviewed and updated the materiality analysis carried out in the previous year. There follows a list of the main information sources consulted in the Iberpapel Group's materiality analysis:

#### EXTERNAL

- Investor analysis (DJSI and CDP).
- Analysis of CSR standards (GRI and SASB).
- Press analysis.
- Matters considered by industry companies.
- Subjects highlighted by industry and CSR thought leaders.
- Stakeholder consultation.
- Analysis of global and industry megatrends.

#### INTERNAL

- Interviews with the Iberpapel Group's area directors.
- Policies and commitments.
- Iberpapel Group's corporate reports.
- Prior-year materiality analysis.
- Press releases published by the Company.

### STAKEHOLDERS

> [102-42]

We also reviewed the identity of our main stakeholders during the year.

The Company's principal stakeholders are those with which Iberpapel has a direct or indirect relationship, influencing the Group's success and most affected by the organisation. There follows a list of the main stakeholders identified:

- Customers.
- Suppliers.
- Employees.
- Shareholders, investors and the financial community.
- Regulators and associations.
- Society.
- Environment.



## BASIC PRINCIPLES CONSIDERED WHEN PREPARING THIS REPORT

This annual report has been prepared taking into consideration the Global Reporting Initiative (GRI) principles on sustainability reporting, as explained below:

PRINCIPLES OF THE GRI STANDARDS ON THE PREPARATION OF SUSTAINABILITY REPORTS	CORRESPONDENCE WITH THE IBERPAPEL GROUP'S 2017 ANNUAL REPORT
<b>CONTENT PRINCIPLES</b>	
<b>Stakeholder inclusiveness</b>	Thanks to the Iberpapel Group's ongoing dialogue with stakeholders (see Chapter 4. Our social responsibility), we are able to identify their main interests and concerns and we strive to listen and respond in a personalised way. This dialogue also allows the Iberpapel Group to discover matters that our stakeholders consider to be relevant for inclusion in this report.
<b>Sustainability context</b>	The Group is committed to sustainable development, as reflected in our strategy and activities, managing natural resources sustainably and responsibly, and continuously seeking to generate value (economic, employment, development, etc.) for all our stakeholders.
<b>Materiality</b>	Iberpapel has analysed materiality to identify the most relevant social, environmental, economic, ethical and good governance issues for both the Company and its main stakeholders.
<b>Completeness</b>	Throughout the Annual Report, the main stakeholders related to each material aspect are indicated, stating where the main impact occurs (outside or inside the organisation, or both).
<b>QUALITY PRINCIPLES</b>	
<b>Accuracy</b>	The information contained in this report is accurate in qualitative and quantitative terms so the main stakeholders have the capacity to assess the organisation's performance.
<b>Balance</b>	This Annual Report includes positive and negative aspects of Iberpapel's performance so as to provide a full view of the Company.
<b>Clarity</b>	The information is presented clearly so the main stakeholders can obtain a reasonable understanding of the Company and its activities.
<b>Comparability</b>	The Iberpapel Group has presented the information in such a way that the main stakeholders can analyse the evolution of the organisation's results and compare it with the performance of other organisations.
<b>Reliability</b>	The Company has prepared an annual report for a number of years and has solid information collection and review processes which we seek to improve and optimise each year.
<b>Timeliness</b>	The Group presents its Annual Report each year so that the main stakeholders can gain greater insight into the Company's performance and milestones for the reporting period.

This Annual Report also follows the three foundation principles of Standard AA 1000 APS (2008).

- **Inclusivity:** Iberpapel has a stakeholder engagement process that allows their involvement in the development of a responsible approach to sustainability management.

- **Materiality:** The Group has a process in place to determine materiality, which requires an understanding of the matters that are material or relevant to the Company and its stakeholders.

- **Responsiveness:** Iberpapel responds through specific actions and commitments to the material matters identified by the Company in its materiality analysis.



## B. Identification of relevant matters to be addressed in the 2017 Annual Report

> [102-44, 102-46, 102-47]

### RELEVANT MATTERS

The Iberpapel Group's 2017 Annual Report has been prepared observing the materiality principle so as to report on the economic, social and environmental matters that are relevant to the organisation and affect its stakeholders' assessments and decisions.

With this in mind, we have revised our materiality analysis in association with an independent external firm specialised in this field so as to accurately identify and update the most relevant issues relating to our Group's activities.

A number of internal and external consultation processes have been undertaken with our main stakeholders, as well as with other influential bodies such as industry associations and the media.

As a result, we have included new social, environmental and governance matters that are relevant our Company and its main stakeholders in connection with Corporate Social Responsibility.

We have also revised the prioritisation of the matters identified based on their importance for each stakeholder group and for our Company's strategic approach.

These matters are reflected in the table on the following page.

- 1. Economic performance
- 2. Business strategy
- 3. Information transparency
- 4. Sustainable R&D (products and services)
- 5. Sustainable forest management
- 6. Business risks and opportunities
- 7. Atmospheric emissions
- 8. Climate change and carbon footprint
- 9. Technological innovation (facilities and equipment)
- 10. Energy
- 11. Cogeneration
- 12. Regulatory compliance
- 13. Environmental management systems
- 14. Safety/Occupational risk prevention
- 15. Cleaner, renewable fuels
- 16. Rational use of natural resources
- 17. Active stakeholder dialogue
- 18. Water use and conservation
- 19. Collaboration with stakeholders
- 20. Waste discharge
- 21. Waste management
- 22. Service/product quality
- 23. Supplier selection criteria
- 24. Professional training and development
- 25. Organisational structure
- 26. Diversity, inclusion, integration and equal conditions
- 27. Talent attraction and retention
- 28. Use of hazardous chemical substances in the production process
- 29. Local development
- 30. Environmental awareness-building
- 31. Life/work balance and other fringe benefits
- 32. Working conditions and human rights
- 33. Codes of conduct
- 34. Biodiversity
- 35. Local job creation (direct, indirect and induced)
- 36. Recycling, waste and products
- 37. Sustainable logistics and transport
- 38. Customer trust and satisfaction\*
- 39. Digitalisation and information security\*

\* *New aspects identified*



> [102-44, 102-46, 102-47]

- Economic and operational dimension
- Environmental dimension
- Social dimension





> [102-46, 102-47, 103-1]

There follows a description of the material aspects identified and their relationship with GRI aspects and associated indicators.

STAKEHOLDERS	IMPACT OF MATERIAL MATTER		MATERIAL ASPECTS	GRI ASPECTS	GRI INDICATOR
	EXTERNAL	INTERNAL			
Customers and Investors	x	x	<b>Information transparency:</b> transparency commitment with stakeholders in the short and long term.	<b>General content:</b> Stakeholder inclusiveness	102-40; 102-41; 102-42; 102-43; 102-44
Investors		x	<b>Business strategy/risks and opportunities:</b> communication of the Company's strategy, risks and opportunities.	<b>General content:</b> Strategy	102-14; 102-15
Investors		x	<b>Economic performance:</b> solvency, robustness and sound economic performance.	<b>Thematic content:</b> Economic performance	103-1; 103-2; 103-3; 201-1; 201-2; 201-3; 201-4
Customers, Investors, Society, Environment	x	x	<b>Technological innovation and sustainable R&amp;D:</b> improvement of facilities, improvement of production processes and search for new products.		
Regulators, Society, Investors	x	x	<b>Regulatory compliance:</b> ongoing legislation supervision and monitoring mechanisms and compliance with applicable laws.	<b>Thematic content:</b> Environmental compliance and socioeconomic compliance	103-1; 103-2; 103-3; 307-1; 419-1
Investors, Customers	x	x	<b>Organisational structure:</b> robust structure, integrated processes and local presence.	<b>General content:</b> Organisation's Profile and Governance	From 102-1 al 102-39
Employees, Customers, Suppliers	x	x	<b>Codes of Conduct:</b> Code of Conduct and Whistleblower Channel.	From 102-1 al 102-39	From 102-1 al 102-39
Customers, Environment, Society	x		<b>Sustainable forest management/ Rational use of resources:</b> sustainability of raw materials (e.g. sustainable forest management, reforestation policies, chains of custody).	<b>Thematic content:</b> Materials	103-1; 103-2; 103-3; 301-1; 301-2; 301-3
Suppliers, Customers	x	x	<b>Supplier selection criteria:</b> timber supplies from certified, innovative and distinctive suppliers.	<b>Thematic content:</b> Environmental assessment of suppliers	103-1; 103-2; 103-3; 308-1; 308-2
Environment, Regulators, Customers, Society	x		<b>Atmospheric emissions/climate change:</b> Clean Development Mechanism (CDM) derived from the Kyoto Protocol and implementation of Best Available Technologies (BAT).	<b>Thematic content:</b> Emissions	103-1; 103-2; 103-3; 305-1; 305-2; 305-3; 305-4; 305-6; 305-7
Environment, Regulators Customers, Society	x		<b>Energy efficiency/climate change/cogeneration/clean fuels:</b> energy efficiency and climate change, cogeneration and biomass energy recovery.	<b>Thematic content:</b> Energy	103-1; 103-2; 103-3; 302-1; 302-2; 302-3; 302-4; 302-5
Environment, Customers, Society	x		<b>Water use and conservation:</b> water management.	<b>Thematic content:</b> Water	103-1; 103-2; 103-3; 303-1; 303-2; 303-3

> [102-46, 102-47, 103-1]

STAKEHOLDERS	IMPACT OF MATERIAL MATTER		MATERIAL ASPECTS	GRI ASPECTS	GRI INDICATOR
	EXTERNAL	INTERNAL			
Environment, Customers, Society	x		<b>Effluent management/Waste management:</b> odour treatment and elimination systems, waste management and water treatment and purification.	<b>Thematic content:</b> Effluents and waste	103-1; 103-2; 103-3; 306-1; 306-2; 306-3; 306-4; 306-5
Environment, Society	x		<b>Biodiversity:</b> initiatives to protect biodiversity.	<b>Thematic content:</b> Biodiversity	103-1; 103-2; 103-3; 304-1; 304-2; 304-3; 304-4
Customers, Suppliers	x		<b>Product quality:</b> product certification.	<b>Thematic content:</b> Marketing and labelling	103-1; 103-2; 103-3; 417-1; 417-2; 417-3
Employees		x	<b>Safety and Occupational risk prevention (ORP):</b> safety and ORP in manufacturing, storage processes, etc.	<b>Thematic content:</b> Health and safety in the workplace	103-1; 103-2; 103-3; 403-1; 403-2; 403-3; 403-4
Society	x		<b>Local development:</b> local development and support for local business fabric.	<b>Thematic content:</b> Local communities	103-1; 103-2; 103-3; 413-1; 413-2
Customers, Investors, Suppliers, Society, Environment, Regulators	x	x	<b>Active dialogue with stakeholders:</b> ongoing dialogue with internal and external stakeholders.	<b>Thematic content:</b> Stakeholder inclusiveness	102-40; 102-41; 102-42; 102-43; 102-44
Employees		x	<b>Talent attraction and retention:</b> workforce.	<b>Thematic content:</b> Employment	103-1; 103-2; 103-3; 401-1; 401-2; 401-3
Employees, Society		x	<b>Diversity, inclusion, integration and equal terms &amp; conditions:</b> equal opportunities for employees and non-discrimination.	<b>Thematic content:</b> Non-discrimination <b>Thematic content:</b> Diversity and equal opportunities	103-1; 103-2; 103-3; 406-1 103-1; 103-2; 103-3; 405-1; 405-2
Employees, Society		x	<b>Life/work balance and other fringe benefits:</b> collective agreement.	<b>Thematic content:</b> Freedom of association and collective bargaining	103-1; 103-2; 103-3; 407-1

## SIGNIFICANT CHANGES

> [102-10]

During the reporting period, there were no significant changes to size, structure and ownership, or to the scope, coverage and valuation methods applied in the report.

In the event of significant changes to any of the above-mentioned matters or the need to include information on joint ventures, subsidiaries, leased facilities, subcontracted activities and other entities that could affect the comparability of reporting periods, this will be indicated in the relevant section.

## Contact details

> [102-53]

Any queries relating to the Iberpapel Group's Annual Report may be addressed to:



• **Investor Relations Department:**

+34 91 564 07 20

[atencion.al.accionista@iberpapel.es](mailto:atencion.al.accionista@iberpapel.es)



# Appendix II. GRI content list

> [102-55]



GRI standard	Indicator and description	Page / Reference	Scope	Review
<b>GRI 101: FOUNDATION 2016</b>				
<b>GRI 102: GENERAL DISCLOSURES 2016</b>				
<b>Organisational profile</b>				
	102-1 Name of the organisation	Iberpapel Gestión S.A.	Group	NO
	102-2 Activities, brands, products and services	24	Group	NO
	102-3 Location of headquarters	Av. Sancho El Sabio, 2 - 1º 20010 San Sebastián. (Spain).	Group	NO
	102-4 Location of operations	24	Group	NO
	102-5 Ownership and legal form	124	Group	NO
	102-6 Markets served	24	Group	NO
	102-7 Scale of the organisation	9	Group	NO
	102-8 Information on employees and other workers	48	Group	NO
	102-9 Supply chain	55	Group	NO
	102-10 Significant changes to the organisation and its supply chain	117	Group	NO
	102-11 Precautionary principle or approach	The Iberpapel applies the precautionary principle in all its activities, working continuously to minimise the impact on the environment.	Group	NO
	102-12 External initiatives	45-47	Group	NO
	102-13 Membership of associations	45-47	Group	NO
<b>Strategy</b>				
	102-14 Statement from senior decision-maker	5	Group	NO
<b>Ethics and integrity</b>				
	102-16 Values, principles, standards and norms of behaviour	94	Group	NO



GRI standard	Indicator and description	Page / Reference	Scope	Review
<b>Governance</b>				
	102-18 Governance structure	89	Group	NO
<b>Stakeholder engagement</b>				
	102-40 List of stakeholder groups	44	Group	NO
	102-41 Collective bargaining agreements	51	Group	NO
	102-42 Identifying and selecting stakeholders	112	Group	NO
	102-43 Approach to stakeholder engagement	45-47	Group	NO
	102-44 Key topics and concerns raised	45-47, 114-115	Group	NO
<b>Reporting practice</b>				
	102-45 Entities included in the consolidated financial statements	2017 Consolidated Annual Accounts. Appendix I Subsidiaries included in the consolidation scope. <a href="http://www.iberpapel.es/archivos/accionista_e_inversores/informacion_economica_financiera/informe_auditorias/Informe-Auditoria-2017.pdf">http://www.iberpapel.es/archivos/accionista_e_inversores/informacion_economica_financiera/informe_auditorias/Informe-Auditoria-2017.pdf</a>	Group	NO
	102-46 Defining report content and topic boundaries	114-117	Group	NO
	102-47 List of material topics	114-117	Group	NO
	102-48 Restatements of information	No information from prior-year reports has been restated this year.	Group	NO
	102-49 Changes in reporting	There have been no changes to the scope or coverage of any indicator with respect to prior years.	Group	NO
	102-50 Reporting period	This Annual Report relates to the Iberpapel Group's 2017 activities.	Group	NO
	102-51 Date of most recent report	112	Group	NO
	102-52 Reporting cycle	112	Group	NO
	102-53 Contact point for questions regarding the report	117	Group	NO
	102-54 Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: essential option.	Group	NO
	102-55 GRI content index	118	Group	NO
	102-56 External assurance	This Annual Report has not been verified by an independent expert.	Group	NO



GRI standard	Indicator and description	Page / Reference	Scope	Review
<b>THEMATIC CONTENT</b>				
<b>Economic performance</b>				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	116-117	Group	NO
	103-2 The management approach and its components	107	Group	NO
	103-3 Evaluation of the management approach	107	Group	NO
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	107	Group	NO
	201-4 Financial assistance received from government	Note 4 to the Iberpapel Group's 2017 Consolidated Annual Accounts	Group	NO
<b>Materials</b>				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	116-117	Group	NO
	103-2 The management approach and its components	76	Group	NO
	103-3 Evaluation of the management approach	76	Group	NO
GRI 303: Materials 2016	301-1 Materials used by weight or volume	76	Group	NO
<b>Energy</b>				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	116-117	Group	NO
	103-2 The management approach and its components	69	Group	NO
	103-3 Evaluation of the management approach	69	Group	NO
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	69	Group	NO
	302-3 Energy intensity	69	Group	NO
<b>Water</b>				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	116-117	Group	NO
	103-2 The management approach and its components	77	Group	NO
	103-3 Evaluation of the management approach	77	Group	NO
GRI 303: Water 2016	303-1 Water withdrawal by source	77	Group	NO
<b>Biodiversity</b>				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	116-117	Group	NO
	103-2 The management approach and its components	26	Group	NO
	103-3 Evaluation of the management approach	26	Group	NO
GRI 304: Biodiversity 2016	304-2 Significant impacts of activities, products, and services on biodiversity	26	Group	NO



GRI standard	Indicator and description	Page / Reference	Scope	Review
<b>Emissions</b>				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	116-117	Group	NO
	103-2 The management approach and its components	79	Group	NO
	103-3 Evaluation of the management approach	79	Group	NO
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	79	Group	NO
	305-5 Reduction of GHG emissions	79	Group	NO
	305-7 Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	79	Group	NO
<b>Effluents and waste</b>				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	116-117	Group	NO
	103-2 The management approach and its components	76	Group	NO
	103-3 Evaluation of the management approach	76	Group	NO
GRI 306: Effluents and waste 2016	306-1 Water discharge by quality and destination	76	Grupo	NO
	306-2 Waste by type and disposal method	76	Group	NO
<b>Environmental compliance</b>				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	116-117	Group	NO
	103-2 The management approach and its components	64	Group	NO
	103-3 Evaluation of the management approach	64	Group	NO
	307-1 Non-compliance with environmental laws and regulations	64	Group	NO
<b>Environmental assessment of suppliers</b>				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	116-117	Group	NO
	103-2 The management approach and its components	58	Group	NO
	103-3 Evaluation of the management approach	58	Group	NO
GRI 308: Environmental assessment of suppliers 2016	308-1 New suppliers that were screened using environmental criteria	58	Group	NO
<b>Employment</b>				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	116-117	Group	NO
	103-2 The management approach and its components	49	Group	NO
	103-3 Evaluation of the management approach	49	Group	NO
GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	49	Group	NO



GRI standard	Indicator and description	Page / Reference	Scope	Review
<b>Occupational health and safety</b>				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	116-117	Group	NO
	103-2 The management approach and its components	49	Group	NO
	103-3 Evaluation of the management approach	52	Group	NO
GRI 403: Occupational Health and safety 2016	403-1 Workers representation in formal joint management-worker health and safety committees	52	Group	NO
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	52	Group	NO
	403-3 Workers with high incidence or high risk of diseases related to their occupation	52	Group	NO
<b>Diversity and equal opportunity</b>				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	116-117	Group	NO
	103-2 The management approach and its components	48	Group	NO
	103-3 Evaluation of the management approach	48	Group	NO
	405-2 Ratio of basic salary and remuneration of women to men	At the Iberpapel Group we assure the comprehensive application of Collective Agreements that impose strict equality between men and women, entailing equal salaries and equal work and categories. Wage differences in the same post are based solely on working hours, length of service, training and any other measurable item, unrelated to the worker's gender.	Group	NO
<b>Non-discrimination</b>				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	116-117	Group	NO
	103-2 The management approach and its components	48	Group	NO
	103-3 Evaluation of the management approach	48	Group	NO
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	There were no incidents of discrimination in the Iberpapel Group during 2017.	Group	NO
<b>Freedom of association and collective bargaining</b>				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	116-117	Group	NO
	103-2 The management approach and its components	48	Group	NO
	103-3 Evaluation of the management approach	48	Group	NO
GRI 407: Freedom of association and collective bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	51	Group	NO



GRI standard	Indicator and description	Page / Reference	Scope	Review
<b>Local communities</b>				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	116-117	Group	NO
	103-2 The management approach and its components	14-15	Group	NO
	103-3 Evaluation of the management approach	14-15	Group	NO
GRI 413: Local communities 2016	413-2 Operations with significant actual and potential negative impacts on local communities	14-15	Group	NO
<b>Marketing and labelling</b>				
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	116-117	Group	NO
	103-2 The management approach and its components	58	Group	NO
	103-3 Evaluation of the management approach	58	Group	NO
GRI 417: Marketing and labelling 2016	417-1 Requirements for product and service information and labelling	58	Group	NO



# Appendix III. Contact data of Iberpapel's divisions

> [102-5]

## FORESTRY DIVISION

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### FORESTAL LOMA ALTA, S.A.

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Montevideo. URUGUAY

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Fax: 0059 829 030 129

## INDUSTRIAL DIVISION

### PAPELERA GUIPUZCOANA DE ZICUÑAGA, S.A.U.

*Manufacture, transformation and sale of paper*

Bº Zicuñaga s/n

20120 Hernani, Guipúzcoa. SPAIN

Tel.: 943 55 11 00 | Fax: 943 55 77 28

## COMMERCIAL DIVISION

### DISTRIBUIDORA PAPELERA, S.A.U.

*Paper wholesaler*

C/ Velázquez, 105

28006, Madrid. SPAIN

Tel.: 91 564 87 16 | Fax: 91 564 97 16

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08912 Badalona, Barcelona. SPAIN

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*Paper wholesaler*

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*Export promotion*

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