

20

18

ANNUAL REPORT

 Grupo
iberpapel

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#01

Chairman's Letter

> [102-14]

Dear friends,

I am pleased to tell you that our Group has performed very well for another year, reaching the record figure of €25.21 million. EBITDA showed the same trend, rising 10.85% to €40.91 million. These results include a loss of €533 thousand due to the restatement of the Argentinian subsidiaries' balance sheets when Argentina's economy was classed as hyperinflationary under international accounting standards in July 2018.

This positive trend in the company's results is the fruit of continuous investments made to enhance efficiency and Iberpapel's determined commitment to sustainable growth. The differential features of our business model, efficiency, productivity, flexibility and cost control, have allowed us to achieve our objectives without neglecting growth and while preserving high profitability. The gross operating margin for 2018 was 18.5%, as compared with 17% in the previous year.

Revenue for 2018 totalled €221.07 million, 1.85% above the 2017 figure, driven essentially by the increase in turnover from paper and timber sales. Paper sales growth was helped towards the end of the year by the rise in the selling price, as units sold were below the previous year due to the maintenance stoppage.

In the past year, we have focused a relevant part of our industrial efforts on the kick-off of the Hernani Project, as a clear pledge to bring on board efficient technology while assuring innovation and growth. This will entail fitting a new machine to make flexible packaging paper and transforming the existing cellulose plant. Considerable resources were assigned in 2018 to researching and developing technological and environmental improvements, including best available technologies, so as to substantially enhance product quality, productivity, efficiency, safety and the net environmental impact of the cellulose plant as a whole. €12 million was invested in this development in 2018 and a commitment was made to invest a further €48 million.

Pending the necessary administrative authorisations, in 2019 we expect to develop the new efficient production process for high-quality MG paper, thanks to collaboration between our team and some of the industry's most respected technologists. 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.

Our commitment to society and the environment remains strong. This

report reflects Iberpapel's activities and impacts in 2018 aligned with an investment model focused on creating economic, social and environmental value. Through the Corporate Social Responsibility Committee and by integrating sustainability into the Group's strategies, we are committed to fulfilling the United Nations Sustainable Development Goals (SDGs).

In 2018, this commitment was reflected in the preparation and presentation of two new policies, the Climate Change Policy and the Corporate Social Responsibility Policy. The Climate Change Policy addresses the Group's commitment to the environment and climate change, establishing 11 specific action areas. The Corporate Social Responsibility Policy defines six general principles and focuses more specifically on the basic principles and concrete actions related to each aspect of corporate social responsibility and stakeholders, as the Group's key points of reference.

As part of social and environmental value generation, we continue to foment actions in the countries in which we operate, particularly social outreach, awareness building and education on forests or biodiversity, our ultimate aim being to favour the future environment.

The Group's business model and growth potential for the coming years have been widely recognised in this

period, as our stock market performance shows. Iberpapel's stock again stood out in a complicated environment, closing the year at €33 per share after having risen 13.01% in 2018. As regards shareholder remuneration, one of our priority strategies, we envisage no change to our dividend policy.

In the future, we want to carry on building a company that achieves solid results year after year and is managed responsibly and sustainably. We have huge potential that will allow us to confidently respond to competitive market demands and create further value beyond our economic results.

Thank you for placing your trust in us.

Iñigo Echevarría Canales

#02

Iberpapel
at a glance



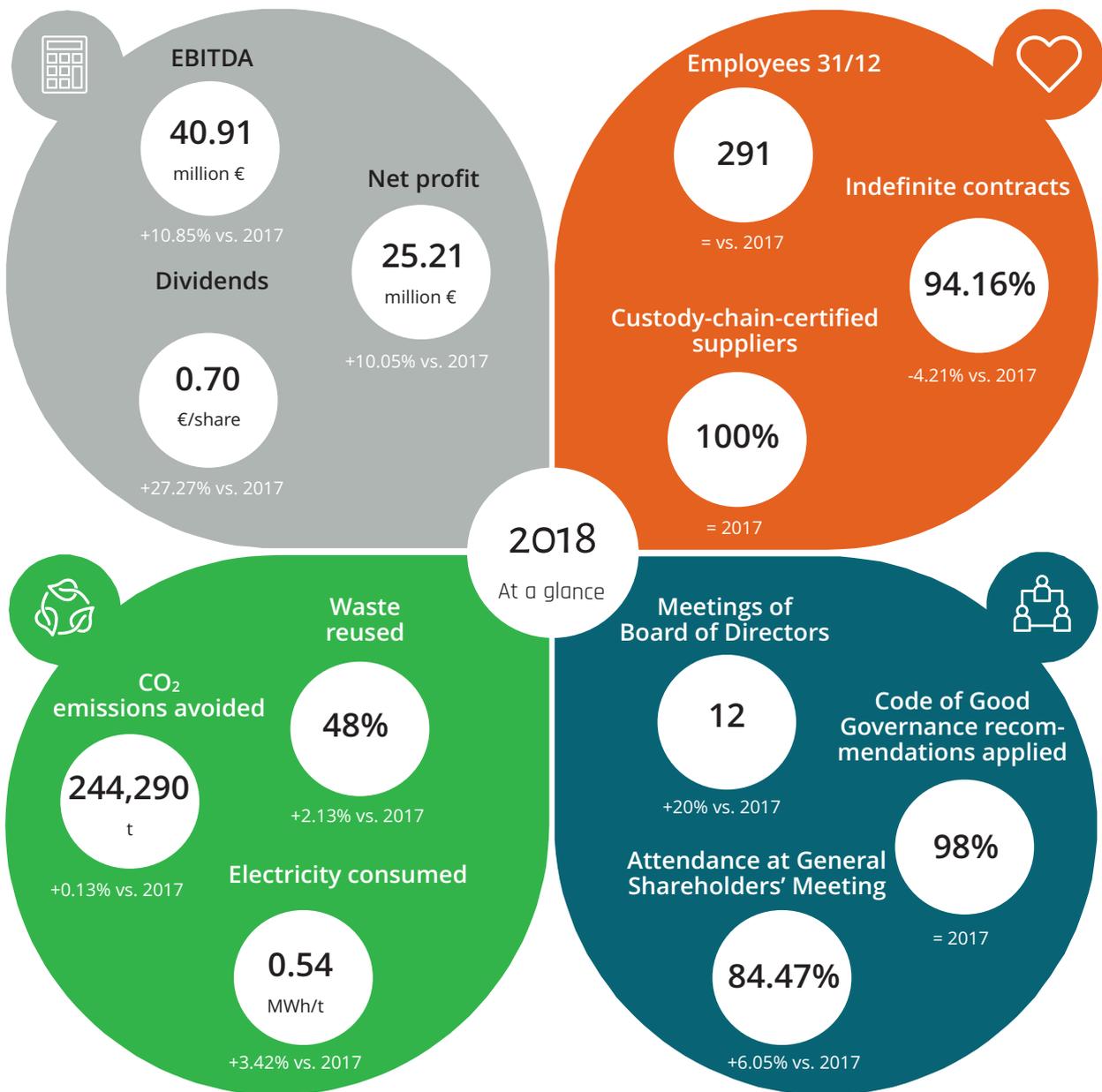


2.1 Key financial and non-financial indicators

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.

FINANCIAL HIGHLIGHTS

SOCIAL RESPONSIBILITY



ENVIRONMENT

CORPORATE GOVERNANCE

IBERPAPEL'S HIGHLIGHTS

> [102-7]

FINANCIAL HIGHLIGHTS	2018	2017	2016	Change 2017-18	Change 2016-17
RESULTS (million euro)					
Revenue	221.07	217.05	201.89	1.85%	7.51%
EBITDA	40.91	36.91	35.60	10.85%	3.68%
Operating margin (% of revenue)	18.51	17.00	17.63	8.88%	(3.57)%
EBIT	29.99	26.51	24.98	13.13%	6.13%
Attributable net profit	25.21	22.91	20.11	10.05%	13.92%
Margin (% of sales)	11.40	10.55	9.96	8.06%	5.92%
BALANCE SHEET (million euro)					
Total assets	382.94	353.30	276.06	8.39%	27.98%
Equity	255.36	236.77	227.45	7.85%	4.09%
Net borrowings	(92.81)	(79.13)	(55.13)	17.29%	43.53%
Investments	19.28	2.78	8.62	593.53%	(67.75)%
FINANCIAL AND MANAGEMENT RATIOS					
Net debt/Equity (%)	(36.34)	(33.42)	(24.23)	8.74%	37.93%
Net debt/EBITDA	(2.36)	(2.14)	(1.55)	10.28%	38.07%
Return on equity (%) ⁽¹⁾	16.02	15.58	15.65	2.82%	(0.45)%
EBITDA return on equity (%) ⁽²⁾	9.87	9.68	8.84	1.96%	9.5%
Working capital (million euro) ⁽³⁾	170.98	170.16	78.65	0.48%	116.35%
Liquidity (x) ⁽⁴⁾	4.22	5.44	3.04	(22.43)%	78.95%
SHAREHOLDER RETURN (euro per share)					
Interim dividend	0.40	0.30	0.30	33.33%	0%
Supplementary & definitive dividend	0.30*	0.25	0.35	20%	(28.57)%
Dividend yield (%)	2.12	1.88	2.84	12.77%	(33.8)%
Pay-out (%)	29.33	25.37	34.39	15.61%	(26.23)%
THE STOCK					
Number of shares	11,039,829	10,930,524	10,930,524	0.99%	0%
Capitalisation (million euro)	364.31	319.17	250.20	14.14%	27.57%
Share price at year end (euro)	33.00	29.20	22.89	13.01%	27.57%
Average share price (euro)	33.58	28.04	19.12	19.76%	46.65%
Equity per share (euro)	23.13	21.66	20.81	6.79%	4.09%
Price/Equity per share (x)	1.43	1.35	1.10	5.93%	22.73%
PER (price-earnings ratio) (x)	13.81	13.52	12.11	2.15%	11.64%
Earnings per share (euro)	2.39	2.16	1.89	10.65%	14.29%
SOCIAL RESPONSIBILITY					
Employees (average headcount) (No.)	289	290	296	-	(0.34)%
Employees under indefinite contracts (%)	94.2	98.3	99.3	4.4%	1%
Custody-chain-certified suppliers	100	100	90	-	(10)%
ENVIRONMENT					
CO ₂ emission savings (t)	244,290 t	243,984 t	210,295 t	(0.13)%	(13.81)%
Electricity consumed (MWh/t)	0.544 MWh/t	0.526 MWh/t	0.527 MWh/t	(3.31)%	0.19%
Waste reused (%)	48	47	64	2.13%	(36.17)%
CORPORATE GOVERNANCE					
Code of Good Governance recommendations applied (%)	98	98	98	0%	0%
Board of Directors meetings (No.)	12	10	10	(17)%	0%
Attendance at General Shareholders' Meeting (%)	84.47	79.55	84.51	(6)%	6%

* Proposed to the General Meeting

⁽¹⁾ Calculated as the result of dividing EBITDA by shareholders' funds.

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

⁽³⁾ 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.

⁽⁴⁾ 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 2018 and challenges for 2019



2018/2019 MILESTONES





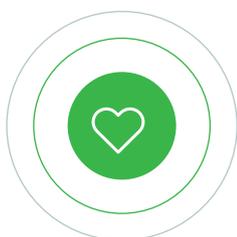
2019 CHALLENGES

3. Our Group



- Continue to implement the “Hernani Project”; complete phase one of the project (cellulose plant extension and improvement) and develop the new production process for efficient paper manufacture.
- Continue to apply the policy designed to extend the specialty papers market in Spain and abroad.
- Bolster the Company's leading position in the printing and writing paper segment.
- Maximise the yield from forestry assets, following high sustainability standards.
- Assure tight cost control, as in recent years.

4. Our Social Responsibility



- Step up dialogue with stakeholders.
- Favour employee career development through training initiatives.
- Strengthen customer relations to maintain their confidence.
- Oversee fulfilment of the Iberpapel Group’s ethical, social and environmental requirements in the supply chain.

5. Our Environmental Responsibility



- Improve the main environmental indicators.
- Progress with the assimilation of circular economy principles in environmental management.

6. Our Corporate Governance



- Continue to integrate CSR as a strategic pillar of good governance in the Group (Corporate Social Responsibility Committee).
- Review and adapt corporate CSR policies to market best practices.

7. FY 2018



- Implement actions to maximise the Group's value, boosting investor confidence and Iberpapel's future sustainability.

#03

Our Group

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





3.1 The Iberpapel Group 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, plants and equipment



Intellectual

Technology, systems, licences and industry knowledge



Human

Experience, capacity and team motivation



Natural

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



Social

Cooperation, transparency and trusting relationships with stakeholders

... brings 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, reduction of emissions, protection of biodiversity and management of waste and water



Regulators and associations

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



Society

Support and development in local communities

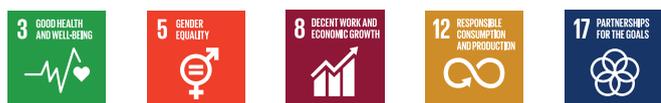
... and generates a series of positive impacts on society and the environment.



Conservation of natural environments, biodiversity and ecological processes



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 the Group's strategy



3.2 Market context

WORLD AND DOMESTIC ECONOMIC OUTLOOK

GDP GROWTH

WORLDWIDE (Source: World Bank)

+3.7% +3.5% +3.6%

2018

2019
Estimated

2020
Estimated

SPAIN (SOURCE: OECD)

+2.6% +2.2% +1.9%

OPPORTUNITIES

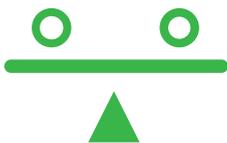
- > Increase in economic inclusion.
- > Guarantee of fiscal sustainability in the medium term.
- > Adoption of the Sustainable Development Goals included in the EU's 2030 Agenda.

RISKS

- > High levels of public and private debt.
- > New emissions legislation.
- > Uncertainty surrounding economic policies.
- > Non-economic factors.
 - > No-deal exit of the United Kingdom from the European Union
 - > Economic slowdown in China.

Economic highlights in 2018:

- Stability of world economic growth (+3.7% in 2018 vs. +3.7% in 2017), despite the slowdown in some European and Asian countries due to the unpredictability of commercial policies.



- Spain's economy is still growing, though at a slower pace (2.6% in 2018).
- 2.3% reduction in the past year (to 14.3%) in Spain's unemployment rate.

ECONOMIC CONTEXT IN 2018

The world's economy slowed towards the end of 2018. The latest World Bank estimates point to the stabilisation of global Gross Domestic Product growth at around 3.7% in 2018. This trend is explained essentially by the economic slowdown in the most developed countries. The new CO₂ emissions legislation, the poor performance of financial markets and the uncertainty surrounding commercial policies are some of the factors leading to this situation.

Although the euro area's economy grew by 2.4% in 2017, the highest in the past five years, a fall of 2.1% is expected in 2018 followed by 1.9% and 1.7% growth in 2019 and 2020, respectively. There is confidence that the Member States will keep on growing thanks to internal demand and favourable terms for financing and investment in the euro area.

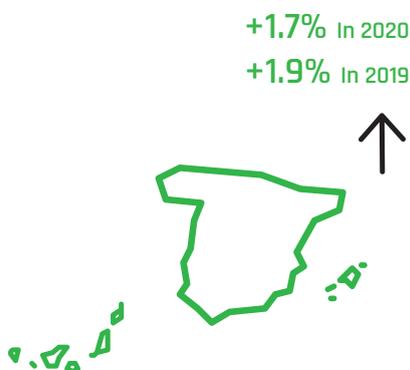
In this context of uncertainty and moderation in the international arena, the Organisation for Economic Cooperation and Development (OECD) estimates that Spain's economy will grow less than in previous years. Growth in 2018 will reach 2.6% as compared with 3% in 2017. The OECD considers that the fall in the jobless rate, new policies and the consolidation of public financing will drive new growth. In 2018, unemployment fell by 2.3% on 2017 down to 14.3%, while the number of people with jobs grew by 556,200, according to data published by the National Institute of Statistics (INE).

Key economic prospects for the coming years:

- Slowdown in world economic growth, which is estimated at 3.5% for 2019 according to the International Monetary Fund (IMF).



- The OECD considers that although Spain is expected to grow at a slower rate than in the past two years (+2.2% in 2019 and +1.9% in 2020), the pace will be faster than in the euro area as a whole (+1.9% in 2019 and +1.7% in 2020).



ECONOMIC OUTLOOK FOR THE COMING YEARS

The projections published by the most relevant international bodies indicate that the global economy shrank towards the end of 2018, in both the advanced economies and in the emerging and developing regions, despite the growth observed early in the year. The weakness of the past few months is expected to persist, causing worldwide growth to fall to 3.5% in 2019 before a slight 0.1% increase in 2020. These estimates are based on the expected reduction in the growth rate of the advanced economies and the forecast slowdown in the emerging and developing economies.

Specifically, growth in the advanced economies is expected to weaken from 2.3% in 2018 to 2.0% in 2019 and to 1.7% in 2020, due mainly to the figures forecast for the euro area and for the United States. This is all despite the increase observed in Japan's economy thanks to fiscal support measures implemented in order to mitigate the effects of the tax on consumption and other similar measures.

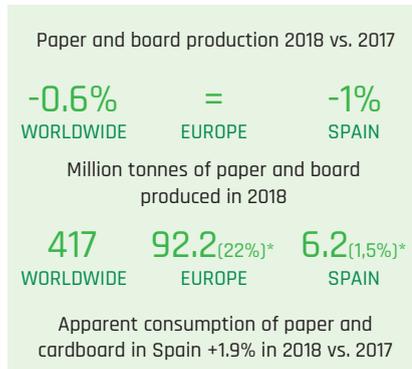
The emerging and developing economies still play an essential role and also account for over half of the global growth, well above the advanced countries. The World Bank forecasts GDP growth of 4.5% in 2019 and 4.9% in 2020 for this group of countries. China will keep on growing at very high rates, which will decrease slightly as a result of commercial tensions with the United States, from 6.5% in 2018 to 6.3% in 2019 and 6.4% in 2020.

As regards the Spanish economy, the International Monetary Fund (IMF)'s World Economic Outlook report highlights the stabilisation of growth in 2018, 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. The OECD estimates GDP growth of 2.2% in 2019 and 1.9% in 2020 owing to the possible slowdown in international trade and political uncertainties.

According to this international organisation, the unemployment rate will fall gradually in the coming years to reach 13.8% in 2019 and 12.5% in 2020, as compared with 14.3% at year-end 2018. 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

HIGHLIGHTS



* With respect to worldwide production

OPPORTUNITIES

- > Creation of permanent, qualified employment.
- > Bioindustry of reference in the circular economy.
- > 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.

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 fell by 5.5% in 2018 as compared with 2.8% in 2017. Paper sales in Europe declined by 5.7% on 2017, while sales outside Europe also decreased by 3.8% in the last year.

At the European level and according to preliminary statistics published in February by the Confederation of European Paper Industries (CEPI), in 2018 paper and board production in its member countries remained steady with respect to the previous year, production having totalled 92.2 million tonnes. Global production fell by 0.6% to total 417 million tonnes. This decrease is mainly attributable to China (fall of 4%), Japan, South Korea and the United States. However, production rose in countries such as Canada, Russia and some emerging markets.

In Spain, according to Aspapel, apparent paper and board consumption decreased by 1% in 2018 in comparison with the cumulative total for 2017. Production of some paper and board specialities rose significantly, however, particularly coated board (+7.1%).

In Spain, the paper industry accounts for 4.5% of the GDP and has 81 industrial plants (10 cellulose plants and 71 paper and board mills). The industry in Spain generates 16,280 direct jobs and approximately 80,000 indirect jobs. Spain is still 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.
- Harnessing the potential of the bioeconomy and the circular economy in the paper industry, based on production processes that consume biological resources and waste.

Sustainability focus areas in Spain's paper industry:

- Assure sustainable forest management.
- Apply 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 in the paper industry

Stakeholders that use the paper industry's products are increasingly aware of the environmental impact of paper generation and demand more functional products with a smaller associated carbon footprint. Consequently, Spain's paper industry has invested in new technologies and environmental management plans in recent years to become one of the most innovative sectors in the domestic economy.

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.

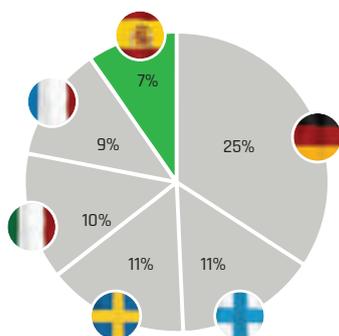
All Iberpapel's strategies are in line with best practices in an industry in which sustainability is increasingly relevant.

The Corporate Social Responsibility Committee, formed in 2017 and reporting to the Board of Directors, allows us to assure that our commitment to society and the environment gains further ground. In 2018, this commitment was reflected in two new policies, the Climate Change Policy and the Corporate Social Responsibility Policy.

PAPER AND CELLULOSE MANUFACTURE IN THE EUROPEAN UNION

6th-ranked

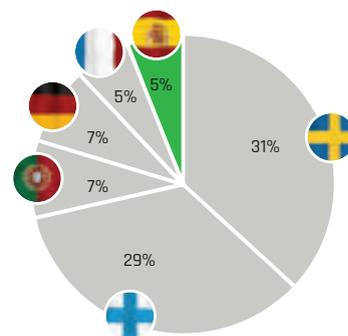
PAPER manufacturer in the EU



% of total EU production

5th-ranked

CELLULOSE manufacturer in the EU



% of total EU production

3.3 Our strategic vision and outlook

PAPER INDUSTRY OUTLOOK

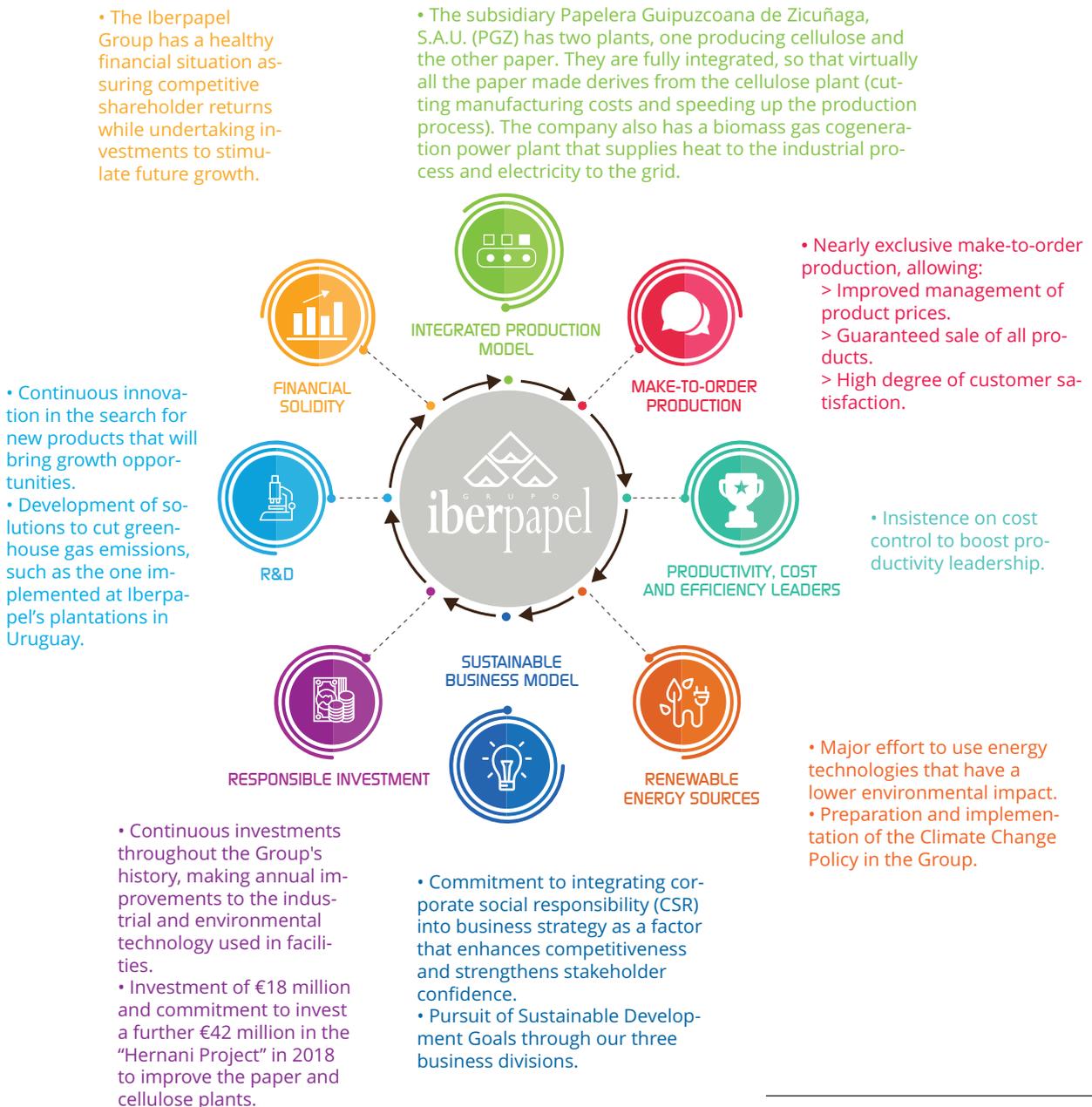
The Company's aim is to consolidate efficiency, productivity and cost control, without forsaking growth, thanks to new in-

vestments (such as the "Hernani Project" ¹) made to increase production capacity, diversify products and boost growth in all

our markets.

The combination of our competitive advantages has brought a solid positioning in the industry and

success in overcoming complicated market situations.



¹ For further information on the "Hernani Project", see chapter 3.4 of this Report.

PILLARS OF THE IBERPAPEL GROUP'S STRATEGY IN 2018

The corporate strategy implemented in 2018 was based on:

- Tight cost control, as in recent years.
- Recurring CAPEX at around €3 million at industrial facilities and plantations.
- The core focus of the Group's growth, the "Hernani Project" kick-off, as a clear commitment to innovation and technology.

STRATEGY BY DIVISION

Forestry



- Assurance of supplies to the Industrial Division of the main raw material, eucalyptus, managing 25,864 hectares of forested land.
- Silvopastoral system integrated with the forestry business, combining the yield from forestry assets with respect for nature.
- Consolidation of the Genetic and Silviculture Improvement Plan and use of best technologies to achieve the highest quality timber and integration of forestry with wildlife.
- Selling in local markets.

Industrial



- "Hernani Project". Investment of €180 million in industrial technology during the period 2017-2020 to enter the market for flexible packaging of various kinds.

Commercial



- Expansion of the market for specialty papers and traditional products with greater growth prospects and added value. This strategy allows Iberpapel to stand out from its main competitors.
- Building and maintaining long-term commercial relationships with our customers.

FUTURE PROSPECTS

In 2018, global paper and board production fell by 0.6% on the previous year, while the European figure remained stable. The industry is in transition at both the geographic and segment levels, with the focus on innovating and reducing environ-

mental impacts.

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.

During the period 2017-2020, the Group made a total investment of €180 million in the "Hernani Project" so as to increase production capacity in the

cellulose and paper plants and adapt to market demand for speciality paper products with a greater projection and added value.

3.4 Investment and innovation in the Iberpapel Group

A HISTORY OF CONTINUOUS INVESTMENT AND INNOVATION

In 2018, the Iberpapel Group invested €12 million and committed €48 million to substantially improve product quality, productivity, efficiency, safety and the net environmental impact, thus contributing to United Nations Sustainable Development Goals 9 and 13 on the promotion of innovative and sustainable infrastructures and the combating of climate change.

Iberpapel understands that the key to assuring the Group's sustainable growth is to commit to the continuous improvement of processes, investing in activities that enhance our competitiveness so as to do business in a manner that is efficient, integrated and oriented towards stakeholder value generation.

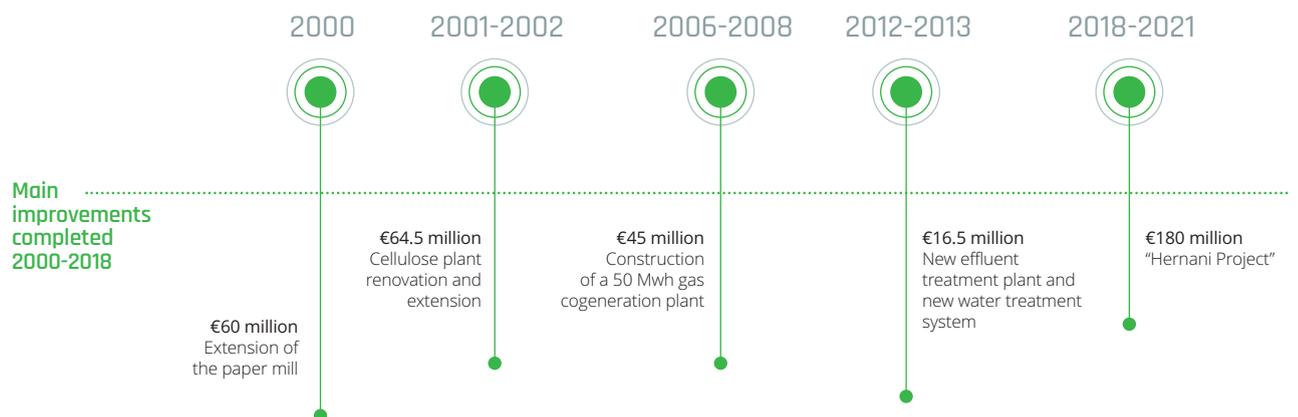
The Group invested over €242 million during the period 2000-2018. The most significant investments in the Industrial Division were the extension of paper production capacity, which began in 2000 with a new paper machine and continued with the cellulose plant extension in

2002, and the construction of a 50 Mw gas cogeneration plant in 2008. In the Forestry Division, the main investment was made in 2010, when €10 million was spent to buy new forest land in order to position the business in the south-east of Uruguay. This significant investment in improving the production unit doubtless had a very positive impact on the quality of our paper and the competitiveness of our products.

Following the launch of the "Hernani Project" in 2018, in line with the new strategy defined, €12 million was invested and €48 million was committed to

develop the cellulose plant so as to substantially improve product quality, productivity, efficiency, security and the net environmental impact.

As regards innovation, the Commercial Division has diversified from our traditional products in recent years, the main new offerings being: 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 harness its potential to undertake major projects that will boost competitiveness in the coming years.

“HERNANI PROJECT”, A DETERMINED COMMITMENT TO THE FUTURE

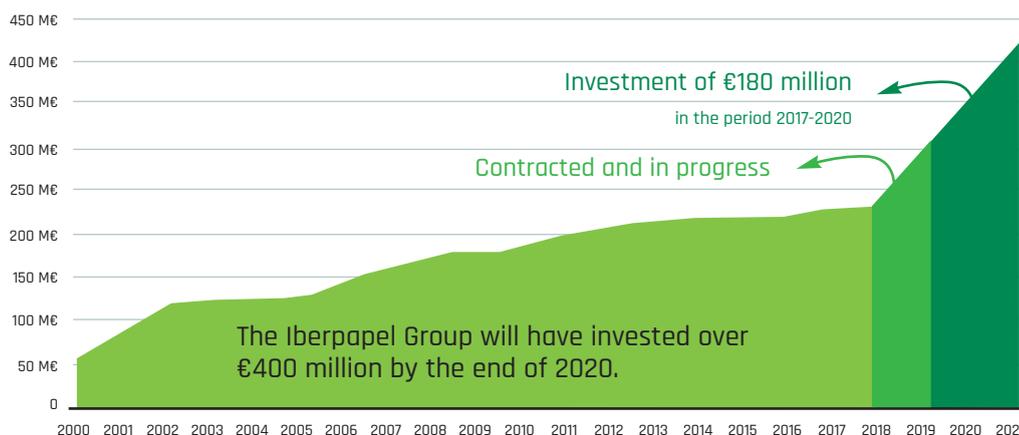
In May 2017, the Iberpapel Group announced the launch of the “Hernani Project”, the core focus of its 2017-2020 strategy, which will have a considerable impact on future growth and competitiveness.

The project will entail key investments amounting to €180 million in favour of growth and competitiveness in the short, medium and long term. It is divided into two sub-projects, a €50 million investment in the cellulose plant already contracted and in progress and a €130 million outlay in the process of contracting in order to extend the paper mill's production capacity. The project, which kicked off in 2017, is expected to take three years. Once completed, it will

allow us to increase production capacity and diversify our products to target new sectors in which our growth potential will be a lot higher than in printing and writing paper, with a clear added value for customers.

Among other aspects, the Hernani Project will transform the existing cellulose plant to substantially enhance end-product quality, productivity, efficiency, safety and the net environmental impact of the plant as a whole. This

project will result in a new efficient production process for high-quality KRAFT MG paper, thanks to our team's collaboration with some of the industry's most respected technologists. The knowledge generated and major investments made will allow the Company to successfully compete in the promising flexible packaging paper market.



Paper mill
Estimated investment
130M€

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
Estimated investment
50M€

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

Principales beneficios
• 15-20% increase in eucalyptus pulp production capacity.



3.5 The Iberpapel Group's business

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

BUSINESS STRUCTURE

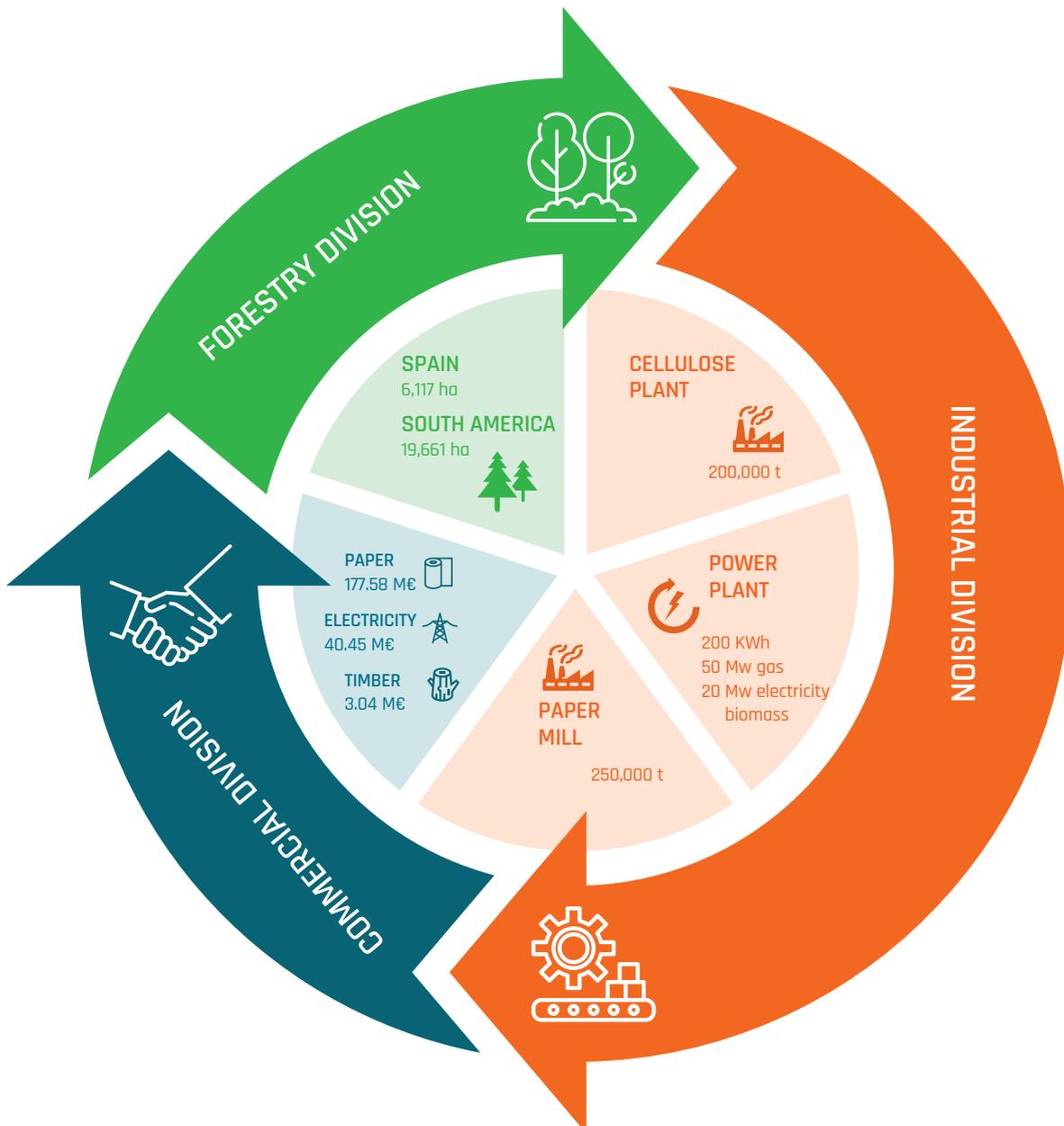
The Group has a history and experience of over 80 years in the paper industry. The integrated production model comprises three divisions spanning the entire paper value chain, from

source (Forestry Division) to marketing (Commercial Division) through raw material transformation processes (Industrial Division).

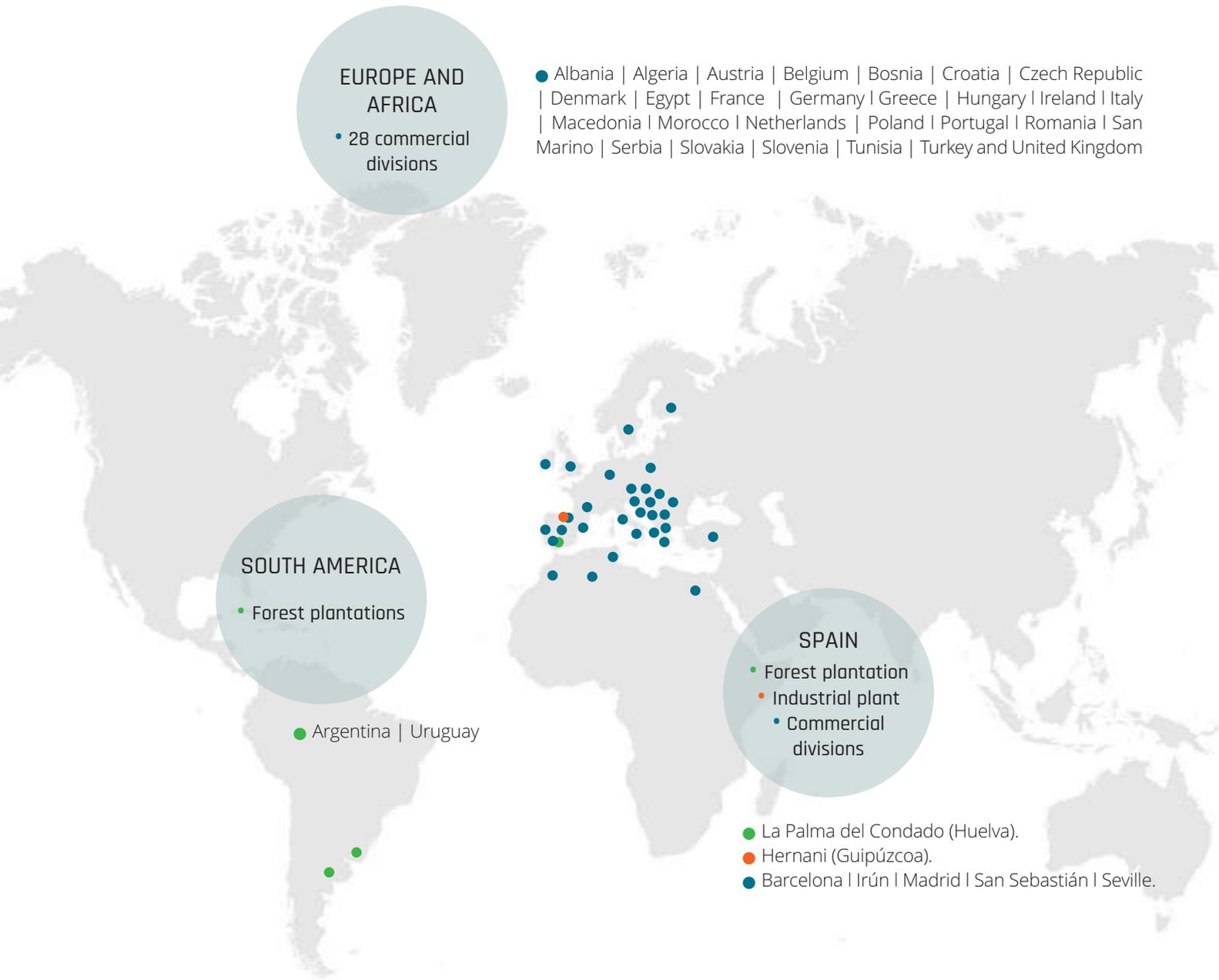
The Iberpapel Group therefore maximises value

generation and harnesses synergies among the divisions so as to heighten competitiveness and optimise the reuse and recovery of materials contained in waste, either in the com-

pany's own processes or in other facilities, so as to spawn new products or raw materials and thereby contribute to the circular economy.



Iberpapel has a solid international presence through its three divisions.



IBERPAPEL, A SUCCESS STORY

1935-1941

Papelera Guipuzcoana de Zicuñaga was incorporated on 24/10/1935. Although it was founded in 1935, business did not commence until 1941, with the manufacture of cellophane paper.

1947

Installation of a paper machine with a width of 2.20 metres and a production capacity of 2,000 tonnes per year.

1958

Installation of a second paper machine and two static fibre boilers with a capacity of 75m³, achieving an annual output of 14,000 tonnes of cellulose.

1971

Commissioning of a new cellulose facility and modernisation of the paper machines to reach an annual production capacity of 35,000 tonnes.

1978

Closing down of the cellophane plant and retraining and reassignment of personnel to paper production, without the need for any large-scale redundancies.

1979

Commissioning of a new paper machine, dismantling the old machine number 2. This entailed extending and optimising the cellulose plant, resulting in a production increase year after year.

1988

In an extraordinarily adverse arena, Iberpapel continues to demonstrate its competitive edge by posting satisfactory results and generating considerable cash resources.

1997

21/07/1997 Incorporation of IBERPAPEL GESTIÓN, S.A.
28/11/1997 The Company's stock is admitted to trading on the stock exchange.

2000

Commissioning of paper machine number 4, boosting paper production capacity by 250%.

2003

Extension of the cellulose plant, increasing its production capacity by more than 90%.

2008

Commissioning of the 50 MW cogeneration plant, entailing an investment of approximately €45 million.

2010

Consolidation of the integrated business model and a profit of €22.64 million.

2011

The Group consolidates results and margins, and posts a record profit of €22.87 million. Start of construction of a new biological treatment plant and outlet, entailing an investment of €14 million.

2012

In an extraordinarily adverse arena, Iberpapel continues to demonstrate its competitive edge by posting satisfactory results and generating considerable cash resources.

2013

For a large part of Spain's industry, this will go down in history as the year of the electricity reform.

2014

Significant recovery in EBITDA thanks to improved efficiency and a slightly better-than-expected regulatory and tariff framework.

2015

Cellulose production increase at the Hernani plant and a sound performance in the forestry area.

2016

The Group's clear commitment to efficiency and sustainability bears fruit.

2017

Our sound financial structure allows us to launch the Hernani Project as a key to the Group's growth.

2018

Start of a new phase of growth.

2019

3.5.1 Forestry Division

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

SUSTAINABLE FOREST MANAGEMENT: A KEY FACTOR FOR THE COMPANY

The purpose of forestry management is to obtain the maximum yield from our plantations under the strictest sustainability criteria.

In the past decade, interest in protecting and managing forest masses has grown thanks to increased awareness of their role in the global carbon cycle and direct and indirect benefits for society. So all agents are channelling their efforts into sustainable forest management, which consists of organising, conserving and sustainably developing the world's forests.

“forest masses act as carbon sinks, absorbing 2,000 million tonnes of CO₂ each year”⁽¹⁾

These efforts were reflected in the Paris Agreement on Climate Change approved by 195 countries on 11 December 2015, formally recognising the decisive role of forests and trees in reducing greenhouse gases (GHGs) accumulation in the atmosphere, promoting sustainable management, favouring conservation and disapproving deforestation. The United Nations 17 Sustainable Development Goals (SDGs) approved in 2015 include sustainable forest management in “Goal 15 Life on land”, stipulating specific objectives for 2030.



SDG 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and 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”⁽¹⁾.

Forests and trees support sustainable agriculture because, among other aspects, they stabilise soils and climate, regular water flows and provide shade, shelter and a habitat for pollinators and the natural predators of agricultural

pests. When integrated into agricultural land, forests and trees boost productivity. They also help to provide food security for hundreds of millions of people for whom they are important sources of food, energy and income in difficult times. Recognising these reciprocal benefits and finding a balance between them will allow those in charge to design policies that will improve resources so as to speed up 2030 Agenda achievements (2).

The *State of the World's Forests* report explains that deforestation, mainly caused by the conversion of forest land into agricultural and livestock farmland, not only jeopardises the sectors that benefit in some way from the forest community but also seriously impacts the variety of life on the planet. Changes in the use of land aggravate the loss of habitats, soil erosion, decline in clean water sources and release of carbon into the atmosphere, so finding the formula to increase agricultural production and enhance food security without reducing forest areas is one of the great challenges of our time.

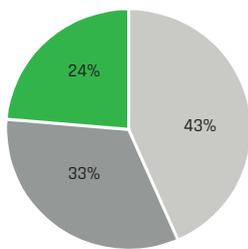


⁽¹⁾ ⁽²⁾
Source: State of the World's Forests 2018, FAO

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 year-end 2018, our forest assets were distributed as follows:

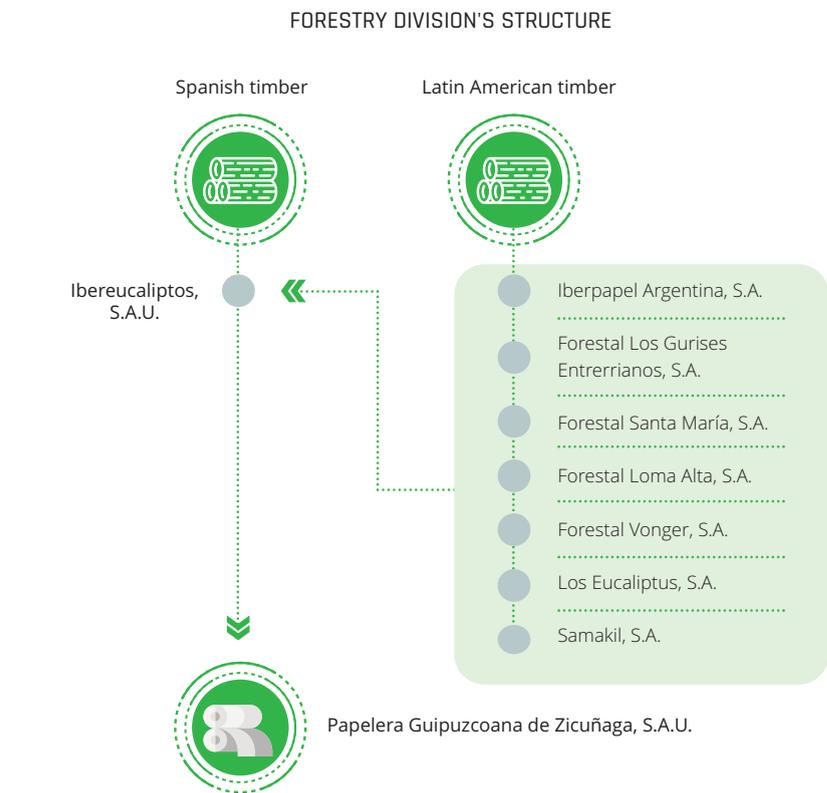
DISTRIBUTION OF FOREST ASSETS. 2018
(HECTARES/COUNTRY)



● 11,168 Uruguay ● 8,493 Argentina
● 6,117 Spain

Our Group works mainly with eucalyptus (*Eucalyptus globulus ssp globulus Labill*) 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 in Spain and Portugal.

Iberpapel is aware of the vital importance of sustainable forest management in our industry, timber being our 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 Com-



pany 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 and improving them continuously 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.

Latin America is at the head of the developing areas in the promotion of private investment in forests. 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 the use of fiscal instruments, particularly payments for environmental services (or ecosystems), designed to encourage more suitable environmental management. Other strategies employed in the area 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⁽³⁾. Argentina and Uruguay, as countries in the Southern Cone, are very well positioned to leverage the advantages of

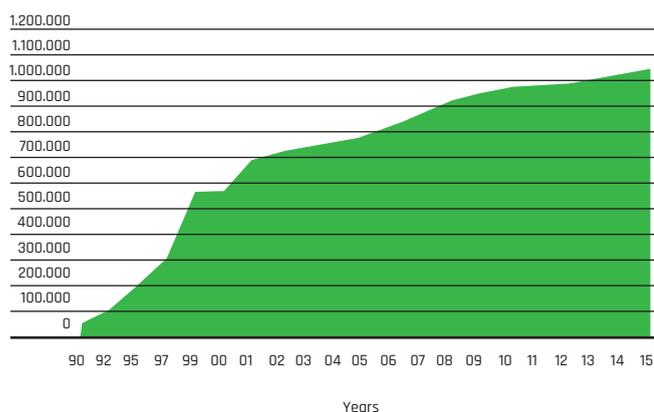
⁽³⁾ Source: FAO. 2016. *State of the World's Forests 2016. Forests and agriculture: challenges and opportunities relating to the use of land.* Rome.

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 provinces Misiones, Corrientes and Entre Ríos.

In order to reduce dependence on forest supplies from the Iberian Peninsula and increase self-sufficiency, Iberpapel designed an expansion plan in South America. In 1988, we purchased our first property in Argentina, and one year later in Uruguay, embarking on our forestry activity in Latin Ame-

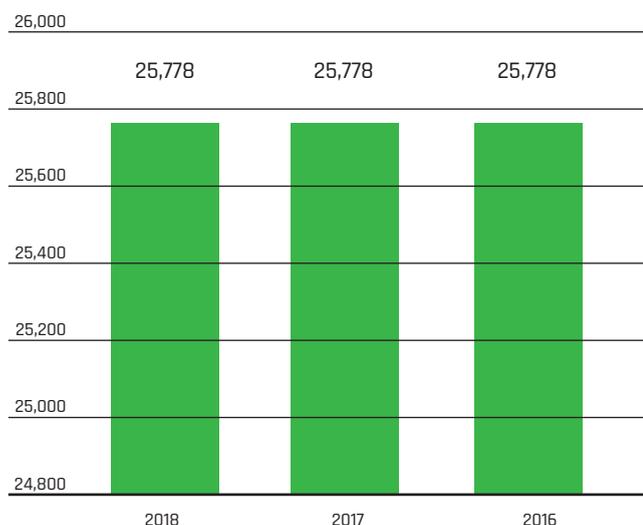
rica. The following summary provides the main milestones of our investment project in Argentina and Uruguay.

AREA OCCUPIED BY PLANTATIONS
Accumulated surface area (ha)



SOURCE: <http://www.spf.com.uy/uruguay-forestal-plantaciones>

EVOLUTION OF THE IBERPAPEL GROUP'S FOREST ASSETS
(hectares)



IBERPAPPEL GROUP'S MAIN INVESTMENTS IN LATIN AMERICA

- 1988-89**
Acquisition of forest land in the departments of Colón and Concepción de Uruguay, Entre Ríos, R. Argentina and the department of Paysandú, R. Oriental del Uruguay
- 2005**
Start of strategic positioning in the south-east of Uruguay
- 2007**
Los Eucaliptus, S. A. obtains general authorisation from the government to own forest land in Uruguay
- 2008**
Los Eucaliptus S.A. obtains FSC® forestry management certification for its assets
- 2010**
Forest land in south-east Uruguay reaches 10,000 hectares in the departments of Canelones, Lavalleja and Maldonado
- 2013**
Planting of eucalyptus species for solid wood uses begins in Argentina
- 2014**
Marketing of timber from Uruguay begins
- 2016**
Los Eucaliptus, S.A. signs an agreement to build a bridge that will allow goods to be carried through the zone, in the department of Canelones
- 2018**
Los Eucaliptus, S.A. renews FSC® forestry management certification for its assets

OUR GENETIC AND SILVICULTURE IMPROVEMENT PLAN

Key aspects:

- Application of the best technologies to achieve the highest quality timber and integration of forestry with natural systems.
- 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.

The plan was launched in 1994 with the aim of applying the best technologies to obtain the highest quality timber and integrate forestry with the protection of natural systems 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 began with the selection of superior *Eucalyptus globulus*, obtained from different locations and with diverse characteristics. These trees show high adaptability and natural rusticity, the main advantage of which is higher productivity per surface unit.

Our strategy involves reforesting the most suitable areas with these superior trees and trees obtained from genetically improved seeds to assure 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 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 4,691 hectares.

This project also involves the absorption of CO₂ emissions through forest masses, which act as sinks for greenhouse gases. In order to calculate and monitor CO₂ removal as a re-

sult of 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.

Through this project, we are contributing to the SDGs and sustainable development in Uruguay, including the following environmental achievements:



FSC®-certified management systems



620,935 t CO₂ absorbed.



4,691 ha reforested and protected.

In April 2012, we obtained certification for this project under the Verified Carbon Standard (VCS), code RA-VAL-VCS-015323. (+ info p.72).

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.

OUR SOCIAL ACTION AND BIODIVERSITY PROTECTION PLAN

In 2014, the international body PEFC™ validated and approved the specific Argentinian CERFOAR regulations, which will allow the plantations in Argentina certified under this standard to acquire international PEFC™ certification. We are in the process of obtaining this certification in Argentina and the first audit will be carried out in the middle of 2019.

In the Huelva plantations in Spain, our aim is to preserve the same reforested surface area. In 2012, zoning projects were approved by the Regional Government of Andalusia and our forest assets have had FSC® forestry management certification since 2013 under the GFA FM/COC-002538 code.

Products bearing FSC® and PEFC™ trademarks and/or labels provide customers and end 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 and has serious erosion issues, with limited agricultural-livestock production potential.

Key aspects:

- Annual social action plan.
- Promotion of a continuous process of social contacts to encourage rural development through courses, talks 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.

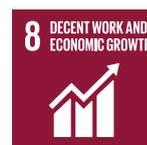
The Iberpapel Group is continuously engaged in social activities in our local communities to encourage the development of the rural zones, which is increasingly more complicated due to the rapid growth of cities. In this process, schools have been designated as priority institutions for the measures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

At the beginning of 2012, the company launched a social monitoring programme to examine the status of local communities in the areas of influence of its properties. 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.

In the areas of influence of the plantations in Uruguay, a social action plan is launched annually to promote educational development. Through this project, we are contributing to the SDGs and sustainable development in Uruguay, including the following economic and social achievements:



Foster the knowledge required in the forestry business.



71% of employees are local people.

Biodiversity is also observed and monitored, leading to the identification and declaration of high conservation value areas. Periodic biodiversity (fauna and flora) studies are conducted by independent professionals in 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.

In the properties in Argentina there are natural areas that must be conserved and protected due to the wealth of native flora and fauna. The regulation and management of these areas is regarded as a priority. So, in 2009 Iberpapel initiated a biodiversity monitoring programme to study the natural areas inside the properties and the seasonal evolution of species and communities.

In 2017, an Environmental Management Plan for the "La Pellegrini" Protected Natural Area was drawn up and implemented. This plan is the core instrument for spatial planning and organisation, defining and contributing to the management and conservation of resources in the protected area, as well as providing the guidelines and policies for the administration of the area, management approach, uses and permitted activities, as a result of the diagnosis and analysis of all relevant factors. The main purpose of the management plan is to protect natural ecosystems that have a high conservation value such as native wood-

land, wetlands and water reserves. The ecosystem targeted as a "Protected Landscape" has gallery forests and a variety of forest strata in which abundant shelter, food and habitats for local animal populations may be found. It is vitally important to include the ecosystem in the Provincial System for Protected Natural Areas, guaranteeing social and governmental engagement following the guidelines laid down by Provincial Law 8967/95.

Forest fires

In 2018, the company became a member of Uruguay's PAIF (Forest Fire Protection Plan), which is coordinated by the Uruguayan Forestry Producers Association. This national system involves the majority of forestry industry companies and protects an area of nearly 800,000 hectares.

In Argentina, since the year 2000 all the properties have been members of ACE Colón Norte, taking part in forest fire surveillance activities in the summer months.



3.5.2 Industrial Division

Iberpapel has become a benchmark in the printing and writing paper production sector thanks to our 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 production unit located in the town of Hernani, in Guipúzcoa province. This division accounts for most of our employees and our largest investment projects.



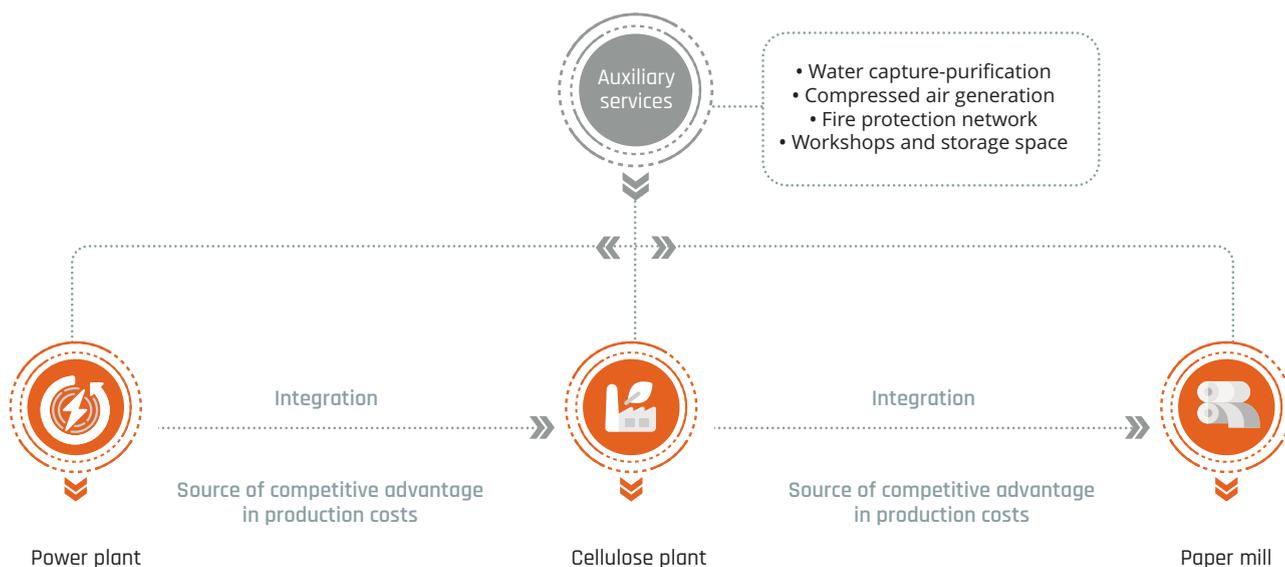
THE INDUSTRIAL DIVISION AT A GLANCE

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

- 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.

- Cellulose plant: uses eucalyptus timber to produce the cellulose pulp needed in the paper mill, which makes the final product, printing and writing paper.

PGZ (PAPELERA GUIPUZCOANA DE ZIGUÑAGA) 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 SNA₂ (sodium sulphide). Once inside, the chip and alkali mix is cooked at 150° 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 separation

process is not complete as 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".

The process then splits into the fibre line for the pulp and the recovery line for the black liquor.

- Fibre: the cooked wood undergoes a coarse sieving process to separate uncooked components and subsequent refining and washing to remove traces of bleach. The product obtained is called raw pulp and is stored in a silo, ending the cooking phase.

The raw pulp is then sent 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.

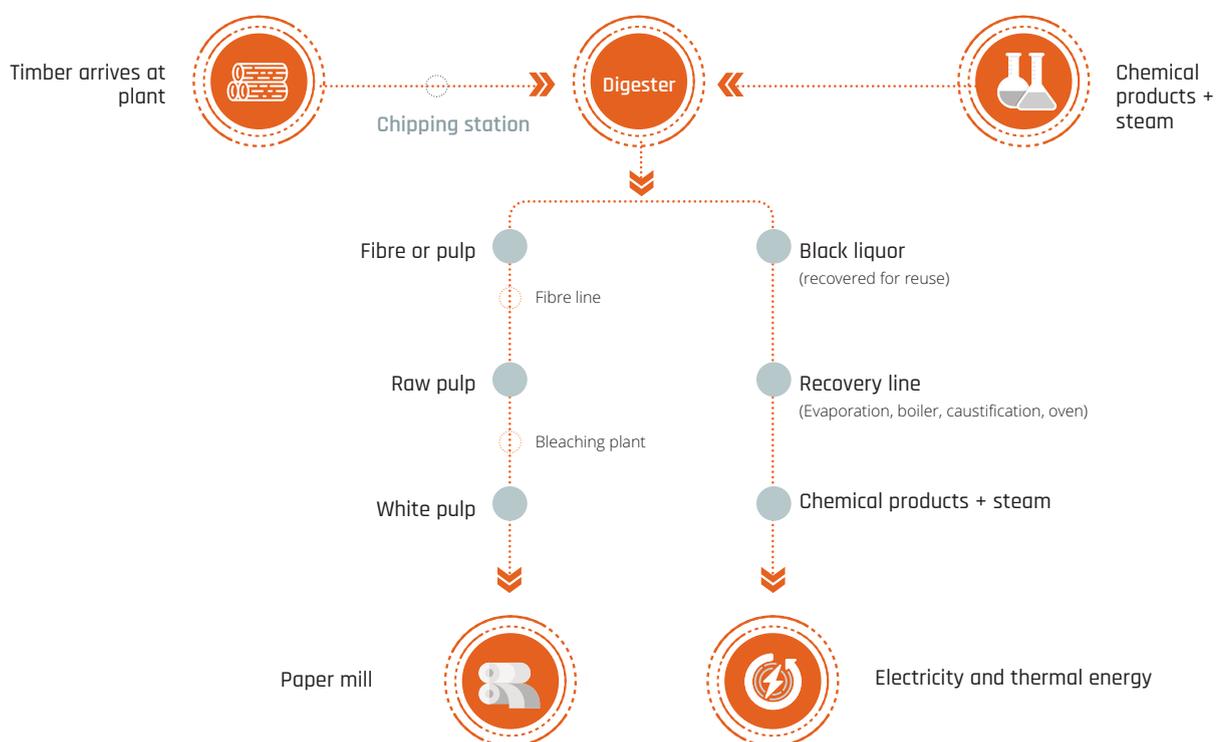
- Bleach, following concentration at the evaporation plant, is transferred to the black liquor boiler where combustion of the organic waste content, mainly containing lignins, generates energy to heat water and produce high-pressure steam. The inorganic portion is recovered in the form of molten mineral.

The steam passes through the turbine, generating electricity for export to the grid. The thermal energy output 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 Na₂CO₃ (sodium carbonate) and Na₂S (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.

CELLULOSE PLANT DIAGRAM



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, which is necessary to make different paper grades and custom orders, and gives us a competitive edge over other manufacturers with similar or higher production volumes.

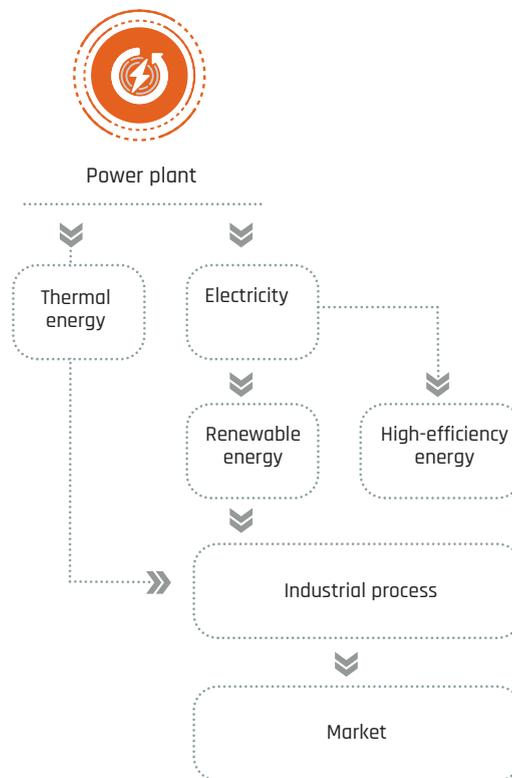
POWER PLANT

It comprises a renewable energy cogeneration plant and two high-efficiency combined cycles. It supplies the thermal energy (steam) needed in the industrial process and generates electricity for consumption, any surplus power being exported to the grid.

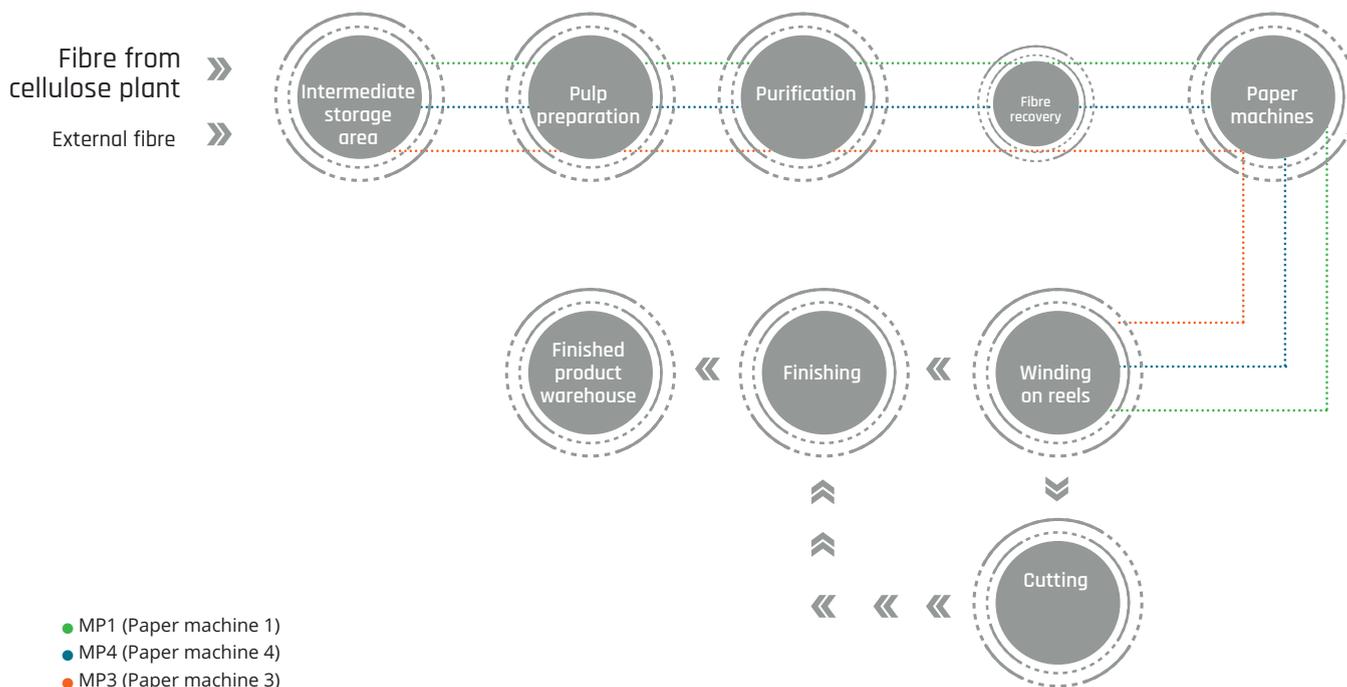
The power plant comprises:

- Auxiliary or power boiler.
- 20 MW biomass power 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.

POWER PLANT (CO-GENERATION) DIAGRAM



PAPER MILL DIAGRAM



3.5.3 Commercial Division

Our Commercial Division is responsible for managing the sale and distribution of our products. We have identified a number of key factors explaining our competitive advantages, which include proximity to our customers and in-depth knowledge of competitors and the market:

MAIN COMPETITIVE ADVANTAGES

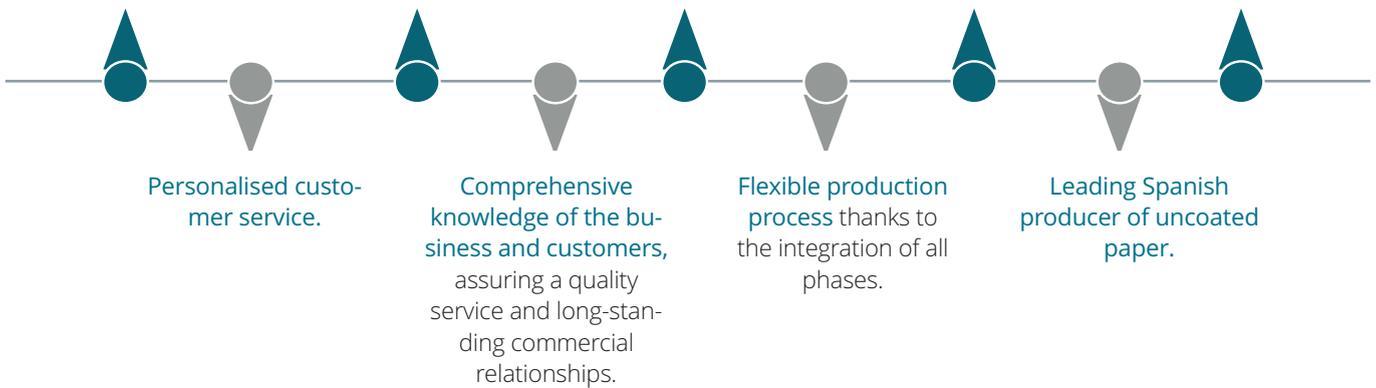
Manufacturing to order so as to offer a top-quality product by creating an efficient production process in our facilities.

Diversified customer portfolio, thereby mitigating risks of concentration in one geographic area or group of customers.

Competitive prices that meet customers' expectations.

Speedy commercial decisions thanks to our commercial management.

Ongoing search for market opportunities, offering our customers new products and entering new markets such as specialty paper.



COMMERCIAL DIVISION'S MAIN STRATEGY: KEY POINTS



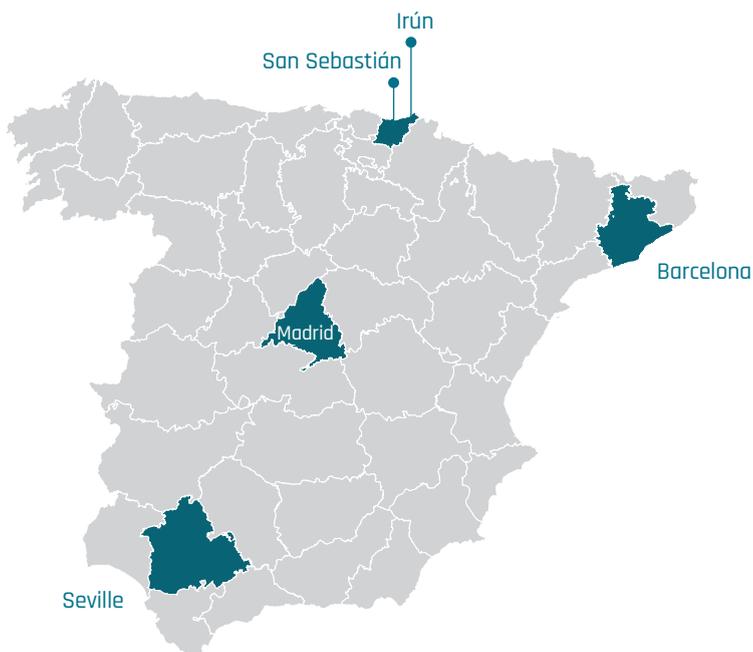
THE IBERPAPEL GROUP HAS SALES OFFICES IN:



Iberpapel continues to be a benchmark in southern Europe's traditional printing and writing paper markets. We have sales offices in San Sebastián, Irún (for the French market), Madrid, Barcelona and Seville.

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

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



OUR CUSTOMERS

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.

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

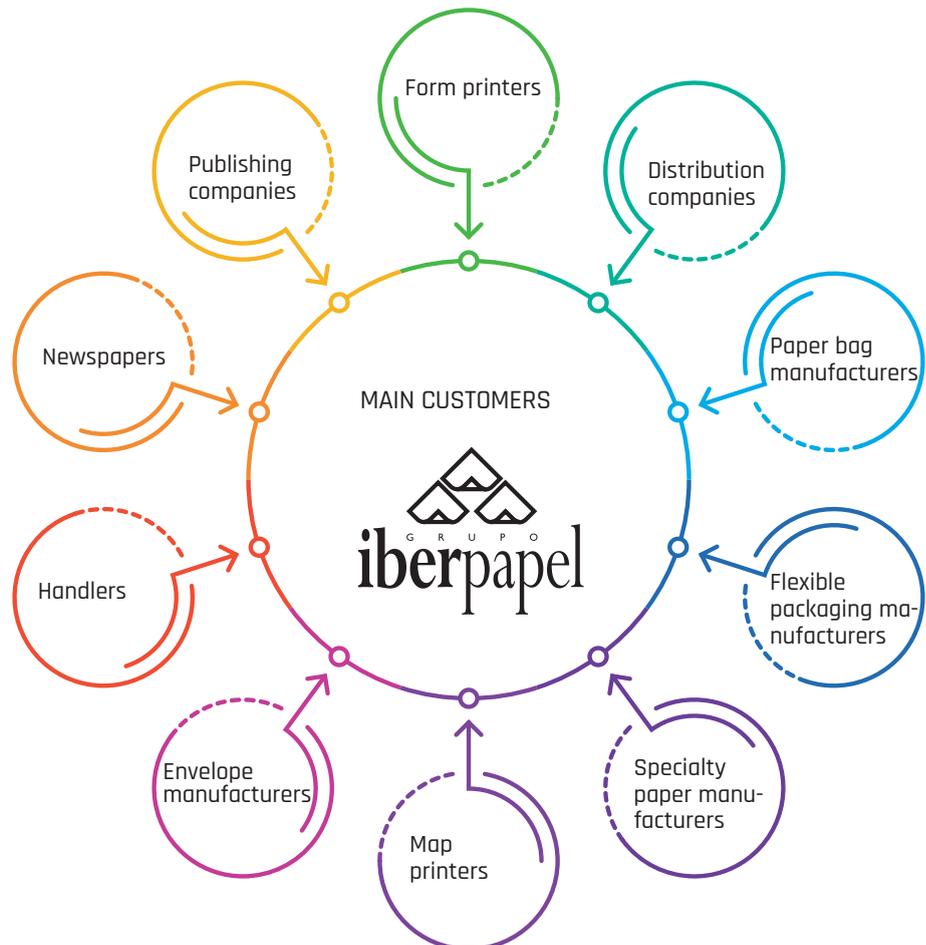
The loyalty of our customers and our flexible commercial policy allow us to maintain a diversified sales structure. These lasting commercial relationships

reflect our customers' satisfaction with the service received from our sales representatives and the high quality of the products we make. Our products are ISO 9001:2015 and ISO 14001:2015 certified, PEFC™ and FSC® certified and have been granted the German ISEGA XXXVI recommendation 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 currently have operations in the Asian and Latin American markets.

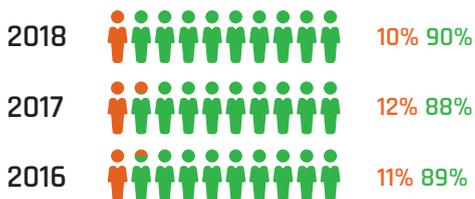
We remain focused on innovation and the continuous search for new products with high added value to extend, complement and diversify our market presence, preferably in markets showing high growth potential.



IBERPAPEL'S CUSTOMERS AT A GLANCE:

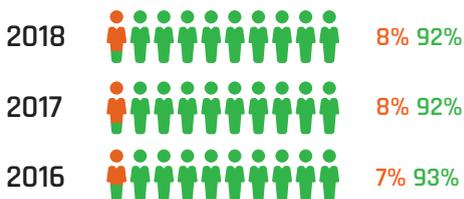
AGE OF DOMESTIC CUSTOMERS

- Less than 5 years
- More than 5 years



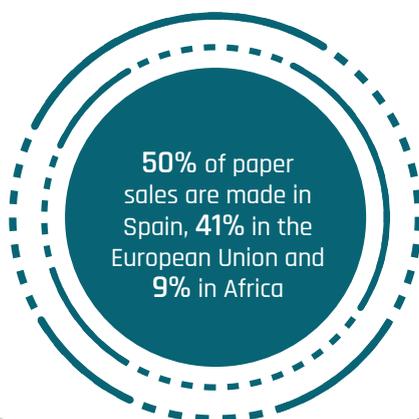
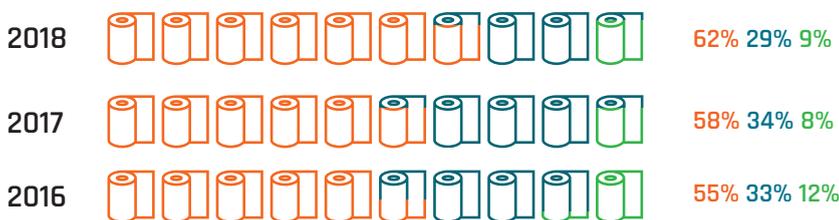
AGE OF INTERNATIONAL CUSTOMERS

- Less than 5 years
- More than 5 years



GEOGRAPHIC DISTRIBUTION OF REVENUE

- Spain
- European Union
- Africa and rest of the world



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:** 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 enveloping. **70-100 gr.**

BUDGETING AND PLANNING

The Group prepares a sales plan combining budgets for short- and long-term volumes based on our experience and market knowledge, customers' needs and our 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 regards transport safety, we involve all our carriers, demanding assurance that all vehicles and drivers meet legal requirements. Similarly, in view of the imminent amendments to the relevant regulations, we obtain safety commitments aspects from the transport companies, reminding them of their responsibility to secure the load and reserving our right of inspection.

We assure transporta-

tion 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 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. 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 METHOD OF TRANSPORT

(Finished products % of total)

YEAR	DOMESTIC MARKET			EXPORT MARKET		
2018	98.99%	-	1.01%	82.33%	4.63%	13.04%
2017	99.13%	-	0.87%	69.03%	7.31%	23.66%
2016	99.13%	-	0.87%	69.03%	7.31%	23.66%



#04

Our Social Responsibility





4.1 Management approach to Corporate Social Responsibility (CSR)

A SOLID COMMITMENT TO CSR

Iberpapel maintains the commitment to transparency, good governance and sustainability that we make to our shareholders and to each of our stakeholders. This relates in particular to quality, service and the environment, given our market positioning as one of the leading players in Spain's 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.

The Corporate Social Responsibility Committee, formed in 2017 and reporting to the Board of Directors, allows us to assure that our commitment to society and the environment gains further ground. In 2018, this commitment was set out in two new policies, the Climate Change Policy and the Corporate Social Responsibility Policy:

- Our Climate Change

Policy lays down the Group's pledge to the environment and, in particular, to climate change, one of humankind's most important challenges in the XXI century. This new policy contains 11 specific actions areas to implement this commitment.

- The Corporate Social Responsibility Policy defines six general principles and, more specifically, defines the basic, concrete principles governing actions for each aspect of CSR and our stakeholders, as the Group's key points of reference.

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)



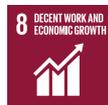
The Iberpapel Group, through its business, has a variety of positive impacts on the environment that help to achieve the 17 United Nations Sustainable Development Goals (SDGs) to tackle Climate Change, Poverty and Inequality; our contribution is particularly relevant to combating climate change, protecting the environment and biodiversity. The main positive impacts in pursuit of the SDGs are as follows:



- The Group promotes health and safety in the workplace.



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



- Stable, lasting employment relationships are promoted through permanent contracts (above 94%), favouring a pleasant working climate.



- The "Hernani Project", a clear focus on innovation, technology and growth allows the Iberpapel Group to maximise value creation for all stakeholders.



- The Iberpapel Group is working to obtain CO₂ emission capture certification at its plantations (VCS-verified project in Uruguay)

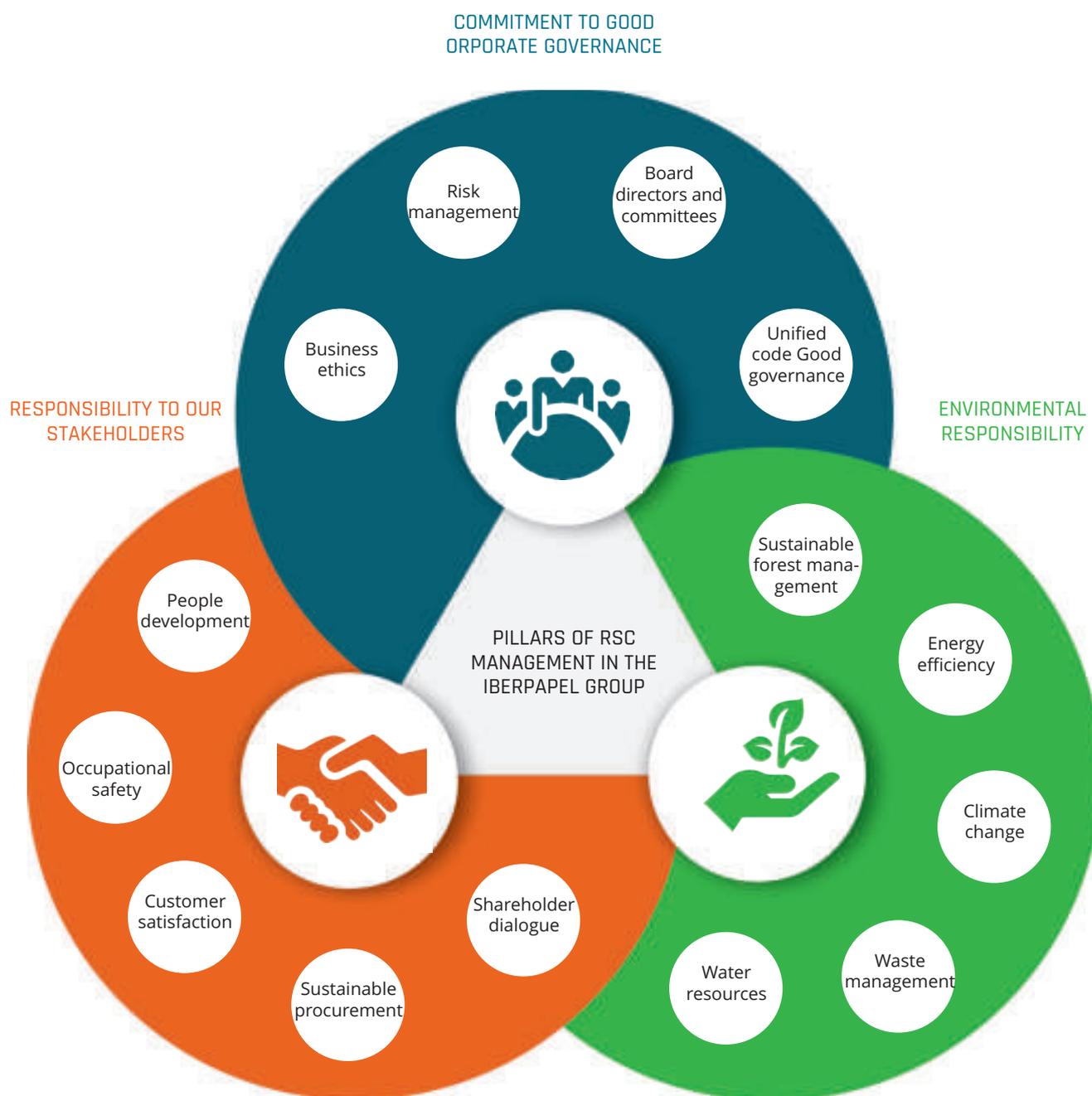


- The Iberpapel Group seeks to use forest resources sustainably and responsibly, guaranteeing future viability. The Group's best practices include the promotion of silvopastoral systems that help to preserve the local area and generate considerable social and environmental benefits, as well as promoting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

PILLARS OF CSR MANAGEMENT

Iberpapel focuses on integrating CSR into its strategy. There are three key pillars:

- Commitment to good corporate governance.
- Environmental responsibility.
- Responsibility to stakeholders (employees, suppliers, customers, etc.).



4.2 Stakeholder dialogue commitment

> [102-12, 102-13, 102-40, 102-43, 102-44]

MANAGEMENT APPROACH TO STAKEHOLDER DIALOGUE

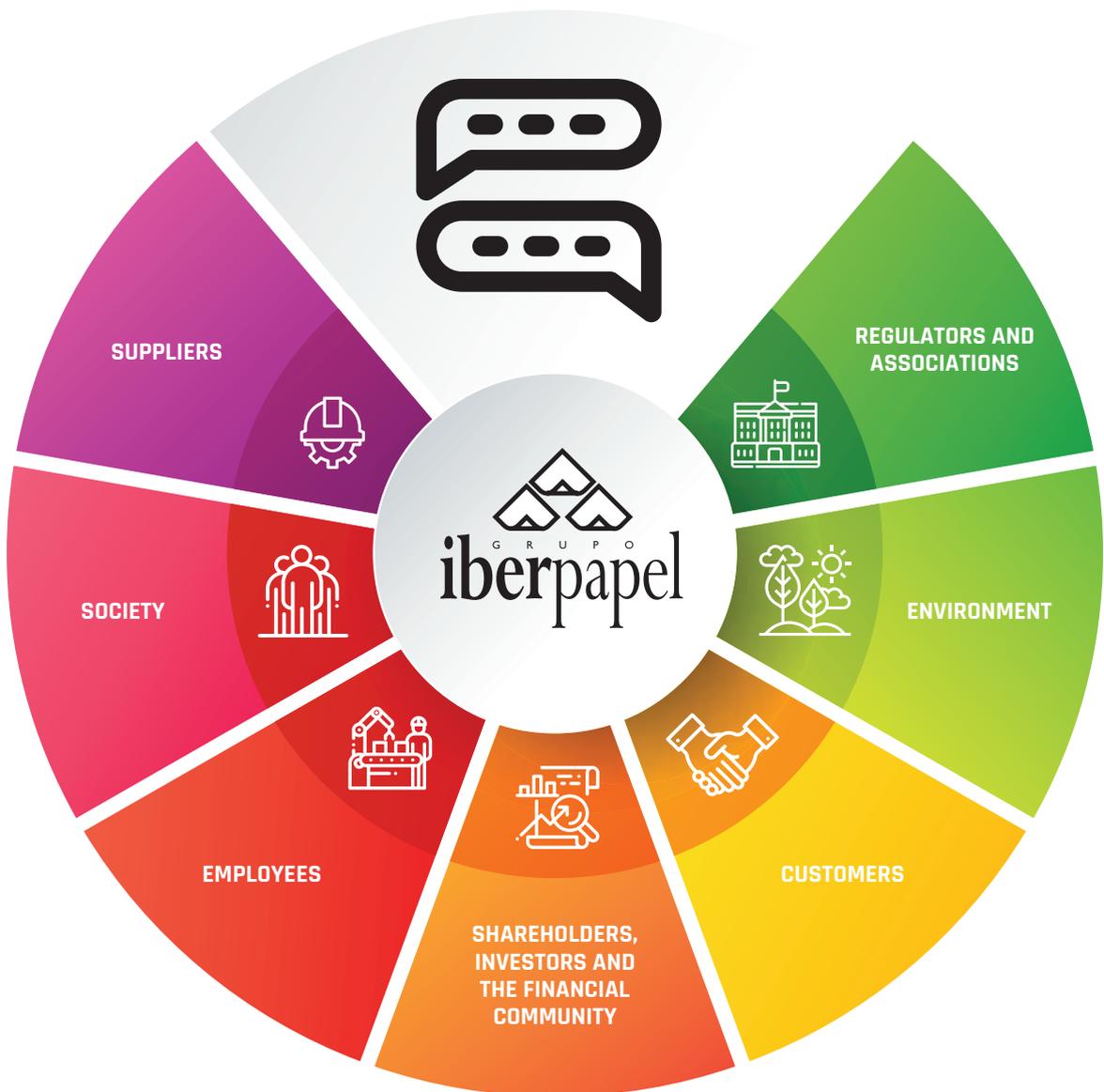
The Iberpapel Group places great importance on close and continuous communication with all the stakeholders and entities that make our Group's success possible.

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 acti-

city 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 com-

munication channels to receive and respond in a personalised manner to their concerns and to attempt to guarantee their satisfaction.

SMOOTH DIALOGUE WITH OUR MAIN STAKEHOLDERS



Dialogue channels Highlights of our dialogue and relationship

	<p>DIALOGUE WITH CUSTOMERS</p> <ul style="list-style-type: none"> • 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
	<ul style="list-style-type: none"> • 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. Between 90% and 92% have been working with us for over five years. • We have made an online paper purchasing platform available to our customers.
	<p>DIALOGUE WITH SUPPLIERS</p> <ul style="list-style-type: none"> • 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
	<ul style="list-style-type: none"> • Over 25% of our timber suppliers have been working with us for more than 30 years. Over 90% have been with us for at least 10 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.
	<p>ENVIRONMENTAL DIALOGUE WITH STAKEHOLDERS</p> <ul style="list-style-type: none"> • Regular participation in various environmental forums.
	<ul style="list-style-type: none"> • We are active members of the following environmental forums: <ul style="list-style-type: none"> > 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.
	<p>DIALOGUE WITH EMPLOYEES</p> <ul style="list-style-type: none"> • 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.
	<ul style="list-style-type: none"> • In the Group's Industrial Division, in 2018, over 4,165 hours were devoted to work-life balance matters. In addition, an average of 53 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.

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

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 - Shareholders and investors:
 - > Fact sheet.
 - > Corporate presentation.
 - > Press releases.
- Annual report.
- Dedicated e-mail address: 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 2018, we were regularly 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 with regulators and associations.

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 (<http://labolsadepapel.com>).

A platform for manufacturers of paper bags, paper for bags, paper handles for bags, inks and paper bag machines which promotes sustainable consumption, conducts market research, disseminates information on environmental benefits, supports trade through constant innovation and responds to consumer demands.



- 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 | www.iberpapelonline.es | B2B (Business to Business) commerce.
- 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]



PRESENT AND FUTURE COMMITMENT TO OUR PEOPLE

2018 Milestones

- Installation of a safety measure application control system in our facilities.
- Approval and implementation of updated Safety Instructions.
- Adaptation of the occupational risk prevention management system to Prosafety's system.
- Pre-audit under OHSAS 18001:2007.

2019 Objectives

- Audit under OHSAS 18001:2007.
- Reduction of absenteeism due to illness and accidents.
- Promotion of contracts for young professionals.
- Computerisation of the Human Resources Department for the management of people, training and attendance control.
- Maintenance of a stable working climate and improve industrial relations.
- Negotiation of the provincial collective bargaining agreement.

A. OUR PEOPLE MANAGEMENT

24.05% of employees (25.14% in 2017) have been with the Group for over 20 years and 74% for over 10 years.

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 24% of our employees have been with us for over 20 years and

virtually all of them are on permanent contracts.

At 31 December 2018, the Group had an average headcount of 291 employees, in line with the previous year. Their average age was 46.51 years (47.32 in 2017), the majority being

between 40 and 49 years of age.

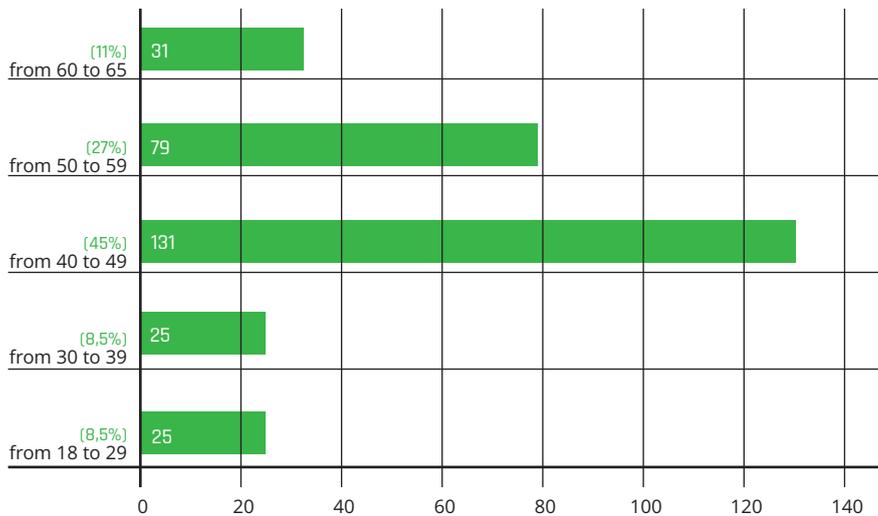
Mutual respect and trust have assured a relatively stable average workforce in recent years, which reflects our employees' commitment to and satisfaction with our work phi-

THE IBERPAPEL GROUP'S EMPLOYEE HIGHLIGHTS

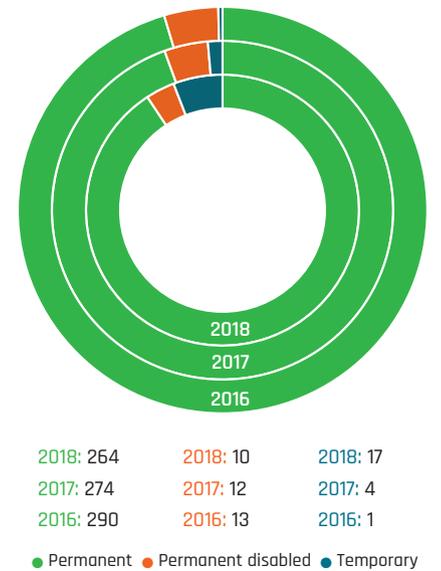
	2018	2018	2017	2017	2016	2016
Board director	1	-	1	-	1	-
Executives	8	-	8	-	9	-
Technical specialists and administrative staff	51	25	49	27	46	27
Workers and specialists	200	6	202	4	205	5
	260	31	260	31	261	32
TOTAL	291		291		293	

EMPLOYEES BY AGE BRACKET IN 2018

Note: In brackets, the age bracket as a percentage of total employees



WORKFORCE DISTRIBUTION BY CONTRACT TYPE



Ninety-four percent 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.

B. EMPLOYEE CAREER DEVELOPMENT AND TRAINING

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

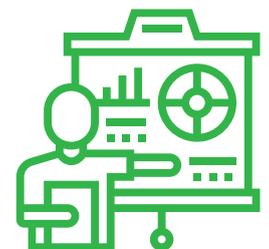
More than 14,358 hours of training was provided in 2018, entailing an average of 53 training hours per employee.

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.

In 2018, 635 training actions were completed at the plant, entailing a total of 14,358 hours, in line with previous years, although the number of ini-

tatives rose considerably and covered practically all of the workforce. The investment made totalled approximately €581,500 in internal and external costs. This training effort translates into an average of 53 hours and €2,528 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.

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 9001:2015 certification.



IBERPAPEL GROUP'S TRAINING HOURS

	2018	2017	2016
Training hours	14,358	15,773	10,739
Training hours per employee	53	54	46
Investment (€)	581,500	615,000	419,000

In 2018, there were 635 training actions in the following knowledge categories:

- Courses on occupational safety and first aid (including Proasafety).
- Induction training.
- Quality improvement courses.
- Training to expand the range of jobs that individuals can perform.
- Improvement of com-

munication 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 know-

ledge 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. Eighty-three 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 Group understands that our employees' welfare can be enhanced through fringe benefits. Papelera Guipuzcoana de Zicuñaga's workers therefore have:

- A medical service including a doctor and a qualified nurse on site in the plant, contracted with the company Quirón Prevención.
- A 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.
- A 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. 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.

C) LIFE-WORK BALANCE

+ 4,165 hours devoted to life-work balance matters in 2018

The Company considers life-work balance to be important, 449 actions and over 4,165 hours having been devoted to this during 2018, involving men and women, without distinction, on subjects such as:

- Prevention: 155 actions.
- Medical specialists: 83 actions.
- Family care: 75 actions.
- General practitioner and private doctors: 85 actions.
- Death of family members: 16 actions.
- Family marriage: 3 actions.
- Working hour reduction: 2 actions.
- Employee marriage: 7 actions.
- Legal guardian leave: 1 action.
- Minor care issues: 10 actions.
- Paternity: 4 actions.
- Changes of address: 2 actions.
- Other types of action: 6 actions.



D) INDUSTRIAL RELATIONS > [102-41, 407-1]

Iberpapel 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.

There are union representatives at Papelera Guipuzcoana de Zicuñaga, S.A.U. 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 (1), (CCOO) Comisiones Obreras (3) and Independent (2).

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 manufac-

turing sector. The Group's other employees are also covered by the relevant collective agreements. During 2016, the Provincial Collective Agreement (2015-2018) 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.



E) PREVENTION OF OCCUPATIONAL HAZARDS > [103-2, 103-3, 403-1, 403-2, 403-3]

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.

The Group's ethical principles include protecting the health of its employees. The Industrial Division has therefore implemented and maintains an Occupational Risk Prevention Management System certified by an independent third party

(DNV). This includes the following aspects:

- The Group's own prevention service, supplemented by a number of external prevention services.
- Scheduled annual prevention activities.
- Implementation of an occupational risk preven-

tion computer system (Prosafety).

- Coordination of business activities with our significant contractors.
- Observation and control of applicable prevention legislation by the employees themselves as they witness safe conduct.
- A periodic, highly ambi-

COST OF OCCUPATIONAL RISK PREVENTION ACTIVITIES AND RESOURCES 2018-2016

Thousand euro	2018	2017	2016
Own human resources	728	718	687
External resources (Asepeyo, Prevencilan, Unipresalud)	218	218	224
Specific risk prevention actions	173	275	214
Risk prevention training	130	109	99
TOTAL	1,249	1,320	1,224



tious inspection plan encompassing all the facilities.

Our own inspection service includes the relevant service managers and all executives and middle managers, all of whom are preventive resources.

Our external prevention services carry out functions such as:

1.- (Prevencilan): coordination of business activities, given the significant presence of contractors in the Company's facilities.

2.- CEI: control and observation of prevention rules in force by the employees themselves, thereby reinforcing the oversight activities that are the Company's responsibility.

We also have a joint Health and Safety Committee formed by representatives of management and the workers that holds regular meetings to promote corrective and/or preventive safety-related initiatives, entailing a considerable investment by the Company and benefit for the workers.

In 2018, the roll-out of the occupational risk management computer system (Prosafety) is practically complete at all levels, providing all our workers with a tool for risk assessment and all information on preventive measures they need to know and follow to avoid risks.

We edited our Prevention Plan during the year to include prevention ma-

agement software, including both Prosafety and Gesub.

We have also 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.

Costs of own and external human resources engaged in this activity amounted to approximately €941 thousand in 2018. Similarly, the specific actions entailed costs of approximately €173 thousand to improve signs and warnings, fire fighting installations, collective and individual protection, barriers and machine protection. An additional cost of approximately €130 thousand was incurred for risk prevention training.

Finally, at the end of 2018 phase one of the audit of the occupational risk management prevention system under the OHSAS 18001:2007 standard was completed and phase two is scheduled for 2019.

E1. OCCUPATIONAL MEDICINE

The Iberpapel Group has contracted the Prevencilan Prevention Service for occupational medicine purposes. In 2018, a total of 186 compulsory medical examinations were carried out, 174 workers having been declared fit to work and restrictions having been imposed in 11 cases.

One worker was declared unfit to work and left the Company on his own volition.

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 Quirón Prevención.

The medical service also coordinates seasonal flu vaccination campaigns.

E2. ABSENTEEISM DUE TO ACCIDENTS

In 2018, the total number of occupational accidents rose 19% on the previous year. Lost-time accidents increased by 4% and non-lost-time accidents by 24%. Days lost due to accidents rose 31% on the previous year.

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

As regards the main reasons for sick leave, 21% were due to falls on the same level (slips and trips) and 20% to impacts by objects or tools.

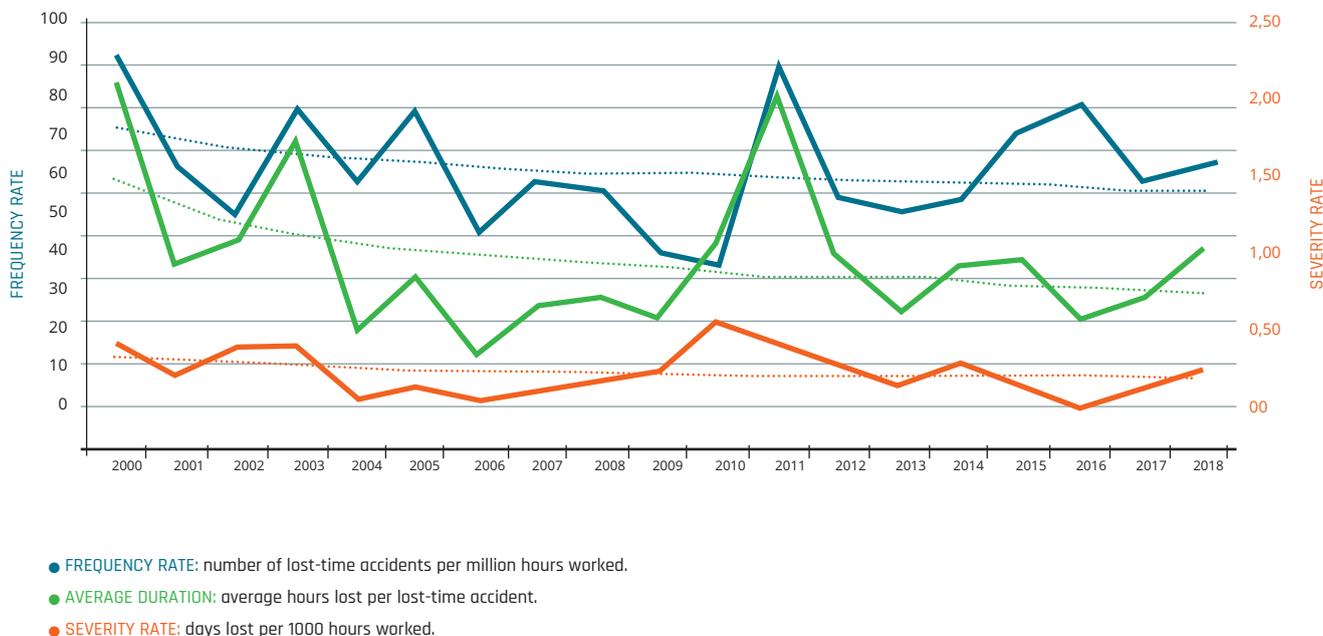
Body parts injured were mainly hands, feet and backs, reflecting the causes of the accidents.

With respect to the most typical injuries, the data mirror the information provided above: 39% relate to muscular injuries and 26% to cuts and bruises.

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



EVOLUTION OF THE IBERPAPEL GROUP'S ACCIDENT RATES (2000-2018)



E3. 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 Gene-

ral 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 in-

tervene 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.
- No matters were reported through the whistleblower hotline during the year.
- Management is commit-

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

In 2018, assisted by Deloitte, we prepared templates of risks and related controls. Those responsible for each area identified have self-certified compliance with the controls and some have been audited by a third party.



4.4 Responsibility to our customers

> [102-9]

OUR CUSTOMERS TRUST US BECAUSE...

- We design and make high-quality products in response to their needs.
- We are flexible in our production and commercial processes.
- We promote innovation in competitive and sustainable products and services, as a part of our strategy.

A. CUSTOMER SATISFACTION AND TRUST

The mainstays of our success are the design and manufacturing of high-quality products and a flexible production process. This has resulted in customer satisfaction and trust.

Our Quality Policy is focused on supplying products that meet customer expectations, a commitment to continuous improvement and an active,

reliable role in the paper market. All our employees are aware of their place 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.

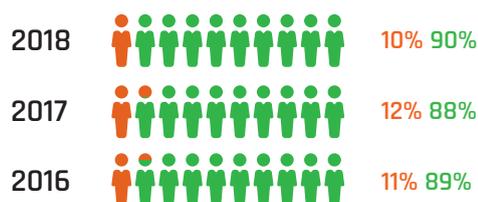
- Assure deliveries meet our customers' requirements.
- Build a smooth dialogue with customers to enhance the quality of existing products or develop new products that meet current or future needs.

Customer satisfaction and loyalty is high, as demonstrated by the fact that 90% 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%.

PGZ, after more than 80 years of business, has a solid market image.

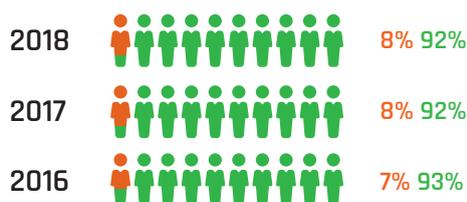
AGE OF DOMESTIC CUSTOMERS

- Less than 5 years
- More than 5 years



AGE OF INTERNATIONAL CUSTOMERS

- Less than 5 years
- More than 5 years



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 which allows us to look to the future with confidence.

Iberpapel, in its commit-

ment 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 imple-

ment 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.

B. MARKETING STRATEGY FOCUS AREAS

- We respond to our customers' current and potential needs and expectations using key information.
- We continuously review pricing policies.
- We plan and promote our products in domestic and international markets.

Our marketing strategy reflects a continuous improvement approach so as to expand and maintain our customer base by meeting their demands.

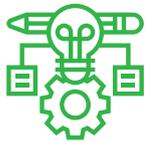
This strategy is based mainly on:

- Obtainment and holding 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.

B1. 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), consolidating our position as leading supplier of different paper grades in the packaging segment.



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]

At Iberpapel, we have designed management procedures that are both efficient and sustainable, allowing a rational, effective, economical supply process integrated with our corporate procure-

ment policies. We also have two chains of custody that guarantee the sustainable sources of our raw materials obtained from forests. One of the essential aspects of our business is 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.

A. MANAGEMENT APPROACH TO SUSTAINABLE PROCUREMENT

The supply of timber and 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 by Bureau Veritas and by SGS as from this year.

The purpose of both chains is to systematically

guarantee traceability between certified raw materials and certified final products (paper). Through their responsible purchases of certified paper, 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 Eucaliptus, S.A.

- The chain of custody at Papelera Guipuzcoana de Zicuñaga, S.A.U. is multi-site for FSC®, covering the following companies: Co-

paimex, 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 Online, S.L.U. and Ibereucaliptos, S.A.U.

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



B. CHAIN OF CUSTODY SYSTEM PERFORMANCE

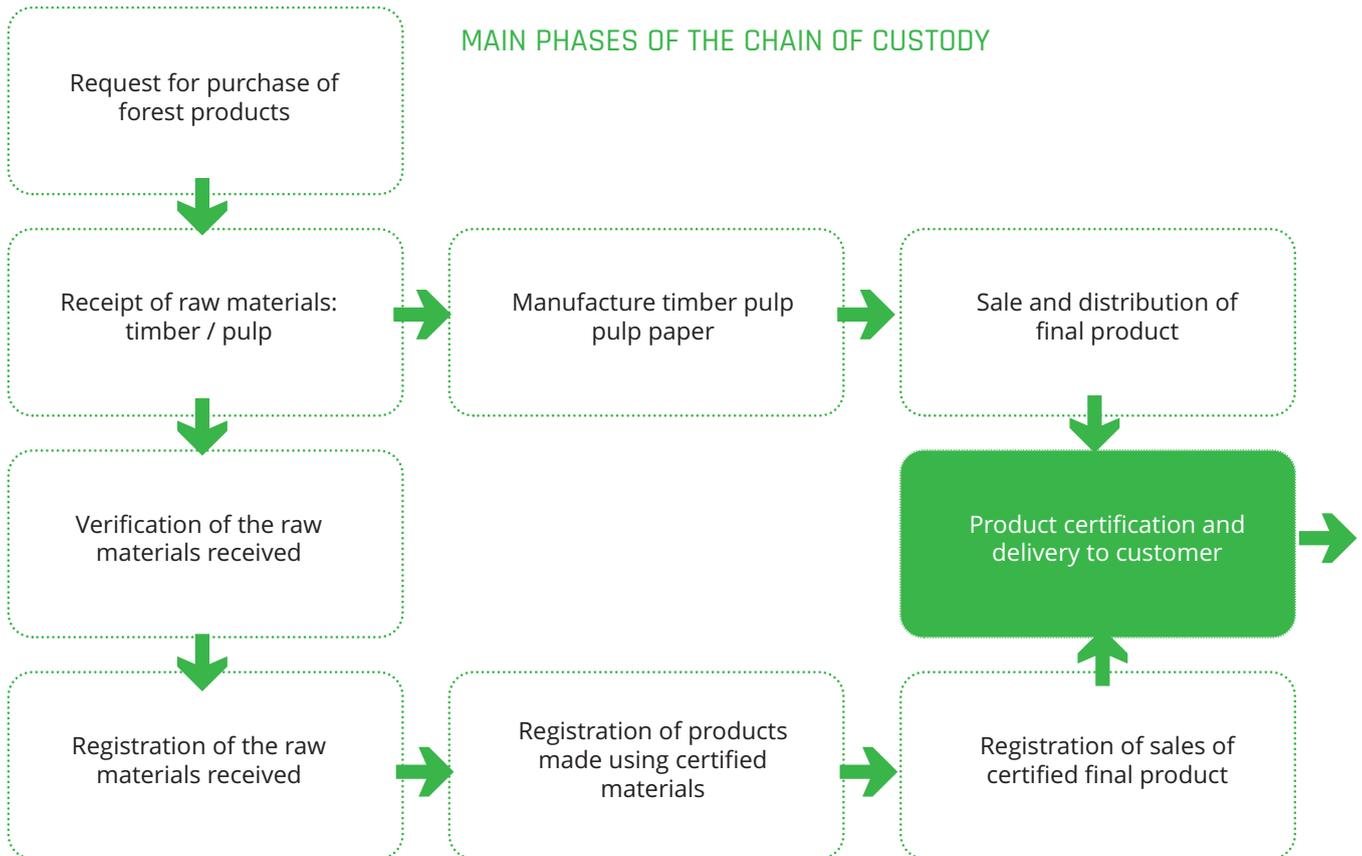
In recent years, the input rate for certified forest materials in Iberpapel's production system has been above the reference rate for Spain's paper industry, setting us apart from our competitors in terms of the high quantity of certified products.

- In 2018, we reached 69% 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.

MAIN PHASES OF THE CHAIN OF CUSTODY



C. SUMMARY OF THE RAW MATERIAL SUPPLIER ASSESSMENT AND CONTROL PROCESS

Sustainability is integrated with the Group's strategy, involving the entire value chain including suppliers, who share our environmental policy. We include environmental aspects in our supplier relationships, buying from suppliers that have been assessed and are considered suitable. We therefore work with a list of authorised suppliers whose reliability and performance are periodically monitored.

As evidence of the Company's commitment, in 2018 100% of the timber used by the Iberpapel Group was bought from suppliers with custody chain certification.

The timber delivered by these suppliers is controlled by means of the EUTR

(European Union Timber Regulation) Due Diligence System.

Each supplier undergoes continuous evaluation, 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 three years, 75% of timber

suppliers have been working with us for more than five years.

AGE OF SUPPLIERS: RAW MATERIAL: TIMBER

- Less than 5 years
- More than 5 years



SOURCE OF RAW MATERIAL

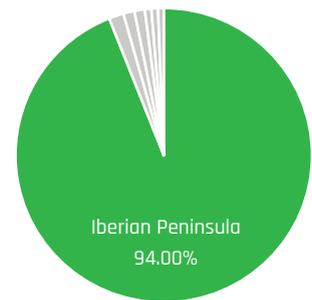
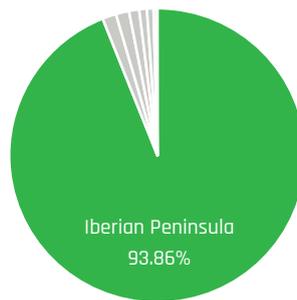
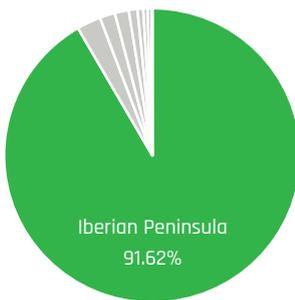
In 2018, over 90% of the Iberpapel Group's raw material was obtained in the Iberian Peninsula (91.62%). Timber and other supplies from European countries are also used, mainly Portugal (2.63%), Germany (1.67%), Sweden (1.52%) and Austria (0.95%).



2018

2017

2016



- Portugal 2.63%
- Germany 1.67%
- Sweden 1.52%
- Austria 0.95%
- Netherlands 0.62%
- France 0.47%
- Poland 0.45%
- Italy 0.05%
- United Kingdom 0.01%

- Sweden 1.51%
- Germany 1.43%
- Austria 1.11%
- France 0.83%
- Netherlands 0.72%
- Finland 0.32%
- Italy 0.07%
- United Kingdom 0.02%

- Germany 1.61%
- Austria 1.21%
- Sweden 1.13%
- Netherlands 0.71%
- France 0.72%
- Other 0.62%



#05

Our Environmental Responsibility





5.1 Environmental responsibility

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



A. INTERNATIONAL ENVIRONMENTAL SITUATION

There is currently a trend towards a low-carbon-emissions economy that uses resources efficiently while being socially respectful in terms of both consumption patterns and the resulting benefits.

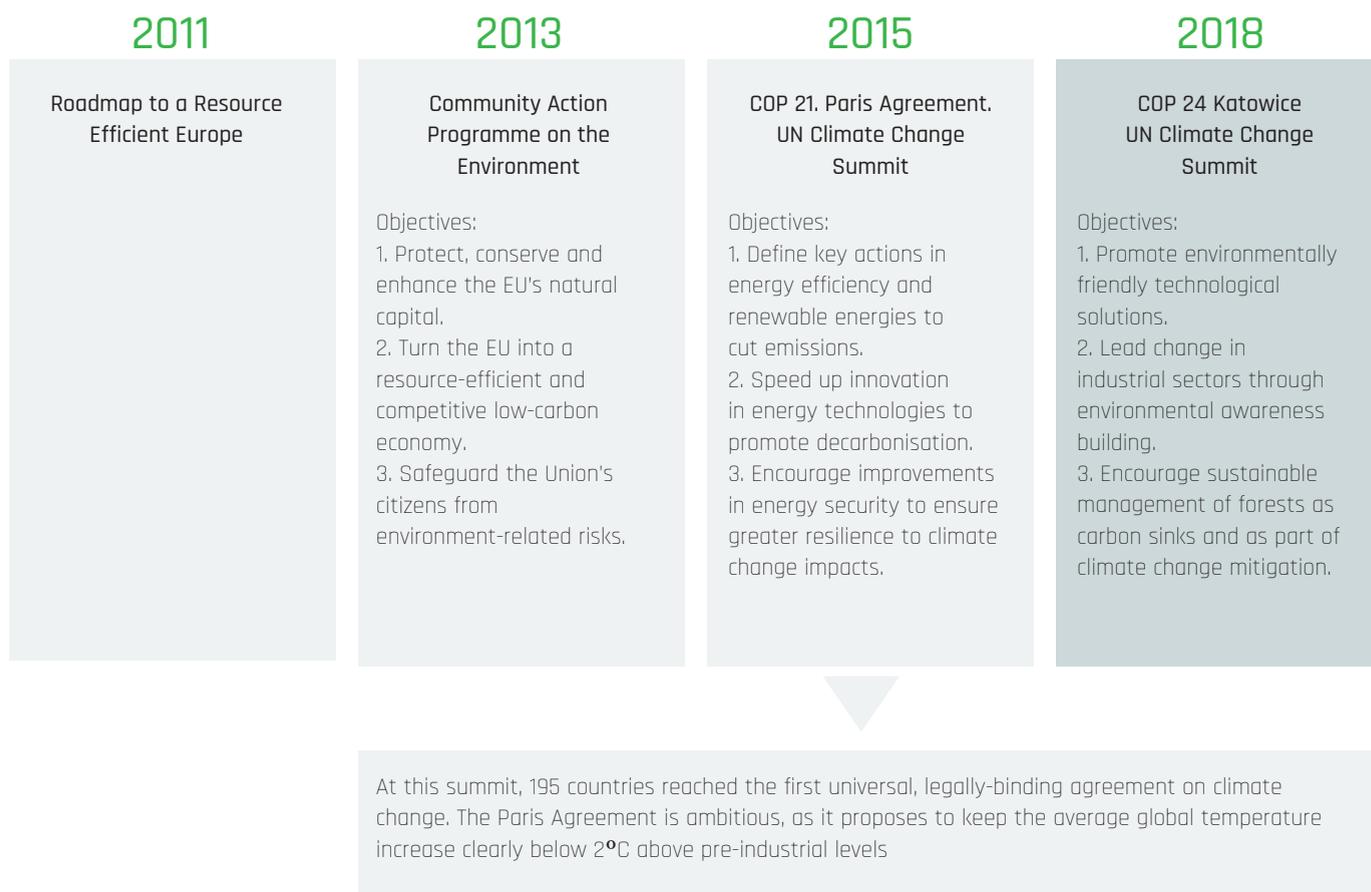
It must be based on the use of renewable sources of both energy and raw materials, as well as on the efficient use of resources.

The World Business Council for Sustainable Development (WBCSD) estimates that efficiency in

the use of resources must increase at least fourfold by 2050. In this context, and according to the International Energy Agency (IEA), by 2040 nearly 60% of all new power generation capacity will be in the form of renewable ener-

gies and the average intensity of power generation emissions will fall to 80 grams of CO₂ per kWh (entailing a reduction of over 84%).

The European Union's transition so far has included the following steps:



The Iberpapel Group has environmental management systems that include mechanisms to supervise and monitor legislation so as to ensure full compliance. It should be noted that, in 2018, no fines or penalties were imposed on Iberpapel due to the failure to comply with environmental legislation.

B. ENVIRONMENTAL PERFORMANCE AT A GLANCE

The Group bases its business objectives on environmental protection and on the suitable management of related stakeholder

expectations. The main environmental achievements in 2018 were as follows:

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.

244,290 t CO₂ avoided

Thanks to the focus on power generation technologies such as cogeneration and biomass, having a lower environmental impact

100%

of energy consumed is produced by **cogeneration**

100% of our timber suppliers are **custody chain certified**

100%

100%

100% of the Group's forest assets in Spain and Uruguay are **FSC[®]** certified

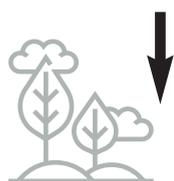
26% since 2005

In recent years, the Iberpapel Group has worked to reduce water consumption. **16.3 m³** of water is currently used per t produced

48%

48% of all the plant's **waste is reused externally**

The Group also has an Energy Management System under the **ISO 50001** standard.



800,000 t CO₂

Certification of the removal of **800,000 t of CO₂** through the **issuance of VCU**s at our **plantations in Uruguay**



ENVIRONMENTAL HIGHLIGHTS

	2018	2017	2016
Atmospheric emissions of sulphur (kg/t of pulp produced)	0.0100	0.0097	0.0081
Nitrogen oxide emissions (kg/t of pulp and paper produced)	0.64	0.61	0.86
Atmospheric emissions of particulates (kg/t of pulp produced)	0.19	0.16	0.16
Consumption of cogeneration electricity	100%	100%	100%
External reuse of plant waste	48%	47%	64%
"Hazardous" waste as a % of total plant waste	0.1%	0.1%	0.1%
Water used per unit of pulp + paper produced (m ³ /t)	16.30	15.8	16.4
CO ₂ saving due to use of biomass (t)	186,455	184,093	165,253
CO ₂ saving due to cogeneration (t)	57,835	59,801	45,042
Electricity consumed (Mwh/t)	0.544	0.526	0.527
Heat consumed (Mwh/t)	2.32	2.28	2.19
CO ₂ emissions (t)	214,521	218,844	203,724

C. OUR COMMITMENT TO ENVIRONMENTAL IMPROVEMENT

At PGZ we are aware of the key role played in promoting sustainability and positively influencing our society through the environmental impacts of our industrial activity. We therefore align our strategies

with the Group's environmental commitments. We apply Best Available Techniques to a high level in the manufacturing processes with the aim of assuring the least possible impact on the natural en-

vironment. In order to comply with the values contained in the latest BREF, the BREF conclusions were applied to Best Available Techniques by the effective date (September 2018). The Basque

Regional Government reviewed and updated our Integrated Environmental Authorisation (IEA) accordingly.



WE PROMOTE THE USE OF CLEAN FUELS



244,290 t
CO₂
avoided in 2018

- Heavy fuels having a high impact on CO₂ emissions are eliminated.
- Our carbon footprint is reduced using biomass and natural gas in our industrial activity.



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

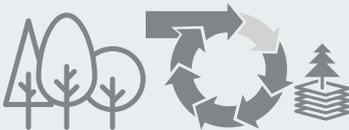


25,778 ha
of forest

- We promote timber plantations and sustainable forest management.
- We do not consume trees from natural forests.
- Our activity conserves forests.
- Certification of CO₂ removal at our forests in Uruguay.



WE FOMENT BIOINDUSTRY AS A CORE ASPECT



- From timber, paper plants can make cellulose, paper, bioenergy, biofuels, biocomposites and a large variety of products that require forest fibre.



WE OPT FOR A NEW INDUSTRIAL MODEL OF SUSTAINABLE CONSUMPTION AND PRODUCTION



48%
waste reused

- We promote a circular economy by reusing and transforming industrial waste into resources



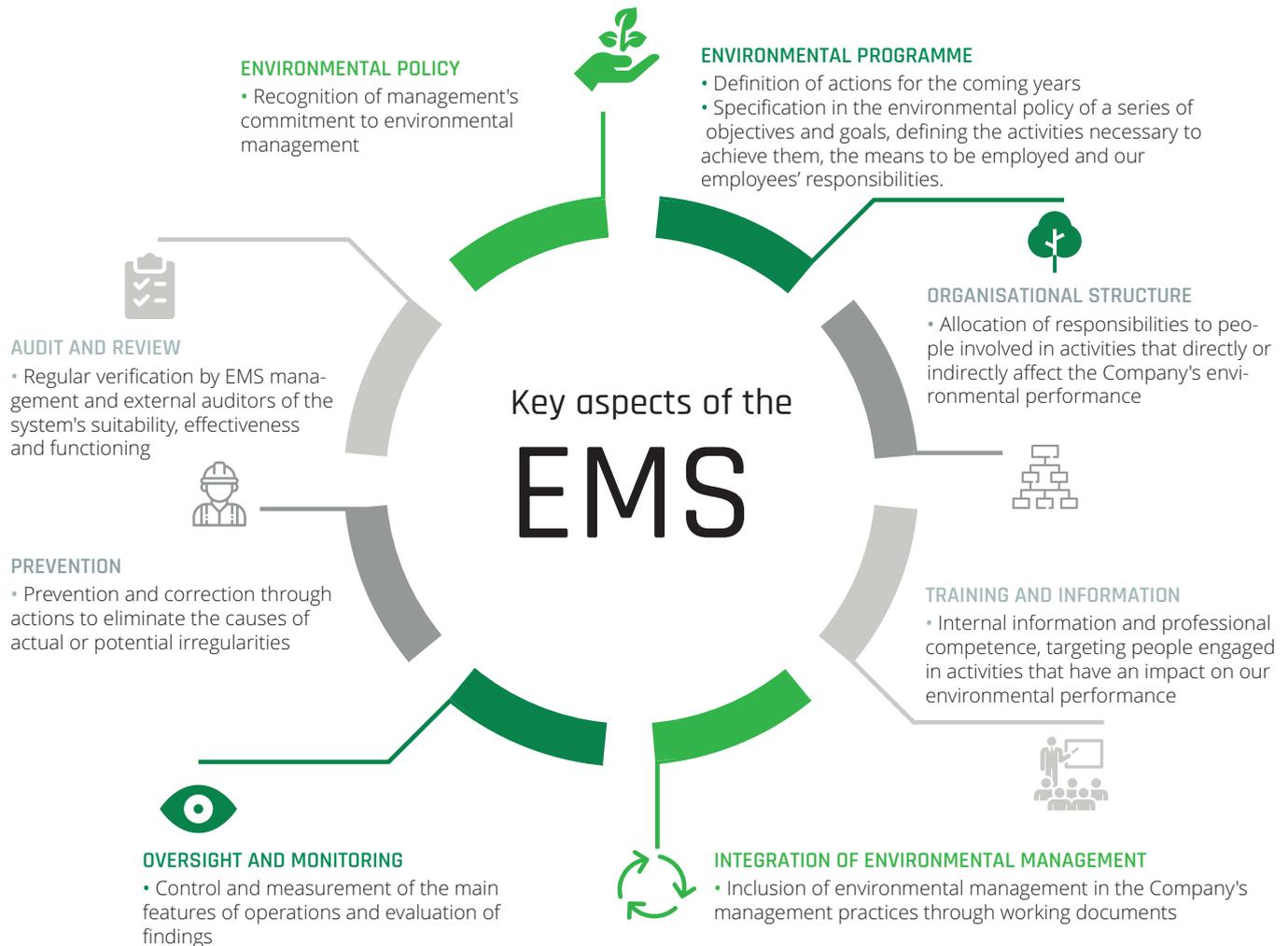
WE MINIMISE ENVIRONMENTAL IMPACTS



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



C2. Our Environmental Management System



An Environmental Management System (EMS) allows the organisation to integrate the environment into its overall management through effective coordination to ensure that decision-making is consistent across the business.

The 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 environ-

mental regulations and corporate policy. The main features of the Iberpapel Group's EMS are as follows:

- It is based on the ISO 14001 standard and certified by Det Norske Veritas (DNV), which carries out annual inspections and audits.
- The EMS includes a procedure for monitoring GHG emissions, which identifies emission sources and defines the approach to be adopted to take the necessary measu-

rements 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 procedure for managing the Group's two custody chains for certified raw materials (timber and pulp) is integrated in the same EMS, guaranteeing traceability from the raw materials to the certified final product re-

quested 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 GHG emissions. The energy management system is certified by Det Norske Veritas, DNV.

C3. Environmental training and awareness-building

Iberpapel considers that the training proposed by the ISO 14001:2015 standard is highly relevant to environmental performance. This training is designed to ensure that all our employees contribute towards ongoing environmental improvement and are able to respond to issues arising in their activities (waste management, raw materials handling, noisy activities, atmospheric emissions, etc.).

The focus is on three aspects:

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

We identify training needs related to the impacts of our activities by means of annual training plans validated by management.

TRAINING FOR NEW EMPLOYEES

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

MONITORING OF SUPPLIERS AND PRODUCTS

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.

SOIL

- Soil is among the United Nations' sustainable development goals in its 2030 Agenda, 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.

BY-PRODUCTS

- The European Union has developed the Regulation for Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH). All chemical substances made in or imported into the EU must be registered at the European Chemicals Agency in Helsinki.

D. CONSUMPTION OF RAW MATERIALS AND BY-PRODUCTS

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



Our raw material has the following benefits as a renewable, recyclable material:

- The European Union's fo-

rests are estimated to absorb 10% of the EU's total greenhouse gas emissions.

- Between 2005 and

2015, European forests grew by 44,000 km².

- Cellulose plants can obtain greater added value from timber compo-

nents and secondary production processes, thereby minimising waste.

D1. Sustainable forest management in the Iberpapel Group

Our forest management is based on the following principles:

<p>Certification of CO2 emission reductions in voluntary carbon markets (VCS)</p>	<p>Sustained upkeep of the natural resource</p>	<p>Preservation and promotion of environmental values such as biodiversity, soil quality, air and water</p>	<p>Local community development through job creation</p>	<p>Upkeep of social values</p>	<p>Support for training or availability of areas freely accessible to the general public</p>

The surface area managed by Iberpapel in Spain, Argentina and Uruguay is used mainly to sustainably produce *Eucalyptus globulus* timber on forest land, with *Eucalyptus grandis* as a secondary species.

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 forestry without dislocating the area's traditional activities.

The silvopastoral management system is thus intended to optimise and boost the production capacity of fields previously used as pastureland

SPAIN

Forestry activities in Spain are integrated into the natural rural highland systems and forestry is complemented by hunting activities.

through extensive livestock farming focused on the rearing of cows and sheep while conserving protected native woodland. It has become an essential tool for the sustainable use, exploitation and management of the natural resources. These production systems

SOUTH AMERICA

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.

allow economic, environmental and social benefits to be obtained, as explained below.

ECONOMIC



benefits

- Increase in yields from forestry activities.
- Boost for forage supplies.
- Improvement of soil productivity.
- Generation of revenue in addition to forest products.

ENVIRONMENTAL



benefits

- Contributions from ruminants to the greenhouse effect is offset by carbon sequestration by trees. The energy balance between the calories necessary for the entire production cycle is exceeded by the calories accumulated in the biomass.
- Favourable for biological activity.
- Rise in soil fertility and improvement in soil structure.
- Soil protection.
- Control over water erosion.

SOCIAL



benefits

- Society is better able to enjoy the advantages offered by forests.
- Incentive for people to contribute to the upkeep of forest resources.
- Increased demand for labour and personnel training due to more intensive management.

The Iberpapel Group is very aware of the importance of sustainable forestry and our role in driving social and economic development in local communities. We thus opt for a forestry system that is responsible and sustainable, environmentally committed and aligned with 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.



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.

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.

Our Group's forestry activities observe 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.



D2. Proposed objectives of the sustainability model applied at the Iberpapel Group's plantations

[1] Plant forests on forest 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.

[2] 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 the species Lotus sp.

[3] 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.

[4] 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.

[5] 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.



[6] 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.

[7] Produce timber profitably: this is achieved through the selection of adequate plantations, use of suitable cultural practices and seeding of high-quality materials.

[8] Increase complementary livestock production by improving pastures and assuring adequate planting patterns: we achieve this by implementing silvopastoral systems.

[9] 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.

[10] Assure appropriate genetic biodiversity: we employ Eucalyptus globulus clones and seeds selected from diverse sources to increase the variability of our forests.

ENERGY AND CLIMATE CHANGE

MECHANISMS DERIVED FROM THE KYOTO PROTOCOL

The international community has agreed to limit the average temperature rise to 2°C above the temperature during the pre-industrial era. With this aim, 192 member countries of the Kyoto Protocol and 197 Convention signatories are legally bound to the emission reduction targets. The latest step in the United Nations climate change regime is the 2015 Paris Agreement signed in the COP 21 and the decisions taken in the Katowice COP 24 in 2018, which have intensified actions and investment necessary for a sustainable, low-carbon future.

The European Union has targeted an 80% cut in emissions by 2050. One of the proposals issued by the European Commission to address climate change was an **emission allowance trading system (ETS)** as the cornerstone of European policy to combat climate change. At the start of phase three, which runs from 2013 to 2020, 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). This was cut to 1.78 billion by 2015. The system currently affects around 10,000 facilities throughout Europe.

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.

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 CO₂ emitted. All operations holding emission allowances are reflected in the plant's credit account in the European electronic register. In the first quarter of 2019, the Company, fulfilling its legal obligations, will surrender the quantity of allowances covering its 2018 CO₂ emissions, amounting to 214,021 tonnes of CO₂.

In addition, 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.



The EU's emissions trading system is operational in all 28 Member States plus Iceland, Liechtenstein and Norway. It applies to approximately 11,000 power plants and industrial facilities in different sectors. 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.

CERTIFICATION OF CO₂ EMISSIONS REMOVAL AT OUR URUGUAYAN PLANTATIONS UNDER THE INTERNATIONAL VCS



In 2005, the Iberpapel Group initiated a reforestation project in Uruguay to increase CO₂ emissions removal in its forests, which act as sinks. This project consists of planting *Eucalyptus globulus*

forests on very severely eroded soils, combined with silvopastoral activities. The forest plantations in question are located in Canelones, Maldonado and Lavalleja, covering a

total surface area of 4,691 hectares. The project is called Iberpapel Silvopastoral System on Degraded Land and will offset a little over 800,000 t of CO₂ in the coming 50 years, besides contribu-

ting to sustainable development in Uruguay and to the Sustainable Development Goals through the following economic, environmental and social benefits:

The silvopastoral system boosts grass production and benefits livestock farming



ECONOMIC
benefits



4,691 ha reforested and protected

Prevention of land degradation, FSC certification assuring sustainable management of the plantations, creation of carbon sinks



ENVIRONMENTAL benefits



FSC-certified management systems



320,935 t CO₂ emissions absorbed

Creation of local employment to manage the plantations, implementation of a Social Action Plan to increase local knowledge of forestry activities



SOCIAL
benefits



Knowledge sharing with local communities



71% of the workforce are local people

In 2018, Iberpapel obtained Verified Carbon Standard (VCS) certification for this project, which will therefore serve the voluntary carbon markets. The project was validated by the Rainforest Alliance and registered with the Markit Environmental Registry for voluntary mar-

ket projects. International certification in 2018 means that the VCU certificates obtained are available to potential buyers in the voluntary carbon markets. Previously, the Group developed a specific method to calculate and monitor quantities of CO₂ absorbed

through the recovery of degraded land by reforestation, assisted regeneration and silvopastoral practices. This methodology, under the name Afforestation and Reforestation of Degraded Land (AR-ACM0001), 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.

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.

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:

- 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 buil-

dings, 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 will take approximately 18 months.

The impact of these changes, combined with the current reform of the ETS market, is very signifi-

cant, 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.

€100

per tonne of CO₂ emitted

The emissions trading directive (EU-ETS) imposes penalties of €100 for every tonne of CO₂ emitted that is not offset by 1 EUA within the stipulated annual period. Additional penalties may be established by the Member States.

D. ENERGY CONSUMPTION

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



Global progress in energy intensity is still progressing towards 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 international and European climate objectives.

Promotion of the use of renewable energies to generate electricity is making considerable progress, although heat generation has been left behind. 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.

At the European level, targets were set 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 ⁽²⁾.

² This framework, adopted by the EU's leaders in October 2014, is based on a package of climate and energy measures to 2020.

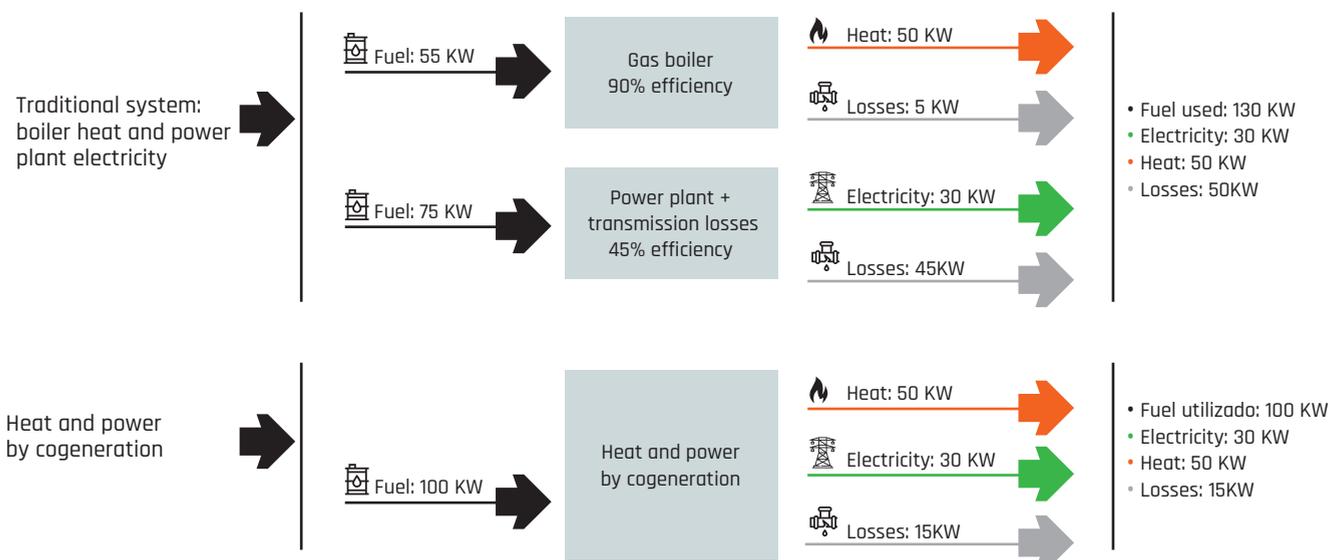
The Iberpapel Group is aware of the impact of its industrial activity, so we have taken numerous steps to promote energy efficiency and help to combat climate change. We have eliminated heavy fossil fuels in favour of clean alternatives through cogeneration as the best available technique and heat and electricity generation using biomass.

The Iberpapel Group has cogeneration systems

in its facilities (this type of generation is recognised as a Best Available Technique (BAT) in Directive 96/61/EC). Cogeneration consists of generating thermal energy and electricity in a simultaneous, highly-efficient process, reducing the impact on the environment since it requires less fuel than the separate production of the same quantity of heat and electricity.

- As a result of the use of cogeneration in our facilities, the Group has avoided 57,835 tonnes of CO₂, which would have been released into the atmosphere had the heat and power been produced separately.
- The use of biomass as a renewable fuel has avoided the emission of 186,455 tonnes of CO₂ that would have been released into the atmosphere using fossil fuels to generate the equivalent amount of energy.
- The Iberpapel Group has avoided total CO₂ emissions of 244,290 tonnes by using cogeneration and biomass. These emissions have contributed towards the country's overall GHG reduction objective.

SAVING THROUGH COGENERATION AS COMPARED WITH CONVENTIONAL TECHNIQUES



In 2018, 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 is also harnessed in the Urumea river using a small turbine. It is important to mention that the Group does not use heavy fossil fuels. Direct power consumption by the Iberpapel

Group fell to 3,890,820 GJ (natural gas and electricity) in 2018, a very significant part of this energy consumed being exported to the grid in the form of electricity. The use of the best avail-

able techniques applicable to our sector keeps the Iberpapel Group within very high energy efficiency ratios.

ENERGY CONSUMPTION (GJ)

	2018	2017	2016
Natural gas	3,803,558	3,900,974	3,634,211
Electricity	872,262	898,945	862,128

F. ATMOSPHERIC EMISSIONS

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



As regards air quality in Europe, the data reflect a slow improvement attributable 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 (NO₂) and tropospheric ozone (O₃).

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.

In Europe, the most problematic pollutants in terms of human health are particulate matter in suspension, ozone and nitrogen dioxide. SO₂, NO_x and NH₃ can also cause acidification and eutrophication in ecosystems, as well as harm to buildings and vegetation.

According to the 2018 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, Europe's economy having grown considerably in the past two decades while reducing emissions.

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 (CO₂), sulphur dioxide (SO₂) and nitrous oxide (N₂O). 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 lower concentration of sulphur dioxide due basically to the use of clean fuels such as biomass and natural gas.

Nitrogen oxide emissions are generated at the biomass plant and the co-

generation facility due to the presence of nitrogen in the fuel's composition or in the atmospheric air used in the combustion process. Emissions of this compound in 2018 amounted to 0.64 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

PM10, totalled 0.08 kg per tonne of pulp produced in 2018. 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.

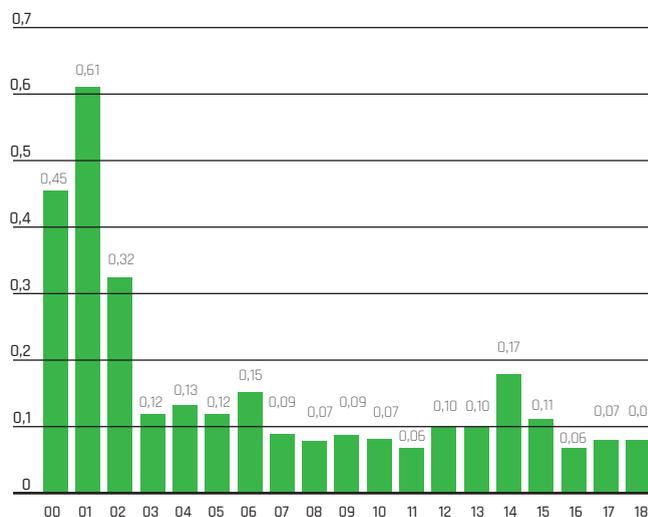
PGZ has a number of odour elimination systems that considerably reduce the impact on the surrounding area. Using these systems, reduced sulphur compounds, which are mainly responsible for the smell, are channelled to the recovery boiler where they are burned, making use of the sulphur content, which 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 CO₂ 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 CO₂ emissions.

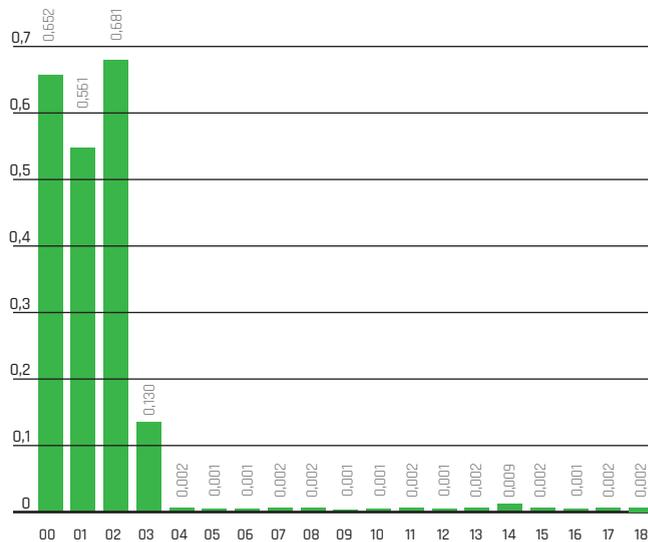
CO₂ emissions have been avoided thanks to the Group's more efficient generation. In this way, we avoided emissions amounting to 244,290 tonnes of CO₂ that would have been released in 2018 had the power been generated using conventional methods. Additional power would have been lost during transmission from the generation point to the point of use, which is also avoided through in situ co-generation.

ATMOSPHERIC EMISSIONS OF PM10 (2000-2018)

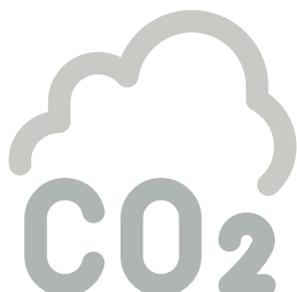


Note: Kilos of particulate matter per tonne of paper and pulp produced

SO_x EMISSIONS (2000-2018)



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



Atmospheric emissions of CO₂ avoided (t)

2016	2017	2018
210,295	243,894	244,290

G. WASTE MANAGEMENT

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



The European Commission has approved Communication COM (2015) 614 final: “Closing the loop - An EU action plan for the Circular Economy” and the circular economy package guidelines have been published, stating that the standards must come into force by the middle of 2020. 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.

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%.

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.

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 has approved Communication COM (2015) 614 final: “Closing the loop - An EU action plan for the

Circular Economy”, which lays the foundations for European companies and consumers to progress towards a more solid and circular economy in which the use of resources is more sustainable. 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, 0.12% in 2018). This basically relates to oils, batteries, fluorescent or laboratory reactives 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 2018

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.

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 2018, the revival of the cement industry continued, increasing this method of waste reuse.

Landfills have been the option employed for waste

fractions that cannot be used in other sectors. In 2018, 52% 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.

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%.

WEIGHT OF WASTE

	2018	2017	2016
Hazardous waste	78 t	55 t	65 t
Non-hazardous waste	62,665 t	59,486 t	46,500 t
Total waste	62,743 t	59,541 t	46,565 t
% hazardous	0.12%	0.10%	0.14%

TOTAL WEIGHT OF WASTE BY TREATMENT METHOD IN SPAIN

	2018	2017	2016
Reuse	29,996 t	27,905 t	29,802 t
Landfill	32,747 t	31,581 t	16,763 t
Totals	62,743 t	59,486 t	46,565 t
Type of reuse:			
Cement plants	6,347 t	10,985 t	7,424 t
Composting	19,290 t	12,706 t	16,247 t
Recovery	4,359 t	4,214 t	6,131 t
Total reused	29,996 t	27,905 t	29,802 t

H. LIQUID EFFLUENTS AND WATER USE

> [103-2,103-3, 303-1, 306-1]



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.

Through the European Parliament's Water Framework Directive and the Hydrological Plans approved by the Spanish Government in 2016, priority is afforded to the efficient, sustainable use of water so as to guarantee a supply for all purposes while respecting the environment.

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.

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 sur-

face waters once it has been properly purified.

Pulp and paper manufacturing plants strive to reduce water consumption and improve the quality of water discharged into the natural environment. With this aim, water is reused as much as possible in the different processes and the water that cannot be finally reused is purified.

PGZ prepares water consumption reduction plans as a basic tool to control water use. At present, our 2016-2020 reduction plan is 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.

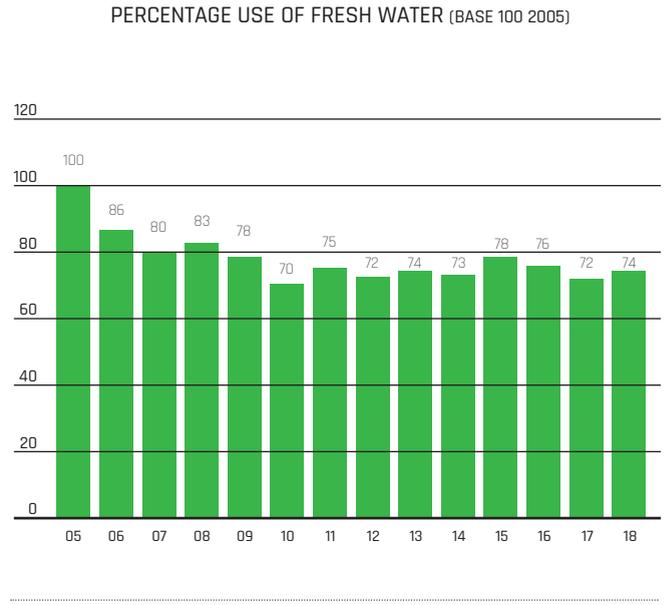
Specifically, in 2018, 16.3 m³ of water was used per tonne produced, representing an increase of 3% on 2017. These values are much lower than the ranges described in the BREF for BAT application.

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

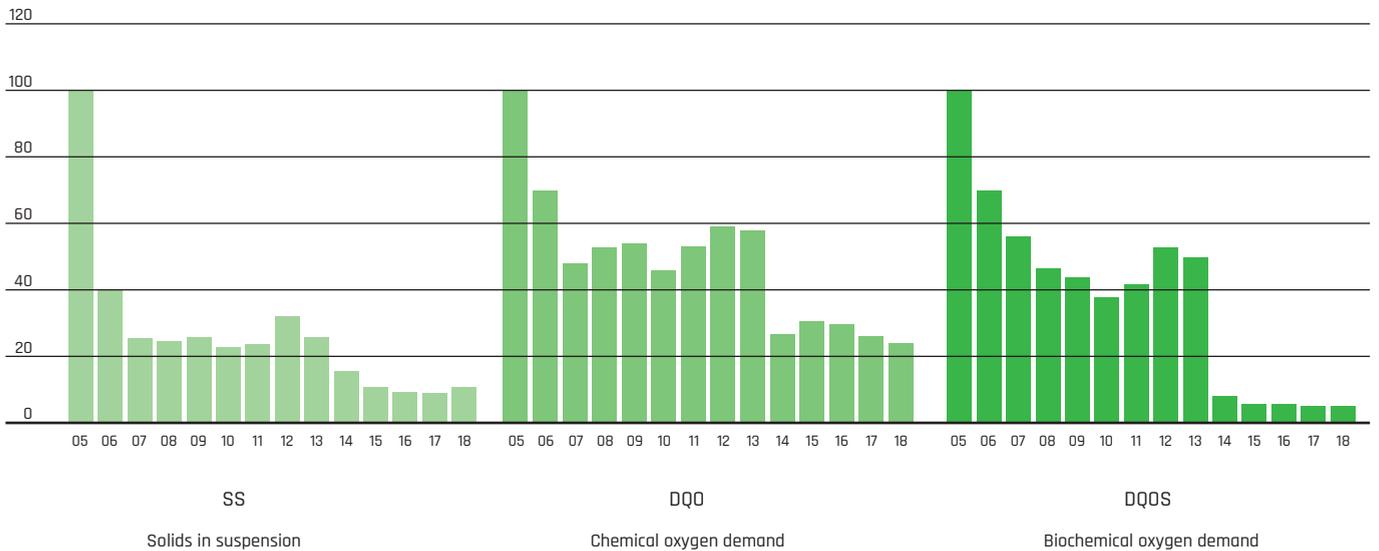
In recent years (2005-2018), PGZ's effluents have improved considerably and now contain only 11% of their initial suspended solids, 25% of their initial chemical oxygen demand and 5% of their initial biochemical oxygen demand.

PERCENTAGE WATER CAPTURE BY SOURCE IN 2018

River water	78.30%
Groundwater	21.70%



PERCENTAGE EFFLUENT LOAD (BASE 100 2005)



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 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 CO₂ 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 alternative ways to the petroleum-based chemical approach. The industry is thus clearly committed to decarbonisation.

#06

Our
Corporate
Governance





6.1 Corporate Governance at Iberpapel



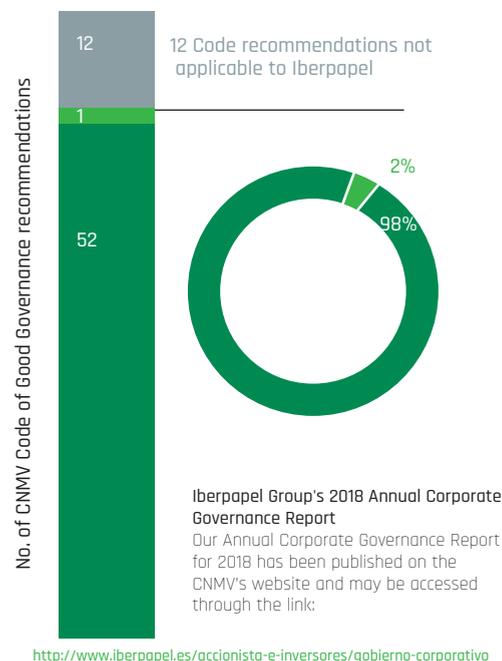
INTRODUCTION

Iberpapel 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 applicable Unified Code of Good Governance recommendations.

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.

In 2018, the only recommen-

ation that the Group did not follow was number 7: "The Company should broadcast the General Shareholders' Meeting live on its website". The Company does not consider the live broadcast of the 2018 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 (79.55% in 2017 and 84.47% in 2018)¹.



<http://www.iberpapel.es/accionista-e-inversores/gobierno-corporativo>

¹ 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

THE IBERPAPEL GROUP'S MAIN CORPORATE GOVERNANCE ACHIEVEMENTS IN 2018

APPROVAL OF THE CORPORATE SOCIAL RESPONSIBILITY POLICY

A CSR policy that is designed to create a reference framework to define and drive behaviours that will generate value for stakeholders (customers, employees, shareholders, investors and the financial community; regulators and associations; suppliers, society at large and the environment), as part of a culture of social responsibility and a "Responsible Company" approach in all the Group's entities.

APPROVAL OF THE CLIMATE CHANGE POLICY

This Climate Change Policy is drawn up to organise and disseminate the Iberpapel Group's commitment to the environment and climate change, establishing 11 specific action areas. Iberpapel has prepared the Climate Change Policy to reflect its pledge to the environment, in general, and to the fight against climate change, in particular.

REVIEW AND UPDATE OF THE CRIMINAL RISK PREVENTION MODEL

The following work was carried out in 2018:

- Adaptation of the criminal risk and control matrix: (i) self-assessment forms were issued to those mainly responsible for the controls defined in the matrix; (ii) following receipt of the completed statements, the criminal risk and control matrix was updated.
- Identification of two new risks at PGZ:
 - Offences consisting of the handling and transport of flammable, toxic or corrosive substances and other agents.
 - Offences related to nuclear energy and ionising radiation.
- Definition of the following new controls:
 - Data protection controls (GDPR).
 - New controls to mitigate risks of (a) handling and transporting flammable, toxic or corrosive substances and other agents; and (b) offences related to nuclear energy and ionising radiation.

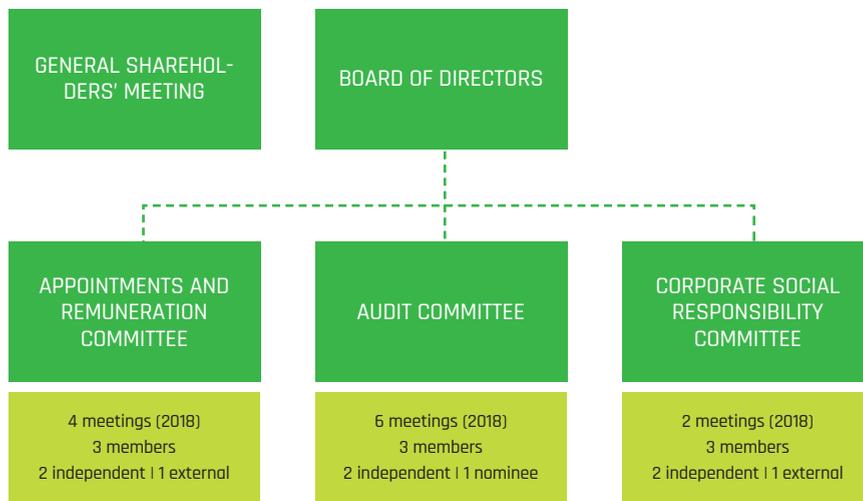
6.2 Main aspects of our Corporate Governance

> [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 IBERPAPEL GROUP'S CORPORATE GOVERNANCE STRUCTURE



The Group has a policy for director selection and Board diversity that was approved by the Board on 20 December 2017. The policy is 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 and, in particular, facilitate

the selection of women Board directors. In the latter case, care will be taken to ensure that director selection procedures promote gender diversity, prohibiting any implicit bias that could cause dis-

crimination in the appointment of women directors, the aim being for women directors to account for at least 30% of total Board members by 2020.

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 essential 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

As stipulated in the Bylaws, the Board of Directors has between three and eight 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.

In 2018, the Board of Directors held twelve meetings, all attended by the Chairman. Twelve meetings were attended by all the directors, in person or through representatives following specific instructions. 100% of votes were cast by directors attending in person or through representatives following specific instructions.

In the meeting of 31 May 2018, the Board of Directors resolved to amend Article 7.1 of the Board of Directors

Regulations so as to adapt the content to the provisions of Article 21 of the Bylaws as regards the maximum number of Board members, as follows: The General Shareholders' Meeting shall determine the number of Board directors, subject to the minimum of three and the maximum of eight determined by the Bylaws.

The non-voting Secretary to the Board is Mr. Joaquín Manso Ramón. His duties include assisting the Chairman so that the Board directors receive the relevant information to perform their duties sufficiently in advance and in an appropriate format.

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 funcio-

COMPOSITION OF THE BOARD OF DIRECTORS IN 2018

Name	Board director category	Position in the Company	Date first appointed	Date last appointed	Committee membership
Mr. Iñigo Echevarría Canales	Executive director	Chair and Managing Director	21.07.1997	25.04.2013	
Mr. Néstor Basterra Larroude	Independent external director	Vice-Chair	21.10.1997	25.04.2013	<ul style="list-style-type: none"> • Appointments and Remuneration Committee • Audit Committee
Mr. Iñaki Martínez Peñalba	Independent external director	Independent coordinating director	21.05.2012	24.04.2018	<ul style="list-style-type: none"> • Audit Committee
Mr. Martín González del Valle Chavarri	Other external director	Board director	28.06.2005	22.06.2015	<ul style="list-style-type: none"> • Appointments and Remuneration Committee • Corporate Social Responsibility Committee
Ms. María Luisa Guibert Ucín	Independent external director	Board director	24.06.2010	20.04.2016	<ul style="list-style-type: none"> • Appointments and Remuneration Committee
Mr. Gabriel Sansinenea Urbistondo	Independent external director	Board director	24.06.2010	20.04.2016	<ul style="list-style-type: none"> • Corporate Social Responsibility Committee
Mr. Jesús Alberdi Areizaga	Independent external director	Board director	22.05.2014	22.05.2014	<ul style="list-style-type: none"> • Corporate Social Responsibility Committee
Mr. Iñaki Usandizaga Aranzadi	External nominee director ²	Board director	21.10.1997	25.04.2013	<ul style="list-style-type: none"> • Audit Committee

Note: Full details of the directors' profiles may be found in the following link to Iberpapel's website: <http://www.iberpapel.es/consejo-de-administracion>.

²The Board evaluated both his personal interest and his family group interest in the share capital, as well as their legal knowledge.

ning 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.

C) APPOINTMENTS AND REMUNERATION COMMITTEE

The Appointments and Remuneration Committee is the body that assists the Board in matters related to directors' remuneration, appointments and appraisals. It is formed by a minimum of three and a maximum of five non-executive directors and a majority must be independent directors. The committee chairperson must be an independent director designated by the committee members. The secretary to the Board of Directors is the committee secretary, entitled to speak but not to vote.

This committee met four times in 2018 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 chair.

COMPOSITION OF THE APPOINTMENTS AND REMUNERATION COMMITTEE IN 2018

<p>Ms. María Luisa Guibert Ucin Office: Chair Category: Independent</p>
<p>Mr. Martin M^a Gonzalez del Valle Chavarri Office: Director Category: Other external director</p>
<p>Mr. Nestor Basterra Larroude Office: Director Category: Independent</p>

In 2018, the Appointments and Remuneration Committee was responsible, among other matters, for assessing its own functioning, the chairperson's performance, the achievement of objectives and the effectiveness of the meetings held. The committee analysed the Board's structure, size and composition and defined the process for assessing the performance of the Board Chairman. The committee also reported favourably on proposals to re-appoint directors and submitted reports and proposals to the Board 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.

In the meeting of 20 December 2017, the committee reported favourably on the director selection policy, which seeks to ensure gender diversity. The Group has set a target of 30% women Board directors by 2020.

In 2018, no selection process was undertaken to bring in new Board directors, the only process being the re-appointment of the coordinating director at the end of his term of office. The committee took into consideration the Board's director selection and gender diversity policy before submitting the director re-appoint-

ment proposal. As Mr. Martín González del Valle Chavarri has been a director of Iberpapel Gestión for more than 12 years running, he may not be classed as independent pursuant to paragraph 4 i) of Article 529.xii) of the Spanish Companies Act. So, in the Board meeting of 25 September 2018, at the proposal of the Appointments and Remuneration Committee, it was agreed to reclassify Mr. Martín González del Valle from the "independent" category to the "other external director" category.

In that meeting, the Board of Directors approved the re-appointment as members of the Appointments and Remuneration Committee of Mr. Martín González del Valle Chavarri, Mr. Néstor Basterra Larroude and Ms. María Luisa Guibert Ucin for a period of four years.

In the meeting of the Appointments and Remuneration Committee held on 25 September 2018, pursuant to Article 10.2. 2 of the Board of Directors Regulations, which states that "The committee chairperson shall be an independent director designated by its members", Ms. María Luisa Guibert Ucin was appointed committee chair, replacing Mr. Martín González del Valle Chavarri.

The main functions of the Appointments and Remuneration Committee 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 diver-

sity 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.

D) AUDIT COMMITTEE

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.

The Audit Committee held six meetings in relation to the 2018 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.

COMPOSITION OF THE AUDIT COMMITTEE IN 2018

Mr. Iñaki Martínez Peñalba
Office: Chair
Category: Independent

Mr. Nestor Basterra Larroude
Office: Director
Category: Independent

Mr. Iñaki Usandizaga Aranzadi
Office: Director
Category: Nominee

In 2018, the Audit Committee was responsible for reporting favourably on the 2018 Annual Accounts and for supervising the effectiveness of the Company's internal control and audit and risk management systems.

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, etc.

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.

- 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.

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. The Committee is 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. The Board of Directors must designate a chairperson from among its members.

The committee met twice in 2018 to promote the Company's corporate governance strategy, among other functions. All the meetings were called by the committee chair.

COMPOSITION OF THE CORPORATE SOCIAL RESPONSIBILITY COMMITTEE IN 2018

Mr. Jesús Alberdi Areizaga
Office: Director
Category: Independent

Mr. Gabriel Sansinenea Urbistondo
Office: Director
Category: Independent

Mr. Martín M^a Gonzalez del Valle Chavarri
Office: Director
Category: Other external director

In 2018, the committee prepared Iberpapel's Corporate Social Responsibility Policy and recommended that the Board should approve it. The committee reported favourably on the climate change policy, recommending its approval by the Board. According to the self-assessment process, the committee effectively carried out its Board advisory, reporting and proposal functions, within its remit, holding a suitable number of meetings for which sufficient, accurate documentation was furnished on the matters addressed and was suitably presented, boosting the quality of member deliberations and sound decision-making.

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 Chairman.
- Analyse voluntary initiatives and documents containing recommendations relating to corporate social responsibility as they arise in the market.

OTHER RELEVANT CORPORATE GOVERNANCE MATTERS

Remuneration scheme

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 resolved to propose to the General Shareholders'

Meeting the approval of the remuneration policy for 2018, 2019 and 2020, following a favourable report from the Appointments and Remuneration Committee. The proposal was approved in the meeting held on 24 April 2018 with a 96.34% favourable vote.

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.

(iii) Article 22 of the Bylaws stipulates fixed remuneration of €51,462 for each Board director and an additional allowance based on the functions or activities carried out by the directors as members of the Company's committees. These amounts will increase in line with inflation. The remuneration received by the directors in 2017 will increase by 1.2%, the inflation rate applicable to 2018. For sitting on Board committees, the committee chairpersons and other members will receive a fixed allowance of €20,000 and €15,000, respectively.

Related-party transactions

During 2018, 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 ge-

neral 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 action principles so as to contribute to the United Nations Sustainable Development Goals:

	<p>Equal opportunities and Non-discrimination</p> <div style="display: flex; justify-content: space-around; align-items: center;"> </div>
	<p>Respect for employees</p> <div style="display: flex; justify-content: space-around; align-items: center;"> </div>
	<p>Life-work balance, as far as possible</p> <div style="display: flex; justify-content: space-around; align-items: center;"> </div>
	<p>Collective rights</p> <div style="display: flex; justify-content: space-around; align-items: center;"> </div>
	<p>Collective rights</p> <div style="display: flex; justify-content: space-around; align-items: center;"> </div>
	<p>Environmental protection</p> <div style="display: flex; justify-content: space-around; align-items: center;"> </div>

6.4 Integrated risk management

> [102-15]

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 AND RISK MANAGEMENT

Iberpapel has developed an internal control culture and prioritises a control environment in the organisation as the basis for all other aspects of internal control, through policies that help to monitor and manage risks. Iberpapel's Board of Directors 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 Board also has the necessary tools and procedures to define risk levels and types. Control activities that must be carried out at each level of

the organisation to reduce risks detected are designed and implemented. 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 arising from the activity sufficiently in advance, assuring business sustainability and performance for stakeholders.

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. As many reviews as are deemed necessary are carried out to update the system. Depending on the type of activity, guidelines are designed for:

- Preventive controls that help to mitigate risk.
- Detective controls 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 oversight procedure within an integrated methodological framework for managing key risks 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.

Specifically, a process has been created to identify risks in internal control over financial reporting (ICFR) systems to allow a systematic process for the identification of risks and irregularities affecting financial information. The as-

essment of these risks enables the impact of potential events to be analysed, encompassing operations that are complex due to the high volume of transactions or the difficulty of the calculations, or are material from a quantitative or qualitative viewpoint. The assessment entails the classification of impact, frequency and theoretical risk parameters based on value.

An annual review is performed on the control objectives identified and the risks involved to achieve those objectives.

THE IBERPAPEL GROUP'S RISK MAP

In 2018, in line with prior years, we have put in place the mechanisms required to control and manage risks by defining the risk taxonomy or catalogue and then assessing probability and impact. This 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 oversight process.

The classification of the main contextual, process and decision-taking information risks is set out below, indicating general risks and the main specific risks in each group.

MOST RELEVANT RISKS FOR THE YEAR

UNIVERSAL RISK MODEL	GENERAL RISKS	SPECIFIC RISKS	
Contextual risks	Competition	1. "Price war" strategy due to market pressures. 2. International circumstances causing prices to fall. 3. Tensions in raw material markets.	
	Regulation	4. Relevance of changes to environmental regulations. 5. Relevance of regulatory amendments for power companies.	
	Financial markets	6. Financial solvency of customers in the current economic situation and impact on the sums insured (by insurance companies).	
		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
	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.	

The Iberpapel Group also focuses on non-financial risks (environmental, social and governance (ESG)), for which no significant impacts have been identified. The Iberpapel Group has integrated ESG risks into its risk management strategy, addressing global sustainability challenges in the market.

#07

Our 2018
results





7.1 Our results

In a stable market environment in which paper prices rose by over 8% on 2017, the Group continued along the positive path followed in recent years.

MANAGEMENT RESULTS

In 2018, Iberpapel improved in all business areas. The resulting net profit amounted to €25.21 million (2017: €22.91 million), 10.05% up

on 2017.

EBITDA also rose, by 10.85% on the previous year, to reach €40.91 million.

Financial highlights are set out below to provide a more detailed analysis of the Group's performance:

FINANCIAL HIGHLIGHTS

Amount (€M)	2018	2017	2016	Change 2017-2018	Change 2016-2018	Comments
INCOME* (+ Info: point 7.1.1 of this Report)	225.85	220.75	204.40	2.3%	10.5%	The Group's income rose 2.3% in 2018 compared with 2017.
EXPENSES (+ Info: point 7.1.2 of this Report)	184.94	183.84	168.80	0.6%	9.6%	Expenses increased only slightly on the previous year.
EBITDA (+ Info: point 7.1.3 of this Report)	40.91	36.91	35.60	10.8%	14.9%	The Iberpapel Group's EBITDA rose 10.8% last year and 14.9% since 2016.
NET PROFIT (+ Info: point 7.1.4 of this Report)	25.20	22.91	20.11	10.0%	25.3%	Net profit totalled €25.21 million, as compared with €22.9 million in 2017 and €20.1 million in 2016.

INCOME STATEMENT

In millions of euros	2018	2017	Change 2017-2018	2016
Revenue	221.07	217.05	1.85%	201.89
Other income	4.78	3.70	29.19%	2.51
Income	225.85	220.75	2.31%	204.40
Changes in inventories of finished goods and work in progress	3.94	(2.52)	(255.33)%	2.77
Raw materials and consumables	(88.23)	(84.91)	3.91%	(84.47)
Staff costs	(19.29)	(20.10)	(4.03)%	(19.25)
Other expenses	(81.35)	(76.31)	6.60%	(67.85)
EBITDA	40.91	36.91	10.85%	35.60
Depreciation/amortisation	(10.92)	(10.87)	0.48%	(10.62)
Profit/(loss) on fixed asset disposals	0.01	0.47	(98.53)%	-
EBIT	29.99	26.03	15.18%	24.98
Net financial income/(expense)	(0.74)	(0.58)	27.59%	0.01
Profit before tax	29.25	25.93	12.80%	24.99
Taxes	4.04	(3.02)	33.62%	(4.88)
Profit from continuing activities after tax	25.21	22.91	10.05%	20.11
NET PROFIT	25.21	22.91	10.05%	20.11
Profit attributable to: Parent company's owners	25.21	22.91	10.05%	20.11
Earnings per share from continuing activities attributable to the holders of equity instruments during the year				
Basic €/share	2.387	2.168	10.10%	1.890
Diluted €/share	2.387	2.168	10.10%	1.890

7.1.1 Income

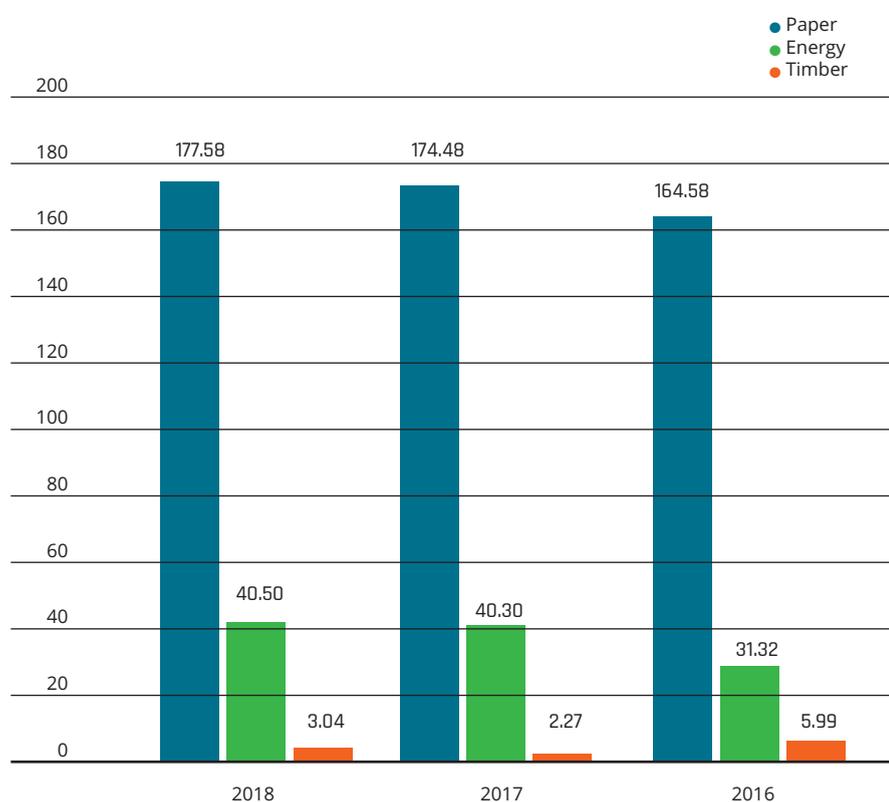
KEY ASPECTS OF INCOME

- Increase of around 8% in the paper selling price.
- 34% growth in timber sales.
- Stability of electricity sales revenue.

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

In millions of euros	2018	2017	Change 2017-2018	2016
Revenue	221.07	217.05	1,85%	201.89
Paper sales	177.58	174.48	1,78%	164.58
Electricity sales	40.45	40.30	0,37%	31.32
Timber sales	3.04	2.27	33,92%	5.99
Other income	4.77	3.70	28,92%	2.51
Income (Net amount + Other income)	225.84	220.75	2,31%	204.40

SALES OF THE MAIN PRODUCTS (million euro)



+1.78%
Increase in paper sales in 2018



+0.37%
Increase in electricity sales in 2018



+33.92%
Increase in timber sales in 2018



PAPER SALES

The 1.78% rise in paper sales is due to the increase in the selling price during the year, since fewer units were sold than in 2017 due to the maintenance stoppage in March.

ELECTRICITY SALES

Turnover from “electricity sales” was in line with the previous year.

TIMBER SALES

The Group’s forestry business in South America grew in 2018, timber sales having increased by 34% on the previous year.

OTHER INCOME

In millions of euros	2018	2017	Change 2016-2017	2016
Lease income	0.52	0.99	(47.47)%	0.78
Sundry service income	0.24	0.82	(70.73)%	0.36
Grants released to income for the year	1.68	1.19	41.18%	1.30
Other income	2.34	0.70	234.29%	0.07
Total other income	4.78	3.70	29.19%	2.51

7.1.2 Expenses

KEY ASPECTS OF EXPENSES

- Expenditure on raw materials and consumables rose 3.91% due basically to the increase in the price of timber.
- Gas and electricity expenditure rose by 12.60% in 2018 on 2017.

OPERATING EXPENSES

• Raw materials and consumables

Raw materials and consumables increased by 3.91% on the previous year (€88.23 million in 2018 and €84.91 million in 2017), which is explained essentially by the rise in the price of timber, the Group’s main raw material.

• Accrued wages and salaries

The Group had 291 employees at the 2018 year end, including senior management. The Group had 10 employees with a disability rating in 2018, all workers or specialists.

OTHER EXPENSES

The most significant items are explained below:

- Utilities (gas and electricity) amounted to €46.47 million (€41.27 million in 2017).
- Other taxes, including tax on electricity, totalled €4.36 million (€5.49 million in 2017). Electricity tax was temporarily suspended in 2018.
- CO₂ allowances consumed during the year reached a value of €2.66 million (€1.43 million in 2017) due to the sharp rise in allowance costs.

IBERPAPEL GROUP'S AVERAGE HEADCOUNT BY PROFESSIONAL CATEGORY

	2018	2017	2016
Board director	1	1	1
Executives	8	8	9
Technical specialists and administrative staff	76	76	74
Workers and specialists	204	205	212
TOTAL	289	290	296



See chapter 4.3 Responsibility to our people for further information on our employees.

7.1.3 EBITDA

KEY ASPECTS OF EBITDA

- 10.85% EBITDA growth in the past year to reach €40.91 million.

The Iberpapel Group's EBITDA amounted to €40.91 million (2017: €36.91 million), representing growth of 10.85%.

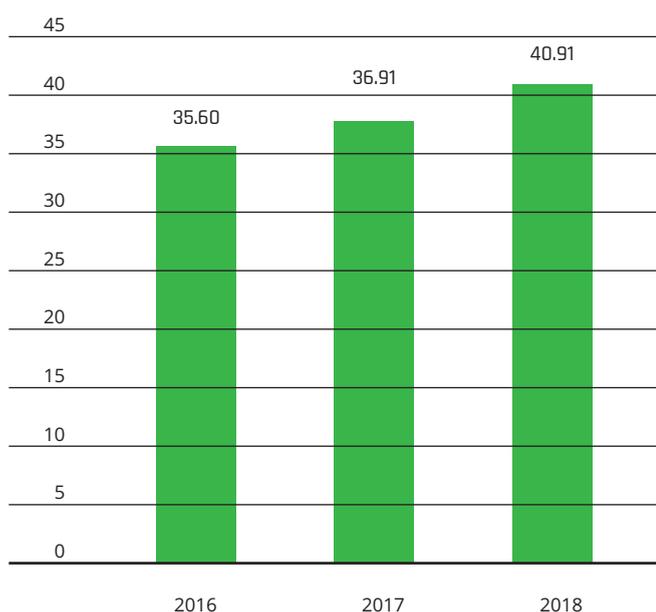
7.1.4 Net profit

KEY ASPECTS OF NET PROFIT

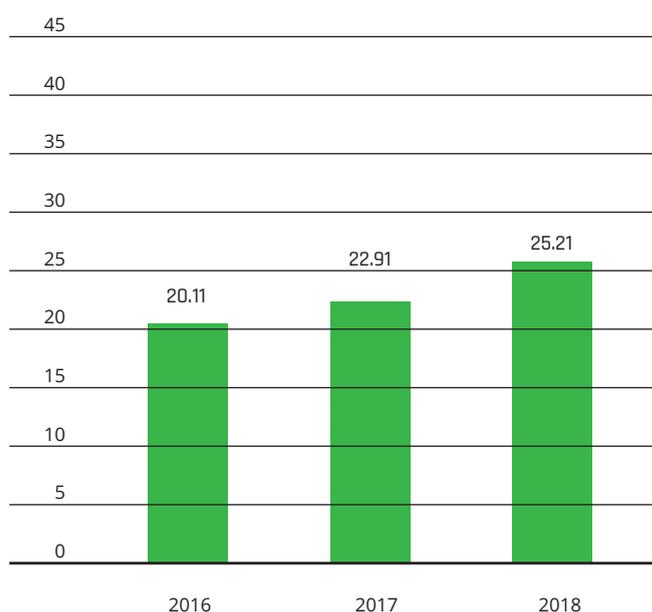
- 10.05% net profit growth in the past year to reach €25.21 million

Our net profit for 2018 amounted to €25.21 million (€22.91 million in 2017), having risen by 10.05%.

EBITDA (million euro)



NET PROFIT (million euro)



7.1.5 Other representative items

CORPORATE INCOME TAX

The Group's average tax rate in 2018 was 25.90% (27.87% in 2017).

OTHER MATTERS

Treasury shares

In 2018, the Company acquired 59,365 treasury shares on the stock exchange. A total of €1,996 thousand was paid for the shares. In 2018, 49,122 treasury shares were sold for €1,283 thousand, generating a profit of €405 thousand. At 31 December 2018, the Company holds a total of 130,399 treasury shares at an original cost of €2,418 thousand. These shares represent 1.181% 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.

In 2017, the Company acquired 99,756 treasury shares on the stock exchange. A total of €2,894 thousand was paid for the shares. In 2017, 54,731 treasury shares were 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 represented 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 24 April 2018, the Annual General Meeting granted authorisation to the Board of Directors, for a five-year period, including specific substitution powers, so that the Com-

pany itself or its subsidiaries could acquire treasury shares, as stipulated by law, cancelling the authorisation granted by the General Meeting on 20 April 2016.

The Annual General Meeting held on 24 April 2018 approved agenda item seven on the capital increase charged to voluntary services (99.80% favourable votes and 0.2% abstentions). Article 5 of the Bylaws (share capital) was amended and powers were delegated to the directors in relation to the capital increase, in the following resolution:

"Increase the Company's share capital out of reserves in the amount of €65,583.00 by issuing 109,305 new shares in the same class and series, carrying the same rights as the shares currently outstanding, with a par value of €0.60 each, represented by book entries to be kept by Iberclear and its member entities in the terms of legislation in force from time to time."

Shareholder remuneration in the last year

> Remuneration for 2017 (paid in 2018)

On 2 February 2018, the parent company paid out an interim dividend for 2017 in the gross amount of €0.30 per share and on 11 May 2018 a supplementary, definitive gross dividend of €0.25 per share was paid out, making a total of €5,947 thousand.

Sound financial position

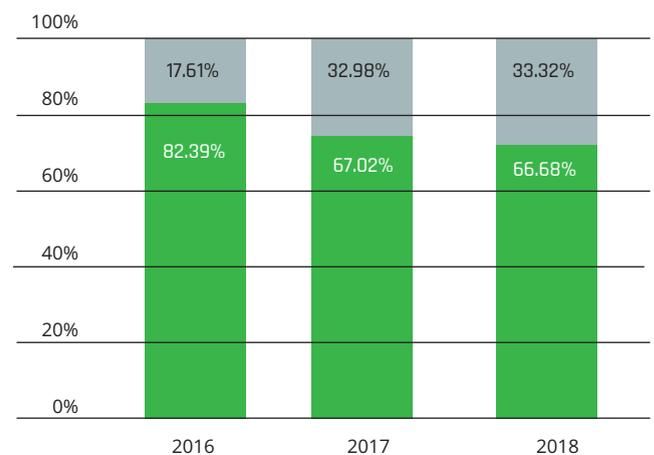
At 31 December 2018, shareholders' funds accounted for 63.68% of total liabilities (67.02% in 2016).

>2017 remuneration payable in 2018

On 30 November 2018, the Board of Directors resolved to pay out an interim dividend for 2018 in a fixed, gross amount of €0.40 for each outstanding share carrying dividend rights. It was paid on 11 December 2018. Proposals related to shareholder remuneration that the Board of Directors will submit to the Annual General Meeting include a supplementary gross dividend of €0.30 per share, payable on 11 May 2019.

- The dividend yield for the last year stands at 2.12% (2017: 1.88%).

FINANCIAL STRUCTURE



- Own funding
- Borrowings

Note: Data at 31 December each year

BALANCE SHEET

In millions of euros	2018	2017	2016
TOTAL ASSETS	382.94	353.30	276.06
Non-current assets	158.88	144.80	158.89
Current assets	224.06	208.50	117.17
TOTAL EQUITY/LIABILITIES	382.94	353.30	276.06
Capital and reserves	255.36	236.77	227.45
Non-current liabilities	74.50	78.20	10.09
Current liabilities	53.08	38.33	38.52



Note: Data at 31 December each fiscal year

NET DEBT

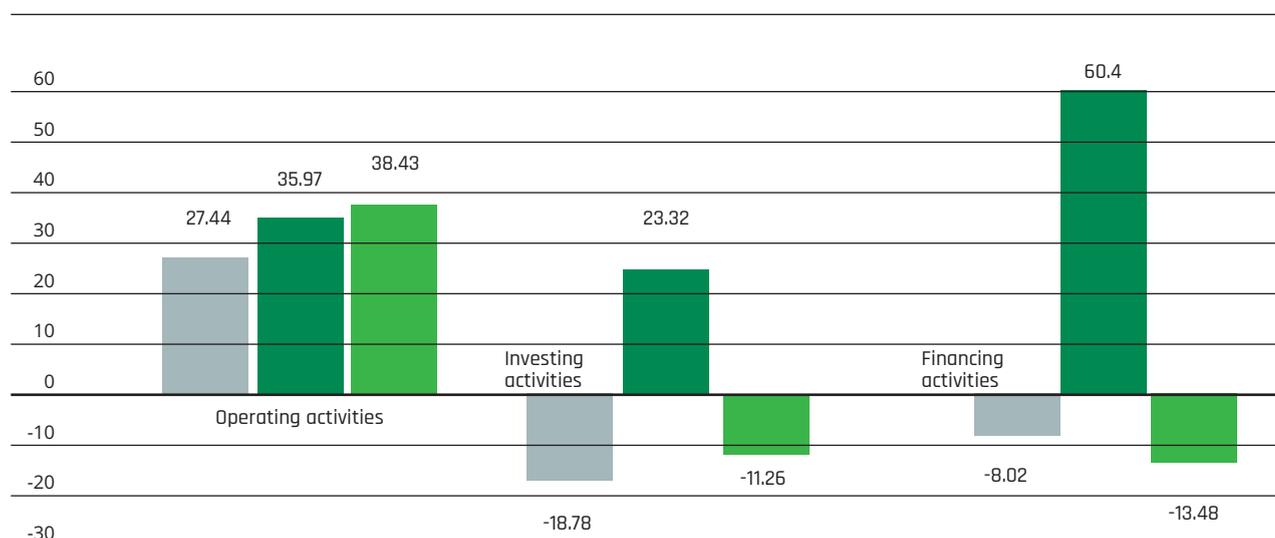
In millions of euros	2018	2017	2017
Net debt	(92.81)	(79.13)	(55.13)
Short- and long-term bank borrowings	73.43	74.07	5.28
(Less: Cash and cash equivalents)	(166.24)	(153.20)	(60.41)
Equity	255.36	236.77	227.45
Leverage ratio	(36.34)%	(33.42)%	(24.24)%

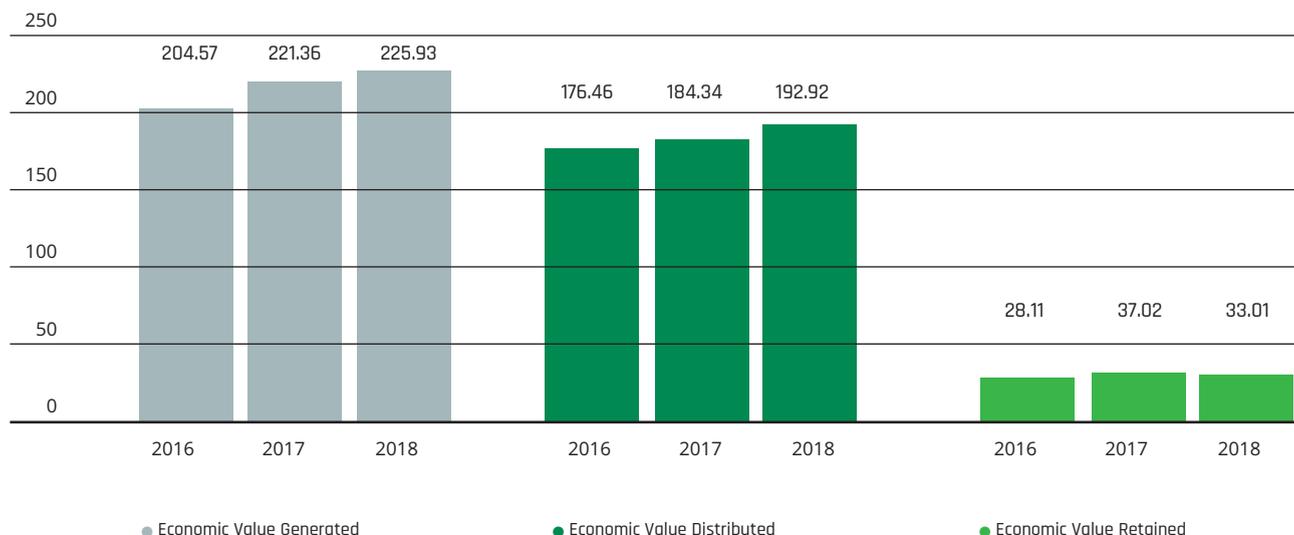
Note: Data at 31 December each fiscal year

Net debt

The Iberpapel Group has obtained long-term credit lines and loans totalling €175.00 million (€175.00 million in 2016) to fund the "Hernani Project". Iberpapel records cash resources of €92.81 million at 31.12.2018 (€79.13 million in 2017).

EVOLUTION OF CASH FLOWS BY ACTIVITY (in millions of euros)

 ● 2016
 ● 2017
 ● 2018


ECONOMIC VALUE GENERATED, DISTRIBUTED AND RETAINED. IBERPAPEL GROUP 2018 (million euro)


The Iberpapel Group makes a valuable contribution to society through its activities. Economic value generated, distributed and retained during 2016, 2017 and 2018 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 assets sold).

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) 2018-2016

In millions of euros	2018	2017	2016
Net sales	221.07	217.05	201.89
Other income	4.78	3.70	2.51
Financial income	0.08	0.13	0.17
Profit/(loss) on disposal of non-current assets	-	0.48	-
ECONOMIC VALUE GENERATED	225.93	221.36	204.57

EVOLUTION OF ECONOMIC VALUE DISTRIBUTED (EVD) 2018-2016

In millions of euros	2018	2017	2016
Raw materials and consumables	88.23	84.91	84.47
Other expenses	81.36	76.31	67.86
Wages and salaries	19.29	20.10	19.25
Income tax	4.04	3.02	4.88
ECONOMIC VALUE DISTRIBUTED	192.92	184.34	176.46

EVOLUTION OF ECONOMIC VALUE RETAINED (EVR) 2018-2016

In millions of euros	2018	2017	2016
ECONOMIC VALUE DISTRIBUTED	33.01	37.02	28.11

7.2 Stock price performance



KEY ASPECTS OF THE SHARE PRICE

- In 2018, the Iberpapel Group's stock rose 13.01% as compared with a fall of 14.97% in the IBEX-35

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

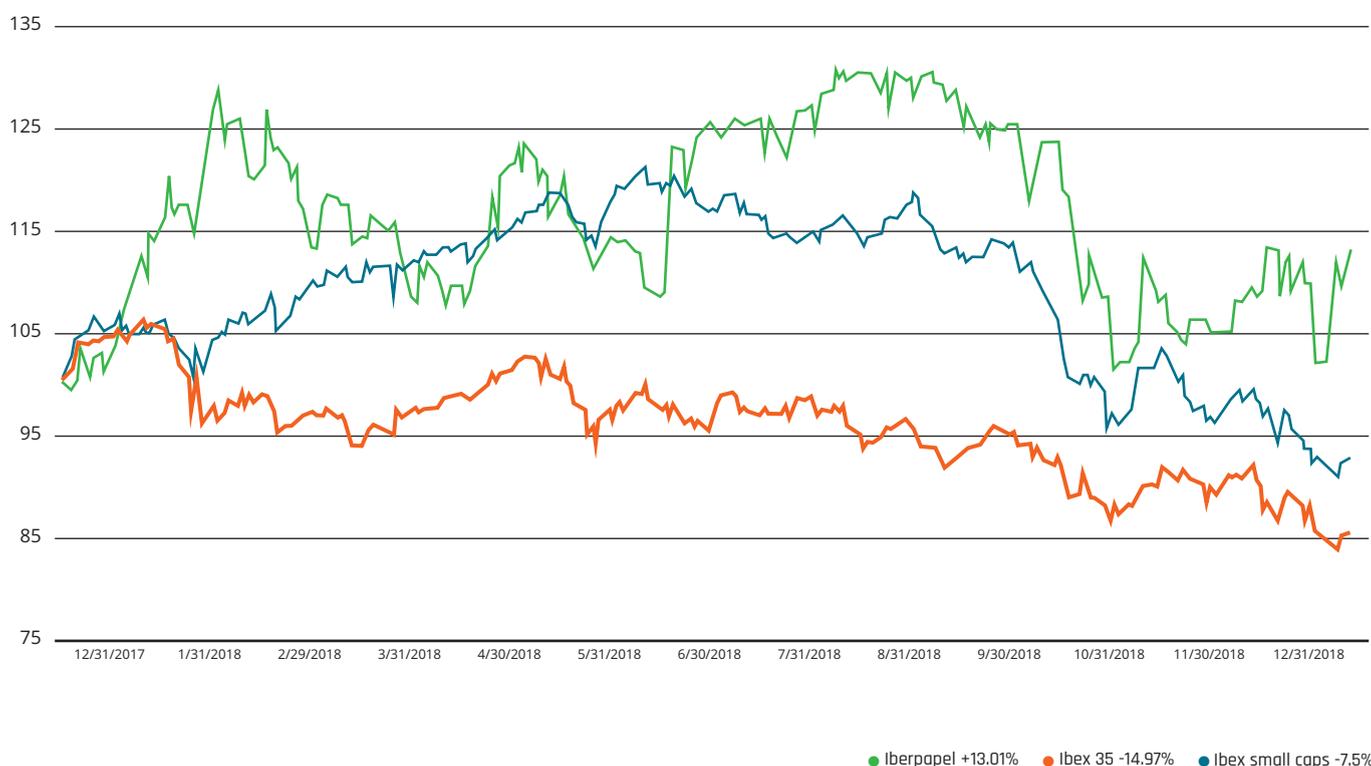
The year ended with sharp falls in equity markets and significant volatility spikes. Political uncertainty, the threat of a hard Brexit and

doubts surrounding a trade agreement between China and the United States marked the year and remain the focus of atten-

tion in 2019. Iberpapel again stood out in a complicated environment, closing at €33 per share after having risen 13.01% over

the year, as compared with 14.97% and 7.5% falls in the IBEX-35 and the Ibox Small Caps, respectively.

SHARE PRICE TRENDS IN 2018 COMPARED WITH THE IBEX 35 AND THE IBEX SMALL CAPS (BASE 100 AT 31/12/2017)



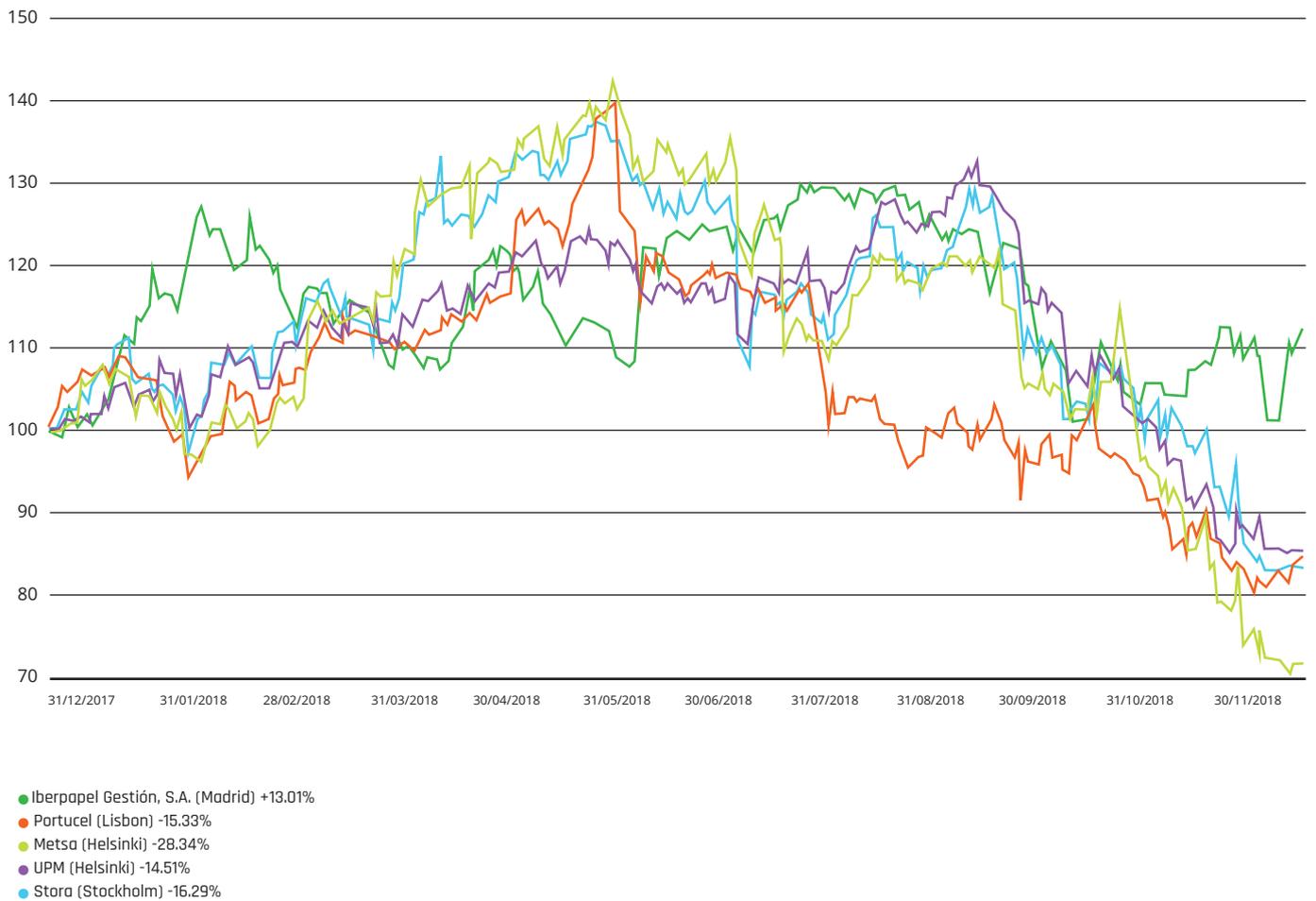
THE SHARE PRICE AS COMPARED WITH THE LEADING EUROPEAN INDUSTRY COMPANIES

The industry's sound performance in the first half of the year and the fine prospects for European paper companies did not prevent the sharp correc-

tion of share prices towards the end of the year. The second half was negative for all the companies in the reference group, which ended the year with

cumulative double-digit share price falls. Iberpapel was the exception, showing a cumulative rise of 13.01% in 2018.

PERFORMANCE OF IBERPAPEL'S STOCK PRICE AS COMPARED WITH OTHER INDUSTRY COMPANIES (Base 100 dlt 31/12/2017)



SHAREHOLDER AND INVESTOR RELATIONS

Iberpapel 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
- E-mail: atencion.al.accionista@iberpapel.es
- Tel. +34 91 564 07 20



SHAREHOLDINGS ABOVE 3% OF CAPITAL (At 31 December 2018)

Shareholder's name or business name	No. of direct voting rights	No. of indirect voting rights	% of total voting rights
ONCHENA, S.L.	8.15%	-	8.15%
MIQUEL Y COSTAS & MIQUEL, S. A.	-	5.05%	5.05%
NORGES BANK	4.99%	-	4.99%
MAGALLANES VALUE INVESTORS, S.A., SGIIC	-	3.17%	3.17%
SANTANDER ASSET MANAGEMENT S. A. SGIIC	-	3.00%	3.00%

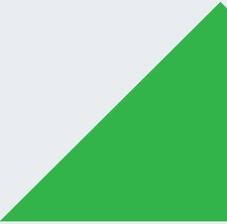
MAIN STOCK DATA 2016-2018 (At 31 December 2018)

	2018	2017	2016
Shares admitted to trading (€M)	6.62	6.56	6.56
No. of shares (x1000)	11,039	10,930	10,930
Capitalisation (€M)	364.31	319.17	250.20
Volume traded (thousands of shares)	1,060	2,961	1,998
Cash value traded (€M)	35.60	83.12	38.37
Closing price (€)	33.00	29.20	22.89
Maximum price (€)	39.30 (30-Jul)	31.88 (15-May)	22.89 (30-Dic)
Minimum price (€)	27.63 (2-Ene)	22.12 (3-Ene)	15.57 (15-Feb)



#08

Appendices





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), for 2018. The previous report published was the 2017 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 it has been drawn up in accordance with GRI Standards "Essential Criteria" option.

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 principal stakeholders identified:

- Customers.
- Suppliers.
- Employees.
- Shareholders, investors and the financial community.
- Regulators and associations.
- Society.
- Environment.

BASIC PRINCIPLES CONSIDERED WHEN PREPARING THIS REPORT

There follows a description of the principles applied to arrive at the content of this report, in accordance with the GRI (Global Reporting Initiative) sustainability reporting standard, GRI Standards version:

PRINCIPLES OF THE GRI STANDARDS ON THE PREPARATION OF SUSTAINABILITY REPORTS	CONTENT PRINCIPLES		PRINCIPLES OF THE GRI STANDARDS ON THE PREPARATION OF SUSTAINABILITY REPORTS
	Stakeholder engagement	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.	
	Sustainability context	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.	
	Materiality	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.	
	Completeness	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).	
	QUALITY PRINCIPLES		
	Accuracy	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.	
	Balance	This Annual Report includes positive and negative aspects of Iberpapel's performance so as to provide a full view of the Company.	
	Clarity	The information is presented clearly so the main stakeholders can obtain a reasonable understanding of the Company and its activities.	
	Comparability	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.	
Reliability	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.		
Timeliness	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 AA1000 APS (2008).

- **Engagement:** 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 2018 Annual Report

> [102-44, 102-46, 102-47]

RELEVANT MATTERS

The Iberpapel Group's 2018 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.

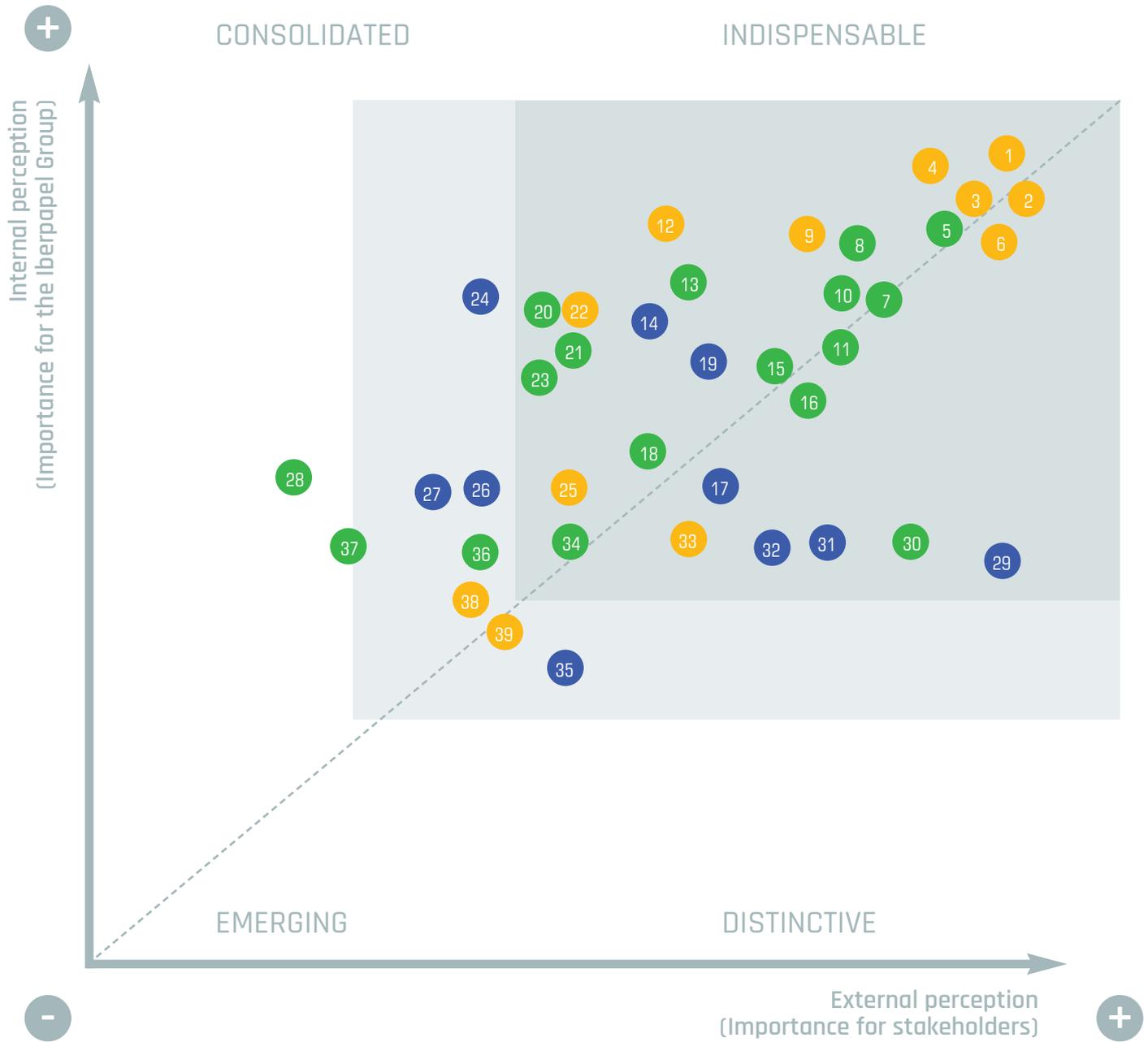
We have also revised the prioritisation of the matters identified based on their importance for each stakeholder group and for our Company's strategic approach.

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

> [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	CONTENT	GRI INDICATOR
	EXTERNAL	INTERNAL			
Customers and Investors	x	x	Information transparency: transparency commitment with stakeholders in the short and long term.	General content: Stakeholder engagement	102-40; 102-41; 102-42; 102-43; 102-44
Investors		x	Business strategy/ risks and opportunities: communication of the Company's strategy, risks and opportunities.	General content: Strategy	102-14; 102-15
Investors		x	Economic performance: solvency, robustness and sound economic performance.	Thematic content: Economic performance	103-1; 103-2; 103-3; 201-1; 201-2; 201-3; 201-4
Customers, Investors, Society, Environment	x	x	Technological improvement and sustainable R&D: improvement of facilities, improvement of production processes and search for new products.		
Regulators, Society, Investors	x	x	Regulatory compliance: ongoing legislation supervision and monitoring mechanisms and compliance with applicable laws.	Thematic content: Environmental compliance and socio-economic compliance	103-1; 103-2; 103-3; 307-1; 419-1
Investors, Customers	x	x	Organisational structure: robust Company structure, integrated processes and local presence.	Thematic content: Organisation's profile and Governance	Del 102-1 al 102-39
Employees, Customers, Suppliers	x	x	Codes of Conduct: Code of Conduct and Whistleblower Channel.	Del 102-1 al 102-39	102-16; 102-17
Customers, Environment, Society	x		Sustainable forest management/ Rational use of resources: sustainability of raw materials (e.g. sustainable forest management, reforestation policies, chains of custody).	Thematic content: Materials	103-1; 103-2; 103-3; 301-1; 301-2; 301-3
Suppliers, Customers	x	x	Supplier selection criteria: timber supplies from certified, innovative and distinctive suppliers.	Thematic content: Environmental assessment of suppliers	103-1; 103-2; 103-3; 308-1; 308-2
Environment, Regulators, Customers, Society	x		Atmospheric emissions/Climate change: Clean Development Mechanism (CDM) derived from the Kyoto Protocol and implementation of Best Available Technologies (BAT).	Thematic content: Emissions	103-1; 103-2; 103-3; 305-1; 305-2; 305-3; 305-4; 305-6; 305-7
Environment, Regulators, Customers, Society	x		Energy efficiency/Climate change/ Cogeneration/Clean fuels: energy efficiency and climate change, cogeneration and biomass energy recovery.	Thematic content: Energy	103-1; 103-2; 103-3; 302-1; 302-2; 302-3; 302-4; 302-5
Environment, Customers, Society	x		Water use and conservation: water management.	Thematic content: 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	CONTENT	GRI INDICATOR
	EXTERNAL	INTERNAL			
Environment, Customers, Society	x		Effluent management/Waste management: odour treatment and elimination systems, waste management and water treatment and purification.	Thematic content: Effluents and waste	103-1; 103-2; 103-3; 306-1; 306-2; 306-3; 306-4; 306-5
Environment, Society	x		Biodiversity: initiatives to protect biodiversity.	Thematic content: Biodiversity	103-1; 103-2; 103-3; 304-1; 304-2; 304-3; 304-4
Customers, Suppliers	x		Product quality: product certification.	Thematic content: Marketing and labelling	103-1; 103-2; 103-3; 417-1; 417-2; 417-3
Employees		x	Safety and Occupational risk prevention (ORP): safety and ORP in manufacturing, storage processes, etc.	Thematic content: Health and safety in the workplace	103-1; 103-2; 103-3; 403-1; 403-2; 403-3; 403-4
Society	x		Local development: local development and support for local business fabric.	Thematic content: Local communities	103-1; 103-2; 103-3; 413-1; 413-2
Customers, Investors, Suppliers, Society, Environment, Regulators	x	x	Active dialogue with stakeholders: ongoing dialogue with internal and external stakeholders.	Thematic content: Stakeholder engagement	102-40; 102-41; 102-42; 102-43; 102-44
Employees		x	Talent attraction and retention: workforce.	Thematic content: Employment	103-1; 103-2; 103-3; 401-1; 401-2; 401-3
Employees, Society		x	Diversity, inclusion, integration and equal terms & conditions: equal opportunities for employees and non-discrimination.	Thematic content: Non-discrimination Thematic content: 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	Life/work balance and other fringe benefits: collective agreement.	Thematic content: 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.

C. 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

atención.al.accionista@iberpapel.es

Appendix II: GRI content list

> [102-55]



GRI standard	Content	Page / Reference	Scope	Review	Link to SDGs
GENERAL DISCLOSURES (GRI 102: GENERAL DISCLOSURES 2016)					
GRI 101: 2016 HIGHLIGHTS					
GRI 102: GENERAL DISCLOSURES 2016					
Organisational profile					
	102-1 Name of the organisation	Iberpapel Gestión S.A.	Group	NO	
	102-2 Activities, brands, products and services	3.5. The Iberpapel Group's business (p. 22)	Group	NO	
	102-3 Location of headquarters	Av. Sancho El Sabio, 2 - 1º 20010 San Sebastián. (Spain)	Group	NO	
	102-4 Location of operations	3.5. The Iberpapel Group's business (p. 22)	Group	NO	
	102-5 Ownership and legal form	Appendix III (p.118)	Group	NO	
	102-6 Markets served	3.5. The Iberpapel Group's business (p. 22)	Group	NO	
	102-7 Scale of the organisation	Iberpapel's highlights (p. 07)	Group	NO	
	102-8 Information on employees and other workers	4.3. Responsibility to our people (p. 46)	Group	NO	SDG 8
	102-9 Supply chain	4.4. Responsibility to our customers (p. 53)	Group	NO	
	102-10 Significant changes to the organization and its supply chain	Significant changes. Appendix I (p. 111)	Group	NO	
	102-11 Precautionary principle or approach	The Iberpapel Group applies the precautionary principle in all its activities, continuously striving to minimise environmental impacts.	Group	NO	
	102-12 External initiatives	Dialogue with the main stakeholders (p. 45-46)	Group	NO	
	102-13 Membership of associations	Dialogue with the main stakeholders (p. 45-46)	Group	NO	

For the Materiality Disclosure Services, GRI Services has checked that the GRI content index is clear and that the references to Content 102-40 to 102-49 match the sections indicated in the report.

GRI standard	Content	Page / Reference	Scope	Review	Link to SDGs
Strategy					
	102-14 Statement from senior decision-maker	Carta del Presidente (p.02-03)	Group	NO	
	102-15 Key impacts, risks, and opportunities	6.4. Integrated risk management (p. 90)	Group	NO	
Ethics and integrity					
	102-16 Values, principles, standards and norms of behaviour	6.3. Ethical framework and regulatory compliance (p. 89)	Group	NO	SDG 16, SDG 17
Governance					
	102-18 Governance structure	6.2. Main aspects of our Corporate Governance (p. 83)	Group	NO	
Stakeholder engagement					
	102-40 List of stakeholder groups	4.2. Stakeholder dialogue commitment (p. 44)	Group	NO	
	102-41 Collective bargaining agreements	Industrial relations (p. 50)	Group	NO	ODS 8
	102-42 Identifying and selecting stakeholders	Stakeholders. Appendix I (p. 106)	Group	NO	
	102-43 Approach to stakeholder engagement	Dialogue with the main stakeholders (p. 44-46)	Group	NO	
	1102-44 Key topics and concerns raised	Dialogue with the main stakeholders. Appendix I. B (p. 44-46)	Group	NO	
Reporting practice					
	102-45 Entities included in the consolidated financial statements	2018 Consolidated Annual Accounts. Appendix I. Subsidiaries included in the consolidation scope (p.79) http://www.iberpapel.es/archivos/accionista_e_inversores/informacion_economica_financiera/informe_auditorias/Informe-Auditoria-2018.pdf	Group	NO	
	102-46 Defining report content and topic boundaries	Appendix I. B (p. 108-111)	Group	NO	
	102-47 List of material topics	Appendix I. B (p. 108-111)	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 boundary of any indicator with respect to prior years.	Group	NO	
	102-50 Reporting period	This Annual Report relates to the Iberpapel Group's 2018 activities.	Group	NO	
	102-51 Date of most recent report	Appendix I (p. 106)	Group	NO	
	102-52 Reporting cycle	Appendix I (p. 106)	Group	NO	
	102-53 Contact point for questions regarding the report	Contact details. Appendix I (p. 111)	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 Criteria" option.	Group	NO	
	102-55 GRI content index	Appendix II (p. 112-117)	Group	NO	
	102-56 External assurance	This Annual Report has not been verified by an independent external party.	Group	NO	

GRI standard	Content	Page / Reference	Scope	Review	Link to SDGs
THEMATIC CONTENT					
Economic performance					
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Appendix I. B (p. 110-111)	Group	NO	
	103-2 The management approach and its components	Economic value generated, distributed and retained (p. 100)	Group	NO	SDG 5, SDG 8
	103-3 Evaluation of the management approach	Economic value generated, distributed and retained (p. 100)	Group	NO	
GRI 201: Economic performance 2016	201-1 Direct economic value generated and distributed	Economic value generated, distributed and retained (p. 100)	Group	NO	SDG 5, SDG 7, SDG 8, SDG 9
	201-4 Financial assistance received from government	The Iberpapel Group's 2018 Consolidated Annual Accounts. Notes to the financial statements: Note 18. "Borrowings and government grants"	Group	NO	
Materials					
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Appendix I. B (p. 110-111)	Group	NO	
	103-2 The management approach and its components	Waste management (p. 67)	Group	NO	
	103-3 Evaluation of the management approach	Waste management (p. 67)	Group	NO	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Waste management (p. 67)	Group	NO	SDG 12
Energy					
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Appendix I. B (p. 110-111)	Group	NO	
	103-2 The management approach and its components	Energy and climate change (p. 73)	Group	NO	
	103-3 Evaluation of the management approach	Energy and climate change (p. 73)	Group	NO	
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	Energy and climate change (p. 73)	Group	NO	SDG 7, SDG 12, SDG 13, SDG 9
	302-3 Energy intensity	Energy and climate change (p. 73)	Group	NO	SDG 7, SDG 12, SDG 13, SDG 9
Water					
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Appendix I. B (p. 110-111)	Group	NO	
	103-2 The management approach and its components	Liquid effluents and water use (p. 77)	Group	NO	
	103-3 Evaluation of the management approach	Liquid effluents and water use (p. 77)	Group	NO	
GRI 303: Water 2016	303-1 Water withdrawal by source	Liquid effluents and water use (p. 77)	Group	NO	SDG 6
Biodiversity					
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Appendix I. B (p. 110-111)	Group	NO	
	103-2 The management approach and its components	3.5.1 Forestry Division (p. 25)	Group	NO	
	103-3 Evaluation of the management approach	3.5.1 Forestry Division (p. 25)	Group	NO	
GRI 304: Biodiversity 2016	304-2 Significant impacts of activities, products and services on biodiversity	3.5.1 Forestry Division (p. 25)	Group	NO	SDG 6, SDG 12, SDG 15

GRI standard	Content	Page / Reference	Scope	Review	Link to SDGs
Emissions					
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Appendix I. B (p. 110-111)	Group	NO	
	103-2 The management approach and its components	Atmospheric emissions (p. 74)	Group	NO	
	103-3 Evaluation of the management approach	Atmospheric emissions (p. 74)	Group	NO	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	Atmospheric emissions (p. 74)	Group	NO	SDG 3, SDG 12, SDG 13, SDG 15
	305-5 Reduction of GHG emissions	Atmospheric emissions (p. 74)	Group	NO	SDG 13, SDG 15
	305-7 Nitrogen oxides (NOX), sulphur oxides (SOX) and other significant air emissions	Atmospheric emissions (p. 74)	Group	NO	SDG 3, SDG 12, SDG 13, SDG 15
Effluents and waste					
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Appendix I. B (p. 110-111)	Group	NO	
	103-2 The management approach and its components	Waste management (p. 77)	Group	NO	
	103-3 Evaluation of the management approach	Waste management (p. 77)	Group	NO	
GRI 306: Effluents and waste 2016	306-1 Water discharge by quality and destination	Liquid effluents and water use (p. 77)	Group	NO	ODS 3, ODS 6, ODS 12
	306-2 Waste by type and disposal method	Waste management (p. 77)	Group	NO	ODS 3, ODS 6, ODS 12
Environmental compliance					
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Appendix I. B (p. 110-111)	Group	NO	
	103-2 The management approach and its components	5.1. Environmental responsibility (p. 62)	Group	NO	ODS 16
	103-3 Evaluation of the management approach	5.1. Environmental responsibility (p. 62)	Group	NO	
GRI 307: Environmental compliance 2016	307-1 Non-compliance with environmental laws and regulations	5.1. Environmental responsibility (p. 62)	Group	NO	ODS 16
Environmental assessment of suppliers					
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Appendix I. B (p. 110-111)	Group	NO	
	103-2 The management approach and its components	4.5. Responsibility to our suppliers (p. 55)	Group	NO	
	103-3 Evaluation of the management approach	4.5. Responsibility to our suppliers (p. 55)	Group	NO	
GRI 308: Supplier environmental assessment 2016	308-1 New suppliers that were screened using environmental criteria	4.5. Responsibility to our suppliers (p. 55)	Group	NO	
Employment					
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Appendix I. B (p. 110-111)	Group	NO	
	103-2 The management approach and its components	Employee career development and training (p. 48)	Group	NO	SDG 8
	103-3 Evaluation of the management approach	Employee career development and training (p. 48)	Group	NO	
GRI 401: Employment 2016	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee career development and training (p. 48)	Group	NO	SDG 8

GRI standard	Content	Page / Reference	Scope	Review	Link to SDGs
Occupational health and safety					
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Appendix I. B (p. 110-111)	Group	NO	
	103-2 The management approach and its components	Occupational risk prevention (p. 50)	Group	NO	SDG 8
	103-3 Evaluation of the management approach	Occupational risk prevention (p. 50)	Group	NO	
GRI 403: Occupational health and safety 2016	403-1 Workers representation in formal joint management-worker health and safety committees	Occupational risk prevention (p. 50)	Group	NO	SDG 8
	403-2 Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	Occupational risk prevention (p. 50)	Group	NO	SDG 3, SDG 8
	403-3 Workers with high incidence or high risk of diseases related to their occupation	Occupational risk prevention (p. 50)	Group	NO	SDG 3, SDG 8
Diversity and equal opportunities					
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Appendix I. B (p. 110-111)	Group	NO	
	103-2 The management approach and its components	4.3. Responsibility to our people (p. 47)	Group	NO	SDG 5, SDG 8
	103-3 Evaluation of the management approach	4.3. Responsibility to our people (p. 47)	Group	NO	
GRI 405: Diversity and equal opportunities 2016	405-2 Ratio of basic salary and remuneration of women to men	The Iberpapel Group assures that Collective Bargaining Agreements establishing strict equality between men and women are carefully observed, entailing the same salary for the same work and category. Wage differences in the same job depend solely on the type of working day, length of service, training and any other measurable variable item, irrespective of the worker's gender.	Group	NO	SDG 5, SDG 8, SDG 10
Non-discrimination					
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Appendix I. B (p. 110-111)	Group	NO	
	103-2 The management approach and its components	4.3. Responsibility to our people (p. 47)	Group	NO	SDG 5, SDG 8, SDG 16
	103-3 Evaluation of the management approach	4.3. Responsibility to our people (p. 47)	Group	NO	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	There were no cases of discrimination in the Iberpapel Group in 2018.	Group	NO	SDG 5, SDG 8, SDG 16
Freedom of association and collective bargaining					
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Appendix I. B (p. 110-111)	Group	NO	
	103-2 The management approach and its components	Industrial relations (p. 47)	Group	NO	SDG 8
	103-3 Evaluation of the management approach	Industrial relations (p. 47)	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	Industrial relations (p. 50)	Group	NO	SDG 8

GRI standard	Content	Page / Reference	Scope	Review	Link to SDGs
Local communities					
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Appendix I. B (p. 110-111)	Group	NO	
	103-2 The management approach and its components	3.1 Business model and value creation (p. 12-13)	Group	NO	OSDG 1
	103-3 Evaluation of the management approach	3.1 Business model and value creation (p. 12-13)	Group	NO	
GRI 413: Local communities 2016	413-2 Operations with significant actual and potential negative impacts on local communities	3.1 Business model and value creation (p. 12-13)	Group	NO	SDG 1
Marketing and labelling					
GRI 103: Management approach 2016	103-1 Explanation of the material topic and its boundary	Appendix I. B (p. 110-111)	Group	NO	
	103-2 The management approach and its components	4.5. Responsibility to our suppliers (p. 55)	Group	NO	SDG 16
	103-3 Evaluation of the management approach	4.5. Responsibility to our suppliers (p. 55)	Group	NO	
GRI 417: Marketing y etiquetado 2016	417-1 Requerimientos para la información y el etiquetado de productos y servicios	4.5. Responsibility to our suppliers (p. 55)	Group	NO	SDG 12, SDG 16

Appendix III: Contact data of Iberpapel's divisions

> [102-5]

FORESTRY DIVISION

IBEREUCALIPTOS, S.A.U.

Reforestation and forestry

C/ Real, 14
21700 La Palma del Condado
Huelva. SPAIN
Tel.: 959 40 22 85 | Fax: 959 40 26 33

IBERPAPEL ARGENTINA, S.A.

Reforestation and forestry

C/ General Urquiza, 137
3280 Colón - Entre Ríos. ARGENTINA
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FORESTAL SANTA MARÍA, S.A.

Reforestation and forestry

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3280 Colón - Entre Ríos. ARGENTINA
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FORESTAL LOMA ALTA, S.A.

Reforestation and forestry

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FORESTAL LOS GURISES ENTRERRIANOS, S. A.

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FORESTAL VONGER, S. A.

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LOS EUCALIPTUS, S.A.

Reforestation and forestry

Otros Padron, 22
2982 9370 Constanca - Paysandu. URUGUAY
Tel.: 0059 829 030 138 | Fax: 0059 829 030 129

SAMAKIL, S.A.

Timber merchant

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Montevideo. URUGUAY
Tel.: 0059 829 030 138 | Fax: 0059 829 030 129

INDUSTRIAL DIVISION

PAPELERA GUIPUZCOANA DE ZICUÑAGA, S.A.U.

Manufacture, transformation and sale of paper

B 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

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28006, Madrid. SPAIN
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MOLINER, DOMÍNGUEZ Y CÍA, S.A.U.

Paper wholesaler

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08912 Badalona, Barcelona. SPAIN
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CENTRAL DE SUMINISTROS DE ARTES GRÁFICAS PAPEL, S.A.U.

Paper wholesaler

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IBERBARNA PAPEL, S.A.U.

Paper wholesaler

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ZICUPAP, S.A.U.

Export promotion

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COPAIMEX, S.A.U.

Export promotion

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IBERPAPEL ONLINE, S.L.U.

B2B paper marketing

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Edited by: Iberpapel Gestión, S.A.

Legal Deposit: SS-440-2019

Printed in certified paper PeFC

Design and layout: www.jastenfrojen.com



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