

20

19

ANNUAL REPORT

 Grupo  
**iberpapel**

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# #01

## Chairman's letter

[102-14]



Dear shareholders,

I'm delighted to present you with the Iberpapel Group's Annual Report for another year. Our aim is to take stock of the most significant aspects of 2019 and explain our prospects for the coming years.

We are keen to provide all our stakeholders with information that is useful and clear, so we strive to improve our non-financial information reporting system year after year. While in previous years we were guided by international standards, primarily the *Global Reporting Initiative*, in this report we have also included some of the requirements of Law 11/2018 on non-financial information and diversity, as well as the EU's 2017/C215/01 guidelines, even though they are not yet applicable to us.

2019 was a particularly complicated year due to the considerable fall in the price of cellulose fibre and the worldwide economic slowdown, which had a significant impact on demand for printing and writing paper.

In this market context, the Group's net profit amounted to €21.7 million, 14% down on 2018.

In view of the complex circumstances, we believe Iberpapel was reasonably successful in the defence of EBITDA, which ended the year at €37 million, 9.6% below 2018. Revenue totalled €213 million, entailing a slight decline of 3% on the 2018 figure of €221.1 million.

This allowed us to continue consolidating a sound financial position so as to go ahead with the Company's future investment plans without losing sight of our commitment to society and the environment. None of this would have been possible without a workforce of top professionals and efficient managers who are highly committed to the Group's project.

This year, the update of the General Code of Conduct and preparation of an Anti-Corruption Policy were promoted and implemented by the Corporate Social Responsibility Committee and the Board of Directors. This reflects our pledges to stakeholders.

Similarly, as part of the business strategy, we have made a commitment to the environment in the form of our Climate Change Policy and Environmental Policy, prioritising three strategy aspects of the organisation: energy efficiency, biomass energy recovery and CO<sub>2</sub> emissions removal in our forests, which act as sinks.

The appearance of the coronavirus in China in December 2020 followed by the global spread of the virus resulted in the declaration of a pandemic by the World Health Organisation. This unprecedented situation has closed down nearly all activities in Spain and in the rest of the world, to a greater or lesser extent.

The outcome is clearly one of the most serious crises in recent history.

Once the health emergency is overcome, companies will doubtless have to adapt to the new situation and keep working to sustain and relaunch economic activities while guaranteeing health and safety for all our stakeholders. We must also foster sustainable development in our local areas by means of environmental, economic and social benefits.

So, in view of the health crisis and the declaration of a state of emergency by Spain's Council of Ministers through Royal Decree 463/2020, it became impossible in both technical and healthcare terms to carry on assembling the cellulose plant. The decision was taken to delay the start of the extension and renovation work, and therefore to suspend the production stoppage in the Hernani plant until it is feasible from a logistical, technical and healthcare viewpoint.

Finally, I'd like to end this letter by thanking all our collaborators, past and present, for their commitment to this marvellous adventure that began 85 years ago. We will work every day in 2020 to make sure there are many more years to come. Thank you all very much.

Mr. Iñigo Echevarría Canales  
Iberpapel's Chairman

# #02 Iberpapel at a glance





## 2.1 Our performance in 2019. Financial and non-financial highlights and key indicators

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

### HOW WE HELPED OUR STAKEHOLDERS AND THE GROUP DEVELOP IN 2019:

OUR PEOPLE				
Number of employees <sup>(1)</sup>	<b>294</b> +1.03% vs. 2018		% indefinite contracts	<b>92.8%</b> -1.6% vs. 2018
			No. of disabled employees	<b>9</b> -10% vs. 2018
OUR CUSTOMERS				
% long-term domestic customers <sup>(2)</sup>	<b>91%</b> +1.11% vs. 2018		% long-term international customers <sup>(2)</sup>	<b>94%</b> +2.17% vs. 2018
OUR SUPPLIERS				
Payments to suppliers	<b>€201,090</b> +5.30 vs. 2018		% of custody chain certified timber suppliers	<b>100%</b> = vs. 2018
			Officially approved suppliers	<b>100%</b> = vs. 2018
OUR COMMUNITIES				
Domestic suppliers	<b>94.53%</b> +3.27% vs. 2018		Community sponsorships	<b>4</b> +100% vs. 2018
			Involvement in forums and associations	<b>12</b> +300% vs. 2018
OUR ENVIRONMENTAL RESPONSIBILITY				
CO2 emissions avoided	<b>240,666 t</b> -1.48 vs. 2018		Power consumption	<b>0.552 MWh/t</b> +1.47% vs. 2018
			Waste reused	<b>42%</b> -12.5% vs. 2018
OUR CORPORATE GOVERNANCE				
% Code of Good Governance recommendations followed	<b>98%</b> = vs. 2018		Number of Board of Directors meetings	<b>10</b> -16.67% vs. 2018
			% attendance at the Annual General Meeting	<b>83.96%</b> -0.6% vs. 2018
OUR FINANCIAL HIGHLIGHTS				
EBITDA	<b>€36.9</b> MILLION -9.58% vs. 2018		Net profit	<b>€21.68</b> MILLION -14.00% vs. 2018
			General liquidity (x) <sup>(3)</sup>	<b>3.59</b> -14.93% vs. 2018
			Leverage ratio	<b>-29.52%</b> -17.77% vs. 2018
OUR SHAREHOLDERS				
Dividends in FY 2019	<b>0.55€</b> per share <sup>(4)</sup> -9.58% vs. 2018		Pay-out	<b>26.73</b> -8.86% vs. 2018
			Return on Equity (ROE) <sup>(5)</sup>	<b>9.83</b> -14.15% vs. 2018

<sup>(1)</sup> At the year end (31/12/2019). / <sup>(2)</sup> For more than 5 years. / <sup>(3)</sup> Calculated as the product of dividing current assets by current liabilities, representing the proportion of short-term debts covered by assets that will be cashed at approximately the same time as the debts will fall due. / <sup>(4)</sup> 0.15 euros per share proposed to the General Meeting. / <sup>(5)</sup> ROE: EBIT divided by equity.

## IBERPAPEL'S HIGHLIGHTS

> [102-7]

FINANCIAL HIGHLIGHTS	2019	2018	2017	Var. 2018-19	Var. 2017-18
<b>RESULTS (million euro)</b>					
Revenue	213.47	221.07	217.05	(3.44) %	1.85%
EBITDA	36.99	40.91	36.91	(9.58) %	10.84%
Operating margin (% of revenue)	17.33	18.51	17.00	(6.37) %	8.88%
EBIT	26.30	29.99	26.51	(12.30) %	13.13%
Attributable net profit	21.68	25.21	22.91	(14.00) %	10.04%
Margin (% of sales)	10.16	11.40	10.55	(10.88) %	8.06%
<b>BALANCE SHEET (million euro)</b>					
Total assets	378.76	382.94	353.30	(1.09) %	8.39%
Equity	266.83	255.36	236.77	4.49%	7.85%
Net borrowings	(78.77)	(91.68)	(79.13)	(14.08) %	15.86%
Investments	22.73	19.28	2.78	17.89%	593.53%
<b>FINANCIAL AND MANAGEMENT RATIOS</b>					
Net debt/Equity (%)	(29.52)	(35.90)	(33.42)	(17.77) %	7.42%
Net debt/EBITDA	(2.13)	(2.36)	(2.14)	(9.75) %	10.28%
Return on equity (%) <sup>(1)</sup>	13.86	16.02	15.58	(13.48) %	2.82%
EBITDA return on equity (%) <sup>(2)</sup>	8.12	9.87	9.68	(17.73) %	1.96%
Working capital (million euro) <sup>(3)</sup>	151.48	170.98	170.16	(11.40) %	0.48%
Liquidity (x) <sup>(4)</sup>	3.59	4.22	5.44	(14.93) %	(22.43) %
<b>SHAREHOLDER RETURN (euro per share)</b>					
Interim dividend	0.40	0.40	0.30	=	33.33%
Supplementary & definitive dividend	0.15*	0.30	0.25	(50.00) %	20%
Dividend yield (%)	2.16	2.12	1.88	1.89%	12.77%
Pay-out (%)	26.73	29.33	25.37	(8.86) %	15.61%
<b>THE STOCK</b>					
Number of shares	11,039,829	11,039,829	10,930,829	1.00%	0%
Capitalisation (million euro)	281.52	364.31	319.17	(22.73) %	14.14%
Share price at year end (euro)	25.50	33.00	29.20	(22.73) %	13.01%
Average share price (euro)	26.79	33.58	28.04	(20.22) %	19.76%
Equity per share (euro)	24.17	23.13	21.66	4.50%	6.79%
Price/Equity per share (x)	1.05	1.43	1.35	(26.57) %	5.93%
PER (price-earnings ratio) (x)	12.39	13.81	13.52	(10.28) %	2.14%
Earnings per share (euro)	2.06	2.39	2.16	(13.81) %	10.65%
<b>SOCIAL RESPONSIBILITY</b>					
Employees (average headcount) (No.)	294	291	290	1.03%	0.34%
Employees under indefinite contracts (%)	89.80	94.16	98.3	(4.63) %	(4.21) %
Custody-chain-certified suppliers	100	100	100	=	-
<b>ENVIRONMENT</b>					
CO <sub>2</sub> emission savings (t)	240,666 t	244,290 t	243,984 t	(1.48) %	+0.13 %
Electricity consumed (MWh/t)	0.552 MWh/t	0.544 MWh/t	0.526 MWh/t	1.47%	3.42 %
Waste reused (%)	42	48	47	(12.50) %	2.13 %
<b>CORPORATE GOVERNANCE</b>					
Code of Good Governance recommendations applied (%)	98	98	98	0%	0%
Board of Directors meetings (No.)	10	12	10	(16.67) %	20%
Attendance at General Shareholders' Meeting (%)	83.96	84.47	79.55	(0.60) %	(6.18) %

\* Proposed to the General Meeting

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

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

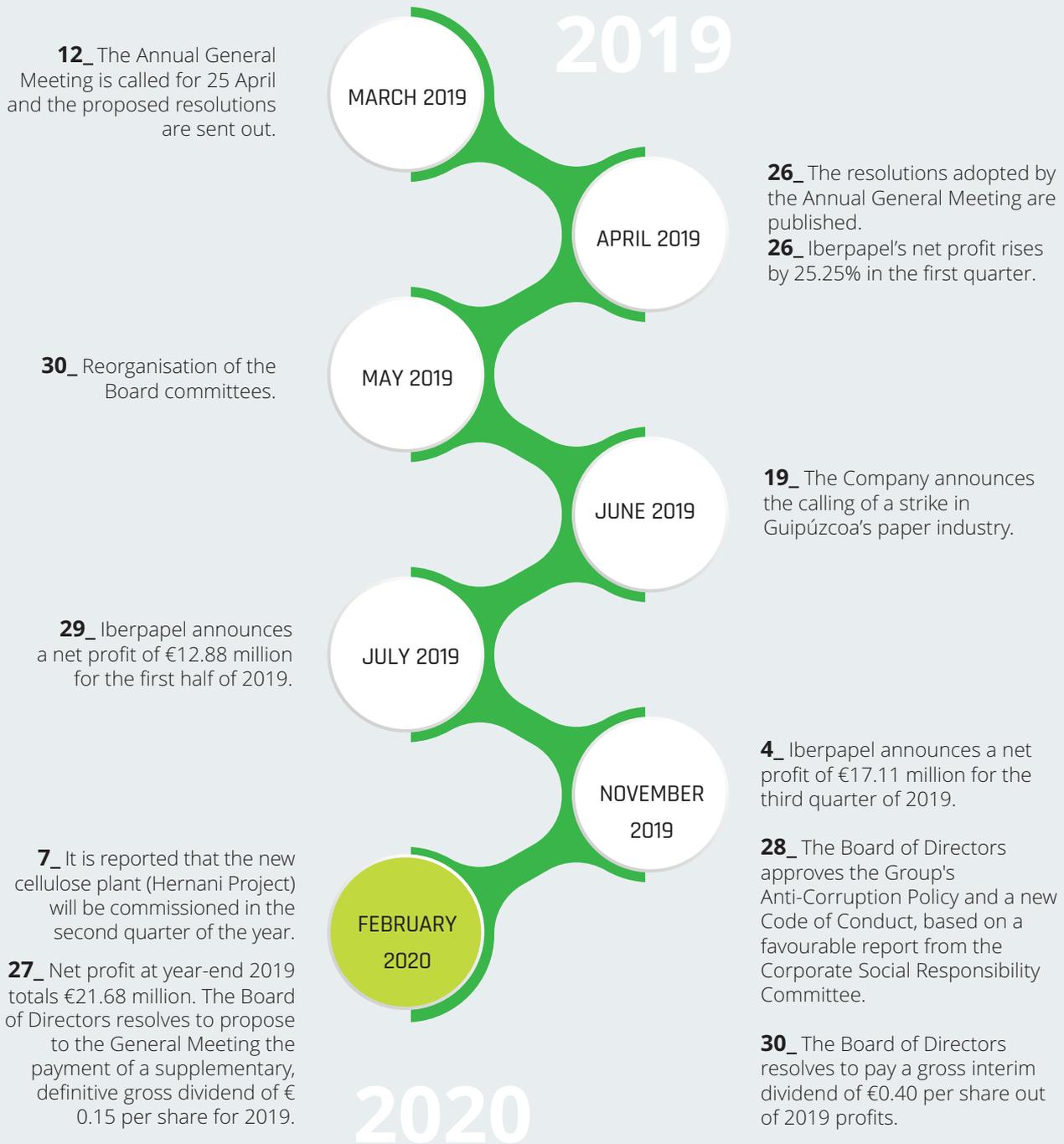
<sup>(3)</sup> Calculated as the excess of current assets over current liabilities, representing the company's capacity to continue to do business as normal in the short term.

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

## 2.2 Milestones in 2019 and future challenges

### MILESTONES 2019/2020

Thanks to our sound financial structure, we can go ahead with the "Hernani Project".





## SUMMARY OF FUTURE CHALLENGES

### 3. OUR GROUP

- Press on with the “Hernani Project”:
  - In 2020, the first part of the project, the renovation and modernisation of the pre-existing cellulose plant, will be commissioned.
  - Progress will also be made in the second phase of the project, delayed for over two years, so as to contract and install Paper Machine No. 5 (MP5), allowing the production of 85 tonnes of MG paper.
- 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 retain their confidence.
- Oversee fulfilment of the Iberpapel Group's ethical, social and environmental requirements in the supply chain.

### 5. OUR ENVIRONMENTAL RESPONSIBILITY

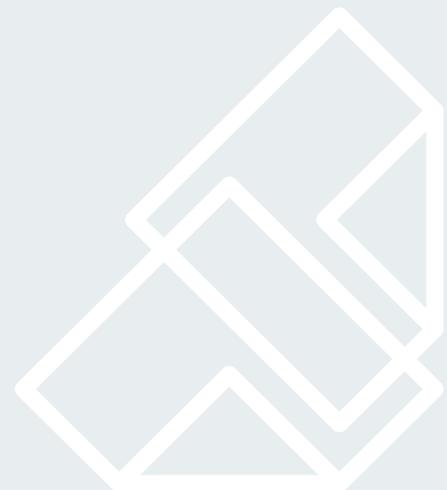
- Improve the main environmental indicators.
- Progress with the assimilation of circular economy principles in environmental management.

### 6. OUR CORPORATE GOVERNANCE

- Continue to integrate CSR into the Company's management procedures as a strategic pillar of good governance (Corporate Social Responsibility Committee).
- Review and adapt corporate CSR policies to market best practices.

### FY 2020

- Maximise value by increasing investor confidence and future sustainability.



# #03 Our Group





## 3.1 The Iberpapel Group and value creation

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

We take 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 reuse of waste.



### Social

Cooperation, transparency and trusting relationships with stakeholders.

... .. to bring value to our 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.

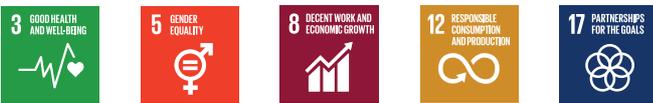
... and we have positive **impacts on society and the environment.**



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.



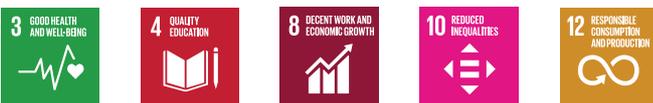
Committed, qualified team thanks to training and promotion in a pleasant working climate.



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



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



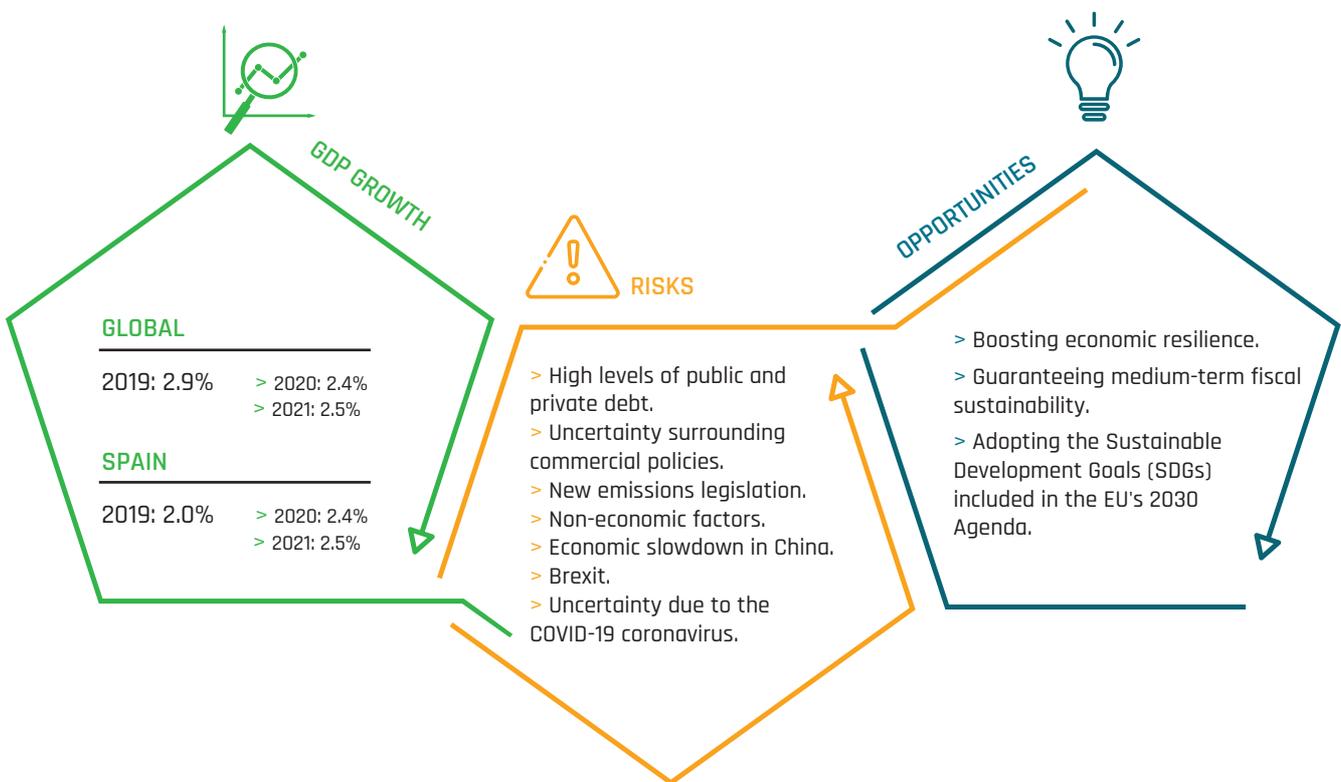
## 3.2 Market context

### CURRENT AND FUTURE OUTLOOK FOR THE GLOBAL AND DOMESTIC ECONOMY

Iberpapel's future performance may only be understood by visualising its business on a large scale and analysing its market context. It is very important

to have actions plans based on forward-looking estimates and to first study risks and opportunities. Iberpapel has examined the current economic pic-

ture influencing the paper industry in the countries where it operates and has analysed forecasts that might impact the Company's performance.



Uncertainty surrounding global trade policies brought instability to global economic growth in 2019 and an overall fall in world GDP growth from 3.7% to 2.9% in a year. Although the International Monetary Fund (IMF) estimated a possible quickening of the world's economic expansion at the beginning of 2020, at a rate of 3.3% in 2020 and 3.4% in 2021, the situation turned around fo-

llowing the COVID-19 coronavirus outbreak. The pandemic will not only be remembered for the global health emergency it is causing or the unprecedented lockdown measures imposed internationally to contain it, but also for causing, in scarcely three months, a global recession of a kind never seen before which threatens to bring the world's GDP down 3% in 2020 before recovering to

reach 5.8% in 2021. A similar scenario has been observed at the domestic level. According to the IMF's latest report, the impact of the pandemic is expected to be twice as harsh as the last big GDP collapse of 3.8% in 2009. Spain's GDP is forecast to decline by 8% in 2020 before rallying to 4.3% in 2021. Unemployment is another of the factors that will

play a key role in the coming years at the domestic level. In 2019, the unemployment rate contracted 4.9% on the previous year, the lowest since 2008. But the situation will deteriorate as a result of the COVID-19 outbreak, according to the latest forecasts.



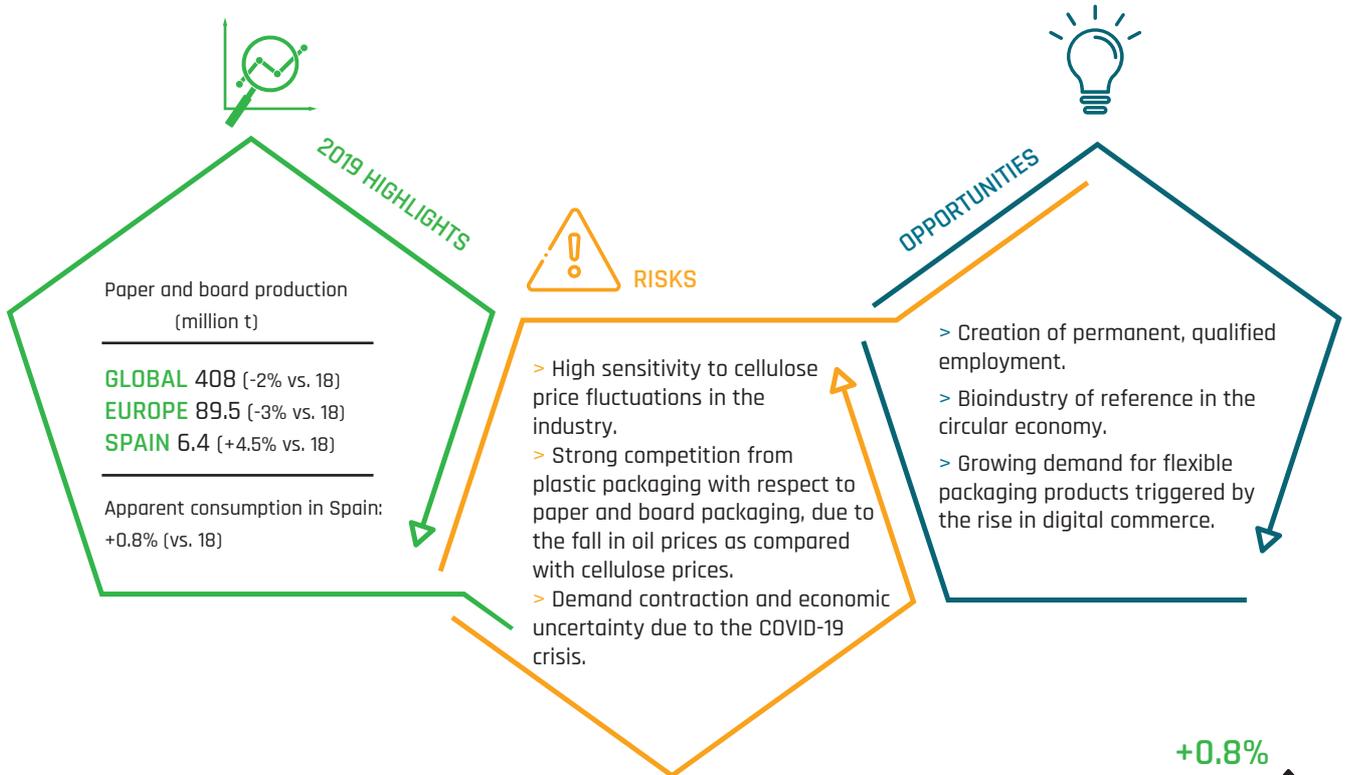
## PAPER INDUSTRY OUTLOOK

Paper plays a role in numerous aspects of human life, such as education, communication, hygiene,

trade and transport. As a hugely significant industry within the global economy, it promotes sustainability

by contributing to the Sustainable Development Goals.

- Global paper and board production declined 2% on the previous year, driven by a reduction in East Asia and the United States, and a slump in European demand.



At the European level and according to preliminary statistics published in December by the Confederation of European Paper Industries (CEPI), in 2019 paper and board production in its member countries fell 3% to reach a total production of 89.5 million tonnes.

This downward trend is also observed in many other parts of the world. China, USA, Japan, Korea and Canada reported production decreases of between 2% and 4%. The emerging countries, including India, Indonesia, Brazil and Russia, reported moderate growth. Overall,

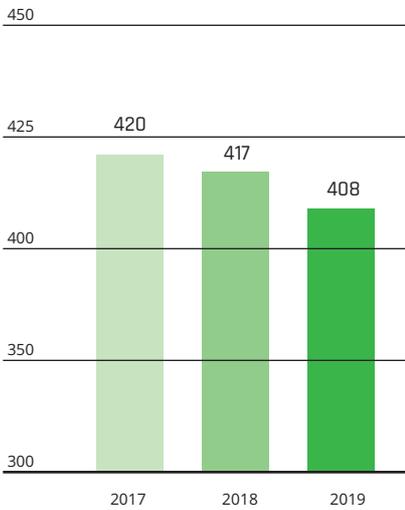
worldwide paper and board production decline by around 2.0% in 2019 on the previous year, according to initial estimates.



- In Spain, apparent consumption of paper and board grew by 0.8% in relation to 2018, although some product types suffered significant falls of up to 10%<sup>1</sup>.

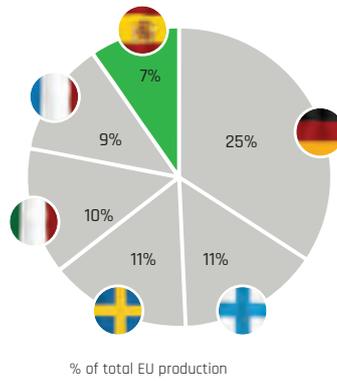
<sup>1</sup> According to data reported by the Spanish association of pulp, paper and board manufacturers (ASPAPPEL).

**TOTAL PAPER AND BOARD PRODUCTION**  
(million t)

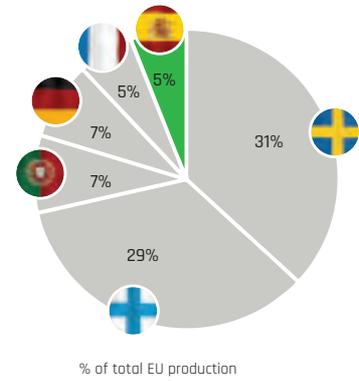


**PAPER AND CELLULOSE MANUFACTURE IN THE EUROPEAN UNION**

EU's 6th-ranked  
PAPER manufacturer



EU's 5th-ranked  
CELLULOSE manufacturer



According to EuroGraph data, paper sales in Europe declined by 5% on 2018, while sales outside Europe rose by 1% in the last year. European demand for uncoated paper fell by 4% in 2019 as compared with 5.5% in 2018.

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, pro-

ductivity and specialisation, accompanied by concern for the environment and sustainability.

In Spain, **apparent paper and board consumption decreased by 1% in 2019** on the previous year.

Cumulative **paper and board production reached 6,437 thousand tonnes**. This quantity is 4.5% up on the cumulative prior-year figure.

Early data published by the tax authorities in 2019 show **2.6% export growth to total 2,651,100 tonnes**, while paper and board **imports fell by 8.1% to 3,088 thousand tonnes**.

Spain's 81 paper industry facilities (10 cellulose plants and 71 paper and board mills) **accounted for 4.5% of GDP in 2018**. 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.



### CONCLUSIONS ON THE MARKET CONTEXT AND THE IMPACT ON IBERPAPEL'S RESULTS

- In such a complex market in which, as mentioned, the global economic slowdown has deflated demand for printing and writing paper worldwide and in Spain, Iberpapel managed to protect selling prices, despite a slight reduction in physical units sold. In this operating arena, the Group's net profit amounted to €21.7 million, 14% down on 2018.

- At the date this report is published, there are still no data or forecasts explaining how the crisis caused by COVID-19 will affect the paper sector in particular, although the initial forecasts are not promising.

## FUTURE TRENDS AND IBERPAPEL'S ADAPTATION

We actively seek to anticipate new trends so as to protect our leading position in the market and offer a top quality service. According to the analysis carried out, there are two main trends: **the circular economy and changing consumer habits**.

### Trend 1:

#### Bioeconomy

The European paper industry's Horizon Europe 2021-2027 and 2050 Roadmap address the need to lead the transition towards a low-carbon, sustainable bioeconomy so as to cut CO2 emissions by 80% and increase added value creation by 50% by 2050. During 2019, Spain recycled 71% of paper consumed to become the second-ranked country in Europe for recycling.

Iberpapel is aligned with the European and national approach, as our management system already includes inputs obtained from natural sources. Firstly, the basic raw material is timber, a natural, renewable resource. Secondly, the pulp and paper production process is managed to assure maximum efficiency and sustainability.

A recovery line forms part of the cellulose pulp manufacturing pro-

cess. This produces high-pressure steam which is used to generate thermal energy and power. Papepera Guipuzcoana de Zicuñaga (PGZ) also has a high-efficiency natural gas combined cycle cogeneration system that simultaneously produces heat and power in the plant. The reuse of waste within the plant or in external facilities is prioritised as part of the circular economy.

### Trend 2:

#### Changing consumer habits

The boom in electronic commerce has leveraged the paper industry's capacity to adapt to consumer needs. In recent years, the consumption of paper for packaging and labelling has grown faster than the gross domestic product (GDP) and the trend is expected to carry on growing thanks to the increase in online purchasing and globalisation.

**Responsible and sustainable consumption** Studies show that up to 44% of consumers declare to have stopped buying certain branded products they feel are not sustainable, which leads us to conclude that environmental respect is now an aspect to be considered in product-related decision-making.



#### The boom in digital commerce

Iberpapel is responding to this changing arena and, for this reason, launched the "Hernani Project", which will entail an investment of over €180 million and give us the capacity to meet our customers' needs. The following products are increasingly important: Zicubag (a new type of paper for bags which is highly mechanically resistant), Zicuflex (packaging paper) and SC (paper for product labelling)



#### Responsible and sustainable consumption

Green certification, guaranteeing that the product respects the environment and people, can make a considerable competitive difference. So Iberpapel has the internationally recognised PEFC™ and FSC® certificates and only works with timber suppliers that are custody chain certified, assuring environmental well-being and the Group's integrity.

## THE PAPER INDUSTRY AND SUSTAINABILITY

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.

As a result of these sustainability trends, responsible management of

forests and plantations is increasingly important on a global level, as well as better use of the potential for a bioeconomy and circular economy in the paper industry, through inputs obtained from natural sources or waste.

Similarly, sustainable forestry management is the focus in Spain, by means of new green initiatives and processes that are more productive, efficient and responsible, assuring a lower environmental impact. The paper industry is seeking to build wealth and contribute to the qua-

lity of life of all stakeholders in the value chain, while encouraging society to move towards product recycling and reuse on the path to a sustainable future.

### 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. We have a comprehensive energy efficiency and climate change policy, we implement best available

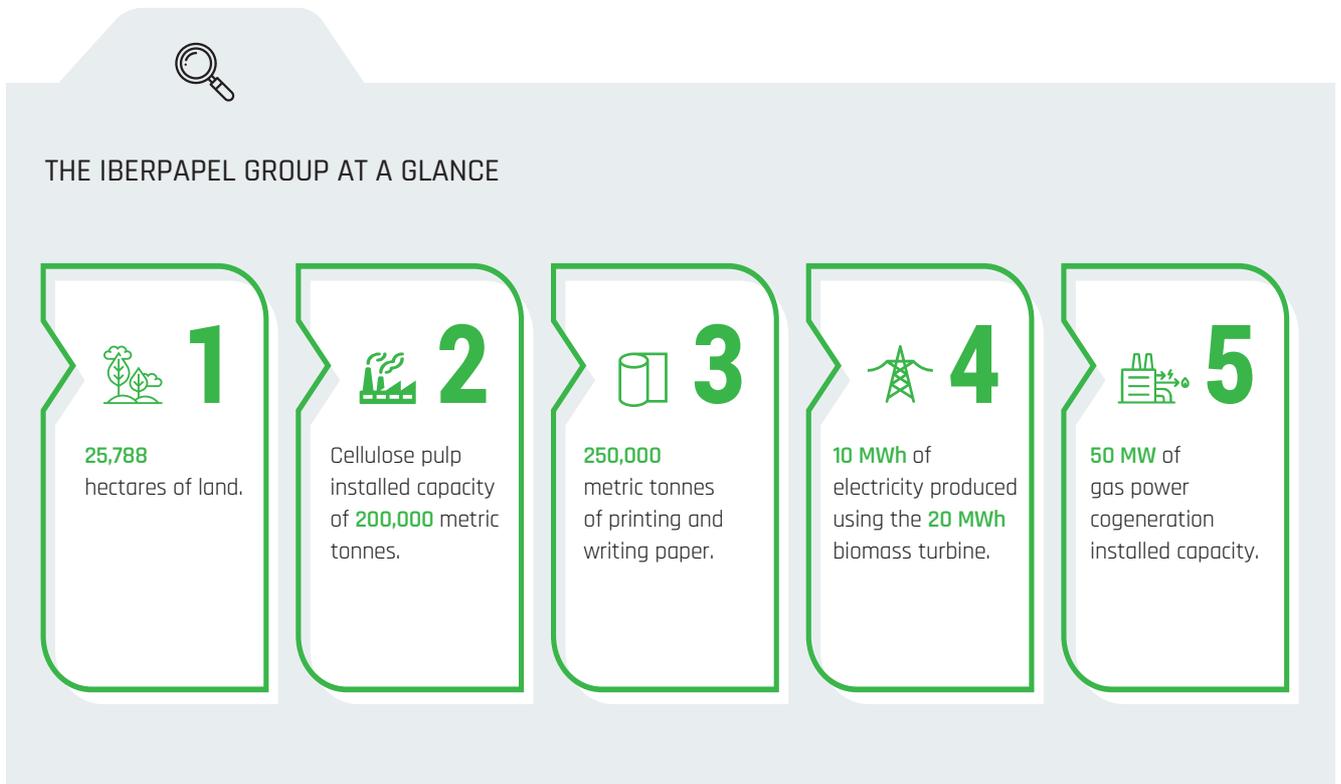
technologies to minimise our environmental impact, we assure reforestation of timber sources, we promote sustainable management systems and we seek to guarantee product quality by means of environmental certification.

All these 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, reflects our commitment to society and the environment.



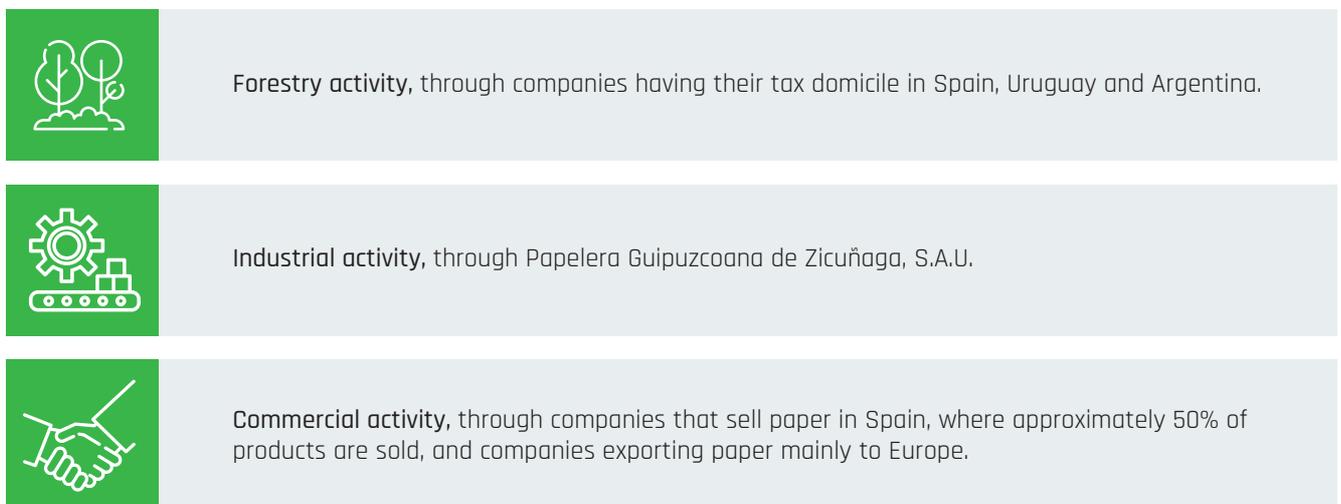
### 3.3 Our strategic vision and outlook

> [102-19; 102-20; 102-21; 102-26; 102-31]



Iberpapel is an international integrated paper group formed by 17 companies: the parent company Iberpapel Gestión, S.A. and 16 wholly-owned direct or indirect subsidiaries, there being no non-controlling interests.

#### THE IBERPAPEL GROUP'S ACTIVITIES



All the parent company's shares are listed on the Madrid and Bilbao stock exchanges.

## OUR BUSINESS MODEL AND STRATEGIC VISION

The success of our business model is based on a high level of integration of each of the production phases: cellulose, paper and cogeneration. This provides a clear competitive advantage in terms of costs, all of which combines well with a highly flexible industrial and commercial set-up.

### OUR MODEL'S MAIN STRENGTHS



The Company's strategy is intended to consolidate efficiency, productivity and cost control, without forsaking growth, thanks to new investments (such as the "Hernani Project"<sup>1</sup>) made to increase production capacity, diversify products and boost growth in all our markets. The combination of these distinctive factors and our competitive advantages has brought a solid positioning in the industry and success in overcoming complicated market situations.

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



### CLEAN BALANCE SHEET

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



### HIGHLY-INTEGRATED PRODUCTION PROCESS

- Our subsidiary (PGZ) has a paper mill and a cellulose plant. The cellulose plant produces virtually all the pulp needed in the paper mill. The company also has a biomass gas cogeneration power plant that supplies heat to the industrial process and electricity to the grid.



### MAKE-TO-ORDER PRODUCTION

- Make-to-order production, allowing:
  - > Improved pricing.
  - > Guaranteed sale of all products.
  - > High degree of customer satisfaction.



### PRODUCTIVITY AND EFFICIENCY LEADERSHIP

- Insistence on cost control to boost productivity leadership.



### LOW-CARBON ENERGY SOURCES

- Major effort to use energy technologies that have a lower environmental impact.
- Implementation of the Climate Change Policy.



### EMPHASIS ON SUSTAINABILITY, TRANSPARENCY AND RESPECT FOR THE ENVIRONMENT

- Commitment to integrating corporate social responsibility (CSR) into business strategy as a factor that enhances competitiveness and strengthens stakeholder confidence.
- Pursuit of Sustainable Development Goals through our three business divisions.



### INVESTMENT EFFORT

- Continuous investments throughout the Group's history, making annual improvements to the industrial and environmental technology used in facilities.



### RESEARCH, DEVELOPMENT AND INNOVATION

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

## PILLARS OF THE IBERPAPEL GROUP'S STRATEGY IN 2019



- Tight cost control.
- The core focus of the Group's growth, the "Hernani Project", as a clear commitment to new products, innovation and technology.

Our international vocation complements the growth strategy and has helped to reduce exposure to the economic situation. Exports and

major investments in both industrial and forestry activities have brought considerable flexibility in the face of fluctuating supply prices, and optimi-

sation of the customer portfolio and paper sales.

## STRATEGY BY DIVISION



Iberpapel's current forestry assets assure a significant supply of the main raw material used by the Group's industrial division, eucalyptus.

FORESTRY

- Assurance of supplies to the Industrial Division of the main raw material, eucalyptus, managing 25,778 hectares of forested land.
- Silvopastoral system in our South American plantations, 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.



Following the launch of the "Hernani Project" in 2017, the industrial division's strategy in the coming years will focus on the project's success.

INDUSTRIAL

- "Hernani Project". Investment of over €180 million in industrial technology during the period 2017-2022 to enter the market for flexible packaging of various types. Phase one, the renovation and extension of the cellulose plant, will kick off in 2020.



Expansion of the market for specialty papers and traditional products will continue in Spain and abroad, offering products with a greater projection and added value.

COMMERCIAL

- Expansion of the market for specialty papers and traditional products with greater growth prospects and added value. This strategy will allow Iberpapel to:
  - stand out from our main competitors;
  - build and preserve long-term commercial relationships with our customers.

## INTEGRATION OF CSR INTO THE IBERPAPEL GROUP'S STRATEGY AND MANAGEMENT

The Corporate Social Responsibility Committee assists the Board by overseeing the CSR strategy. The independent director Mr. Jesús Alberdi Areizaga chairs the committee, which is formed by two independent Board directors and the Group's Vice-Chairman. Committee members are renewed, re-appointed and removed by the Board of Directors.

### COMPOSITION OF THE CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. Jesús Alberdi Areizaga	Chair
Mr. Gabriel Sansinenea Urbistondo	Director
Mr. Néstor Basterra Larroude	Director

As part of corporate social responsibility governance, this committee's primary objectives are to promote, among other aspects, the responsible development

of the Group's core business, placing people at the centre; maximise sustainable value creation shared with our shareholders, other stakeholders and so-

ciety as a whole; manage the risks and opportunities arising in the market responsibly; and maximise the positive impacts of the business on our local

areas while preventing and minimising any negative impacts, as far as possible.



Iberpapel Gestión, S.A.'s 2019 Corporate Social Responsibility Report contains further details of the Committee's activities and can be found in the corporate governance section of the Group's website.

Iberpapel Gestión, S.A.'s 2019 Corporate Social Responsibility Report contains further details of the Committee's activities and can be found in the corporate governance section of the Group's website.

The committee met twice in 2019 to drive and guide Iberpapel's corporate social responsibility actions and report to the Board of Directors on current status.

The Corporate Social Responsibility Policy, approved by the Board of Directors in 2018, is a point of reference to define and drive behaviours that allow value to be generated within a culture of social responsibility through responsible development in all the Group's undertakings.

We also have policies

setting out our commitments in key areas of financial and non-financial performance, such as the new Anti-Corruption Policy addressing compliance, the Board of Director's Diversity Policy on social aspects or the Climate Change Policy reflecting our environmental pledges.

The latter policy recognises the gravity of the threat posed by global warming both to society and business, as well as related actions areas. This policy has been fully integrated with the Group's strategic vision as a way to build value for stakeholders while enhancing business sustainability.

The plan prioritises a number of matters that Iberpapel regards as strategic, including energy effi-

ciency, biomass energy recovery and CO2 emissions removal by our forests.

In the coming years, we will carry on implementing plans to develop policies already in place so as to ensure that both our corporate culture and our strategic direction are instilled with this policy. The goals set for 2020 include an Equality Plan which, among other matters, will guarantee an essential component of the Group's values, equal treatment and opportunities for women and men.

Chapter 4 of this Report contains further details of our CSR approach and commitments.

### FUTURE PROSPECTS

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 2017-2022, the Group made a total investment of over €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

> [203-1]

#### A HISTORY OF CONTINUOUS INVESTMENT AND INNOVATION

Iberpapel understands that the key to assuring 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 €264 million during the pe-

riod 2000-2019. During this time, 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.

This significant inves-

tment in improving the production unit doubtless had a very positive impact on the quality of our paper and the competitiveness of our products.

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), Zicu-

bag GR (greaseproof paper), Zicuflex (packaging paper) and Vellum SC (label face).

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.

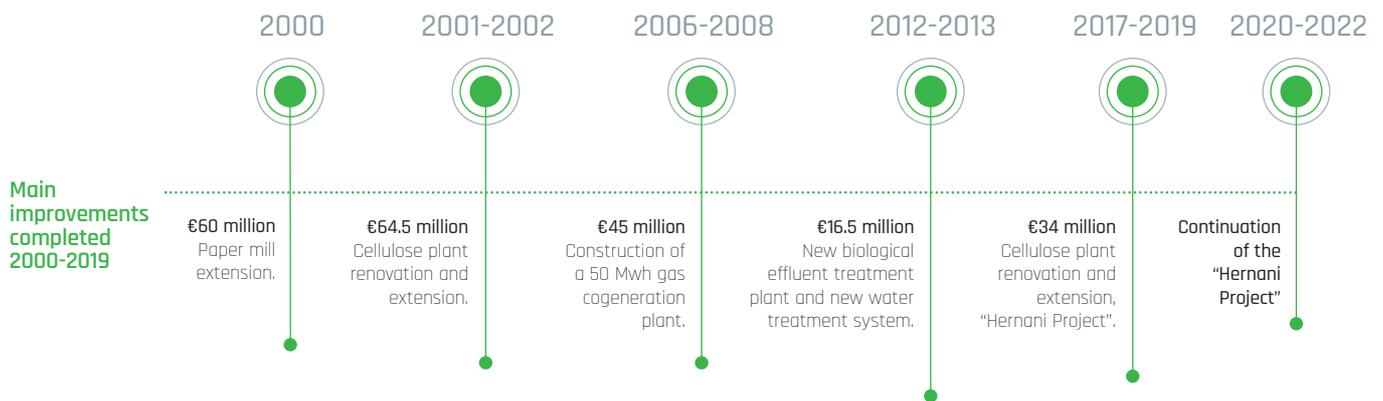


**LATEST SUCCESS STORY:**

"Hernani Project" phase one. Extension and modernisation of the cellulose plant (2018-2019), which will be commissioned in 2020. Project investment at 31/12/2019: **€34 million.**



**R&D&i SUCCESS STORY:** "Hernani Project" for cellulose.



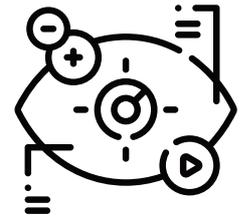
Main improvements completed 2000-2019



In a 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 2017-2022 strategy, which will have a considerable impact on future growth and competitiveness.



The project, which will entail key investments of over €180 million in favour of growth and competitiveness in the short, medium and long term, is divided into two sub-projects:

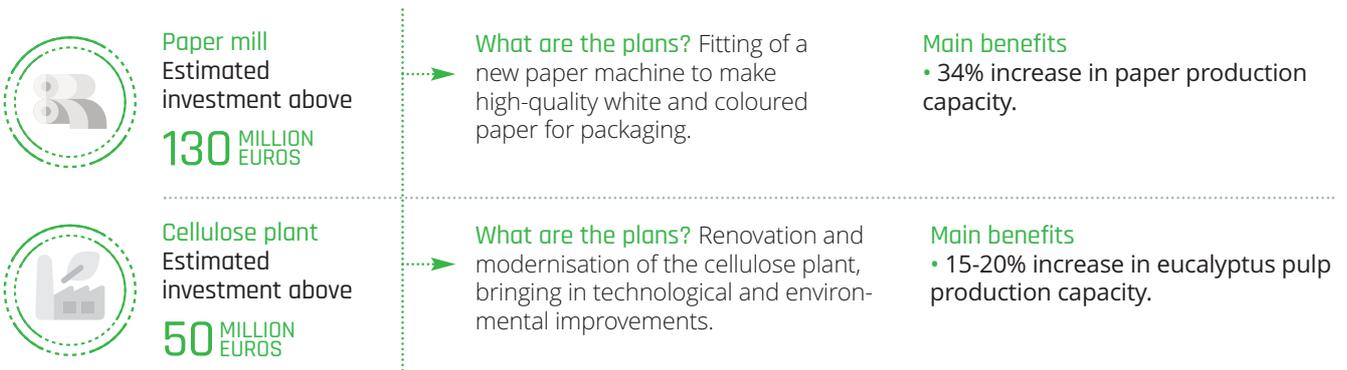
- The renovation and modernisation of the existing cellulose plant, entailing an outlay of over €50 million. **The new facilities and the interconnection with the pre-existing plant**

**are due to be commissioned in 2020.** The aim of this transformation is to substantially enhance end product quality, productivity, efficiency, security and the plant’s net environmental impact as a whole. Technological and environmental improvements will be added so as to increase fibre production by between 15% and 20%.

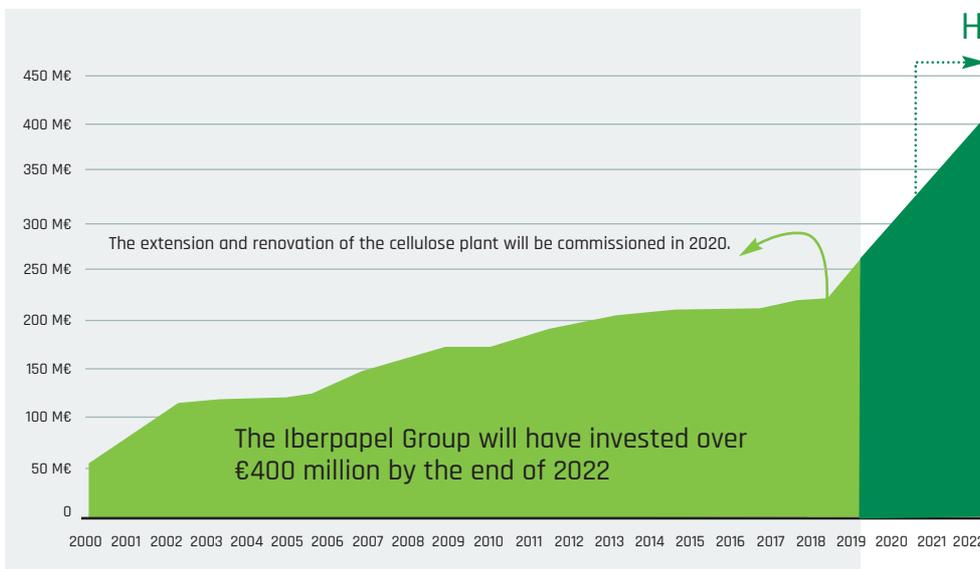
- An investment of over €130 million to increase capacity. This also includes a new production process to efficiently produce high-quality MG paper. A new paper machine will be installed to make high-quality white and coloured paper for packaging. This part of the investment has been delayed for over two and a half years due to the need for administrative authori-

sations.

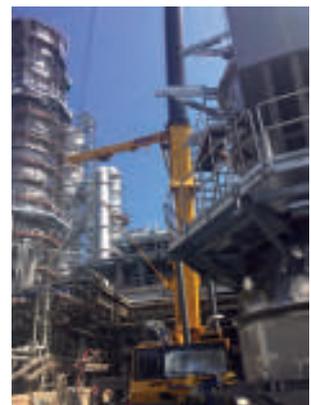
Once completed, it will allow us to increase production capacity and diversify our products to target new sectors in which our growth potential will be a lot higher than in printing and writing paper, with a clear added value for customers.



● Investment made  
● Investment pending



### Hernani Project (2020-2022)



### 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). This maximises the value generated and allows

synergies among our divisions, favouring our ability to compete in the market.



We have a solid international presence through our three divisions:

**EUROPE AND AFRICA**

- Commercial agents

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

**SOUTH AMERICA**

- Forest plantations

**SPAIN**

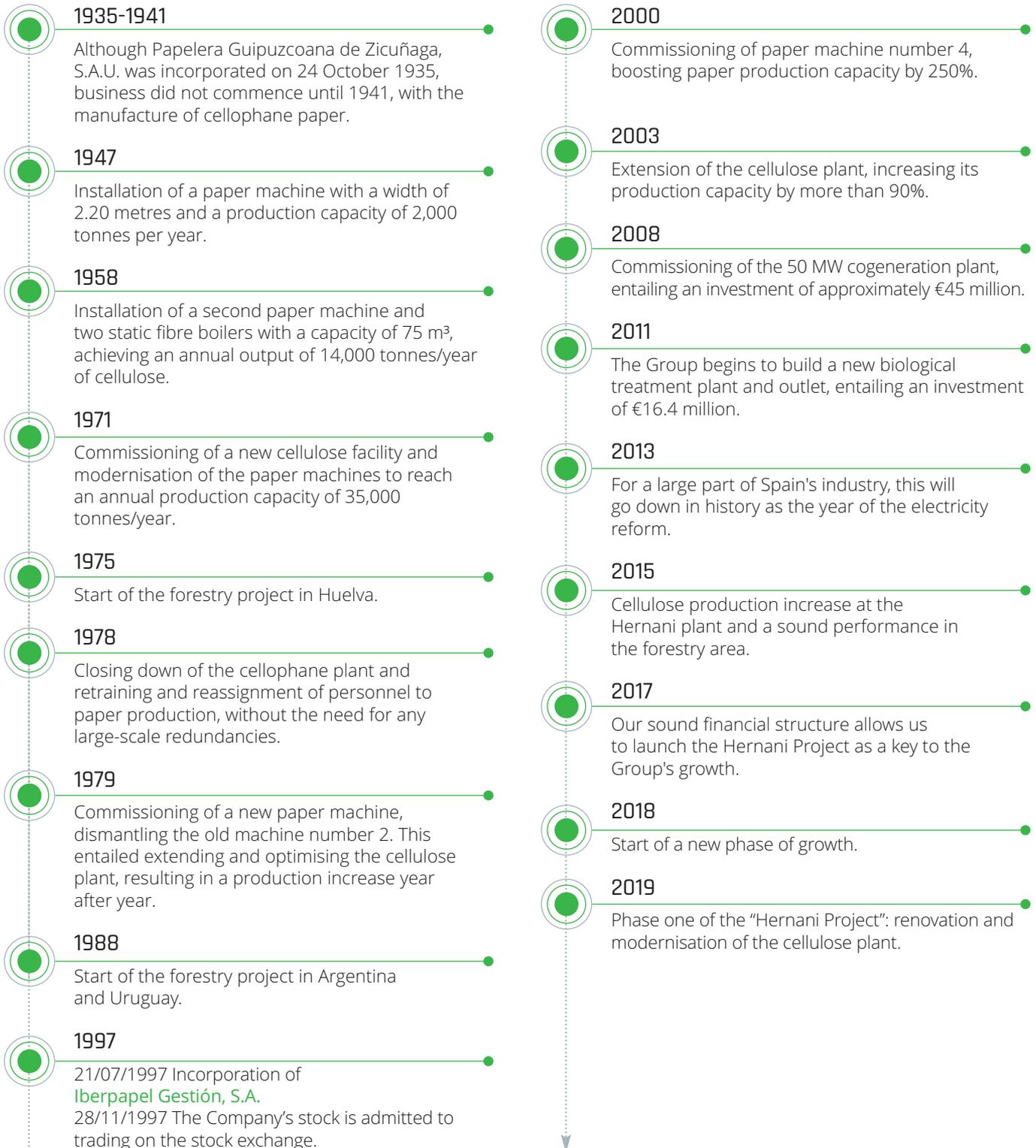
- Forest plantations
- Industrial plant
- Divisions and commercial agents

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

- Argentina: reforestation, forestry and timber sales in Colón.
- Uruguay: reforestation, forestry and timber sales in Paysandú and Montevideo.

- Forestry activity
- Industrial activity
- Commercial activity

## IBERPAPEL, A SUCCESS STORY



2020

### 3.5.1 Forestry Division

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

#### SUSTAINABLE FOREST MANAGEMENT: A KEY FACTOR

The aim 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 CO<sub>2</sub> each year.”<sup>1</sup>**

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) accumulating 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 12 specific targets for 2030.

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

Forests and trees support sustainable agriculture 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.<sup>1</sup>

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.

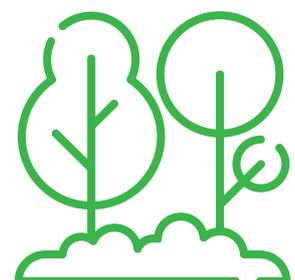


<sup>1</sup> Source: State of the World's Forests 2018, FAO

15

LIFE ON LAND

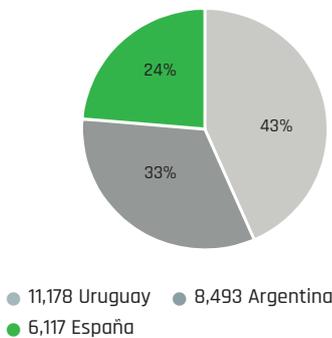
**SDG 15:** Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.



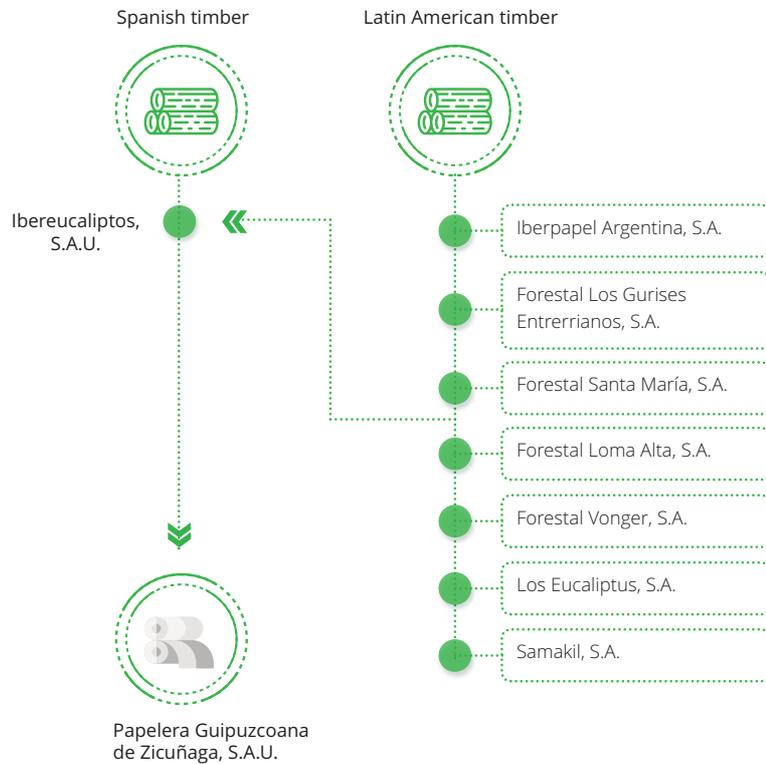
## THE FORESTRY DIVISION IN DETAIL

We currently have total forest assets of 25,788 hectares, of which 19,671 hectares (76%) are located in South America. At year-end 2019, our forest assets were distributed as follows:

**DISTRIBUTION OF FOREST ASSETS. 2019**  
(hectares/country)



### THE FORESTRY DIVISION'S STRUCTURE



Our Group works mainly with *Eucalyptus globulus ssp globulus Labill* or white eucalyptus 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 environ-

ment. In line with this philosophy, the Company has defined the following forest management guidelines:

- Gradual inclusion of the best seeds and selection of superior quality trees.
- Preparation of land prioritising soil conservation using the best techniques.
- Implementation of silvopastoral systems, integrating prior land uses, traditionally livestock farming, into forestry projects.
- Recovery of soil productivity by creating meadows 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, the majority of which have been clas-

sed 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. These countries were also 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. In addition, Argentina and Uruguay, as countries in the Southern Cone, are very well positioned to leverage the advantages of being low-cost timber producers compared with tra-

ditional producers in the northern hemisphere. Forest areas in Uruguay and Argentina total over one million hectares. In Argentina, they are concentrated mainly in the Misiones, Corrientes and Entre Ríos provinces. In Uruguay, they are distributed equally across the northern, west coast, cen-

tral, north eastern and south eastern zones.  
 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 America. The following summary provides the main milestones of our investment project in Latin America and Spain.



## IBERPAPEL GROUP'S MAIN INVESTMENTS IN

### SPAIN

- **1975:** The project to acquire assets in Huelva begins with the purchase of 264 hectares in two properties, El Naranjal and Sierra del Águila.
- **1975-1980:** In the first five years, 3,554 hectares were acquired in 26 properties in the province of Huelva, in the Sierras de Aracena and Andévalo areas.
- **1982-1983:** Three more properties were acquired in Sierra de Aracena totalling 599 hectares.
- **1983-1984:** Two important adjoining properties were purchased in the Campiña de Huelva area. Assets in Spain reached a stable 6,117 hectares.

### LATIN AMERICA

- **1988-1989:** 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.
- **2019:** Our forestry assets in Argentina are UY20/81841041 certified by PEFC/CERFOAR.





### 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. The division accounts for most of our employees and our largest investment projects.



#### THE INDUSTRIAL DIVISION AT A GLANCE

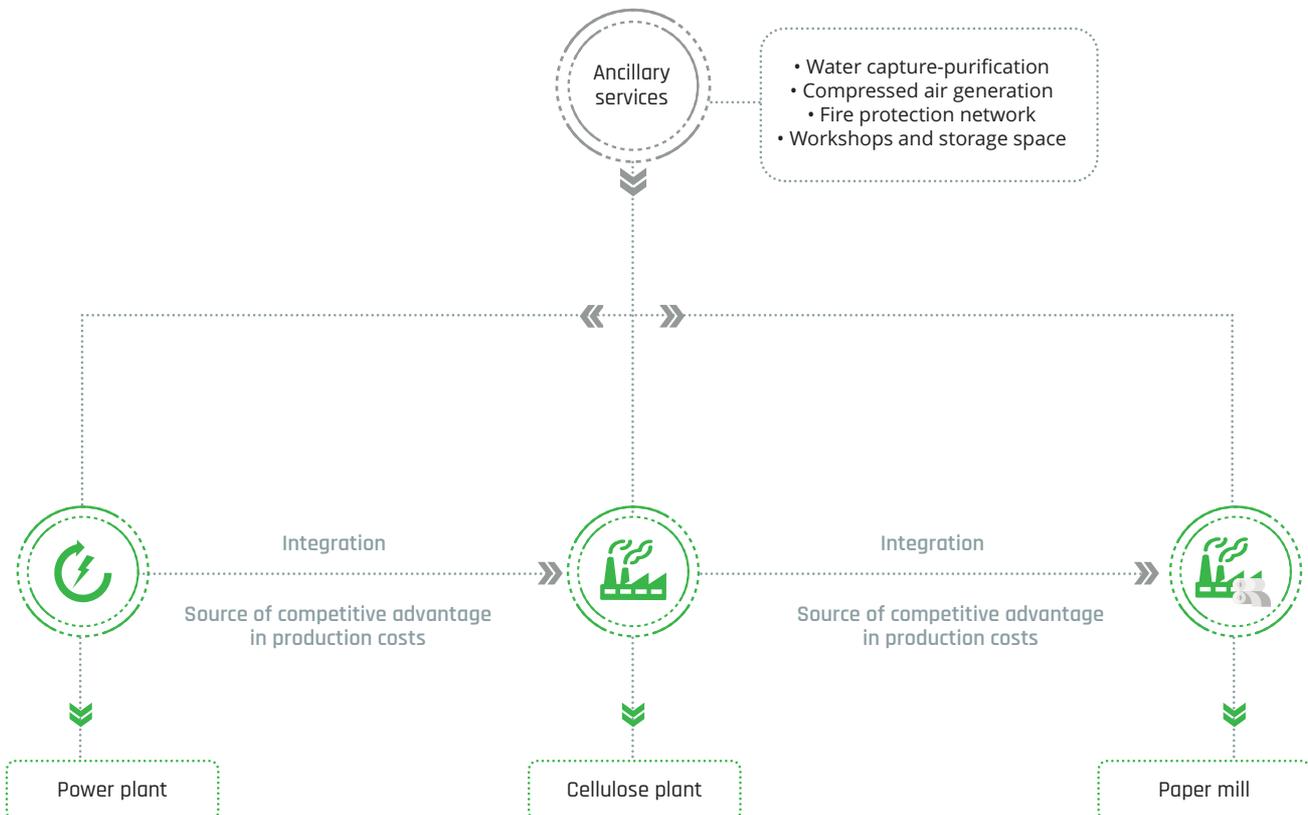
The Industrial Division's Hernani facility comprises two integrated plants, one making cellulose and the other paper, so that nearly all our paper is made using cellulose produced by the same plant, plus a power plant.

- **Cellulose plant:** uses eucalyptus timber to produce the cellulose pulp needed in the paper mill.

- **Paper mill:** makes the end product, printing and writing paper.

- **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.

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 foreign element purification process.

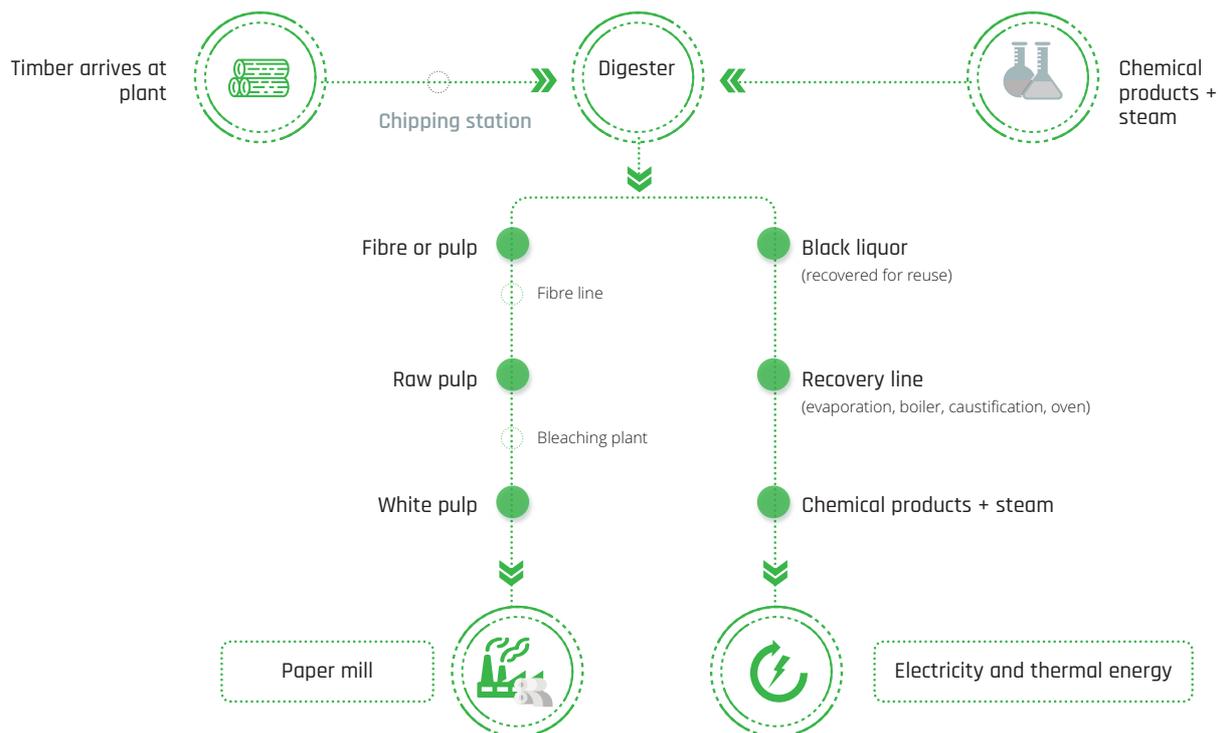
- **Bleach,** following concentration at the evaporation plant, is transferred to the black liquor boiler where combustion of the organic waste content, mainly containing lignins, generates energy to heat water and produce

high-pressure steam. The inorganic portion of the black liquor 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 Na<sub>2</sub>CO<sub>3</sub> (sodium carbonate) and Na<sub>2</sub>S (sodium sulphide) passes through the recovery line to the caustification plant, where CaO (lime) is added to once again obtain the bleach necessary to cook the timber. The CaO (lime) is obtained in the lime oven as a by-product of the recovery process.

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.

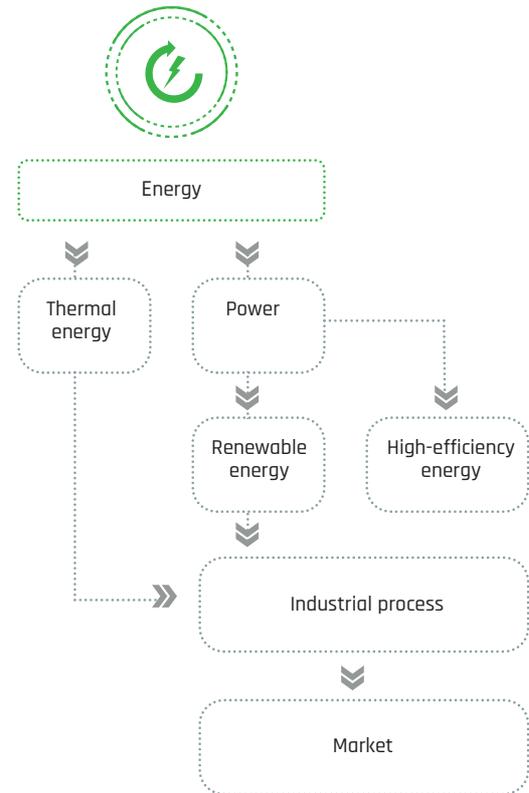
The fact that we have three independent production lines and double reel rewinders for each line makes for very flexible production, which is necessary to make different paper grades and custom orders, and gives us a competitive edge over other manufacturers with similar or higher production volumes.

POWER PLANT

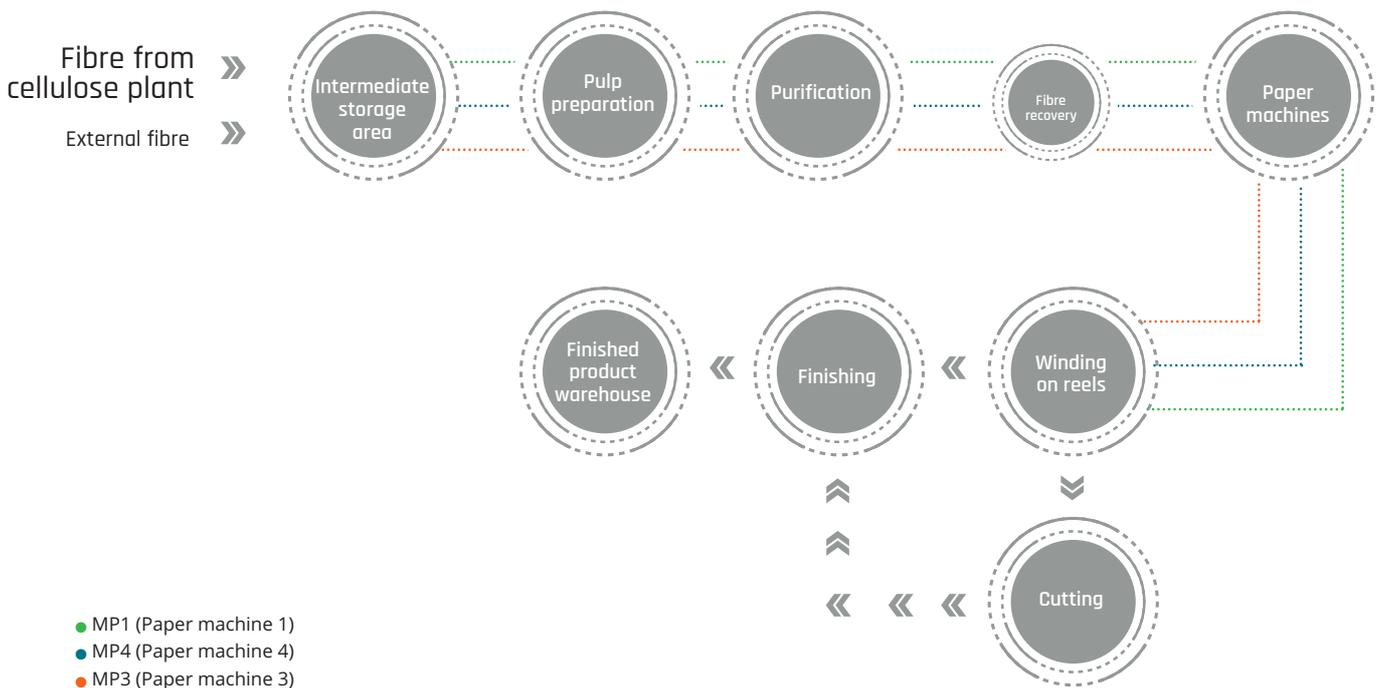
It comprises a renewable energy cogeneration plant and two high-efficiency combined cycles. It supplies the thermal energy (steam) needed in the industrial process and generates electricity for consumption, any surplus power being exported to the grid. The power plant comprises:

- Auxiliary or power boiler.
- Biomass cogeneration using a 20 MW back-pressure steam turbine.
- 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



The Commercial Division is responsible for managing product sales and distribution. We have identified a number of factors that are key to our competitive advantages, including proximity to customers and in-depth knowledge of our competitors and market:



#### MAIN COMPETITIVE ADVANTAGES

- **Manufacturing to order** so as to offer a top-quality product by creating an efficient production process.
- **Ongoing search for market opportunities**, offering our customers new products and entering new markets.
- **Diversified customer portfolio**, thereby mitigating risks of concentration in one geographic area or group of customers.
- **Personalised customer service**.
- **Competitive prices** that meet customers' expectations.
- **Comprehensive knowledge of the business and customers**, assuring a quality service and long-standing commercial relationships.
- **Speedy commercial decisions** thanks to our commercial management.
- **Flexible production process** thanks to the integration of all phases.
- Leading Spanish producer of **uncoated paper**.

#### COMMERCIAL DIVISION'S MAIN STRATEGY: KEY POINTS



**Diversifying** our portfolio through **presence in different markets** so as to minimise the risk of losing important customers, adverse circumstances in a specific market and the possibility of being easily displaced by competitors.



Adapting to current demand, **offering a broader product range**, seeking segments with the best growth potential, markets with added value and market niches that provide higher profitability.



Building and maintaining **long-term commercial relationships** with our customers.



**Supporting their industrial processes**, providing a personalised service and building sufficient trust to become their main supplier.



Taking out **credit insurance** to cover virtually **all of our paper sale transactions**.



**Making most sales in euros** so as to avoid foreign exchange risks.

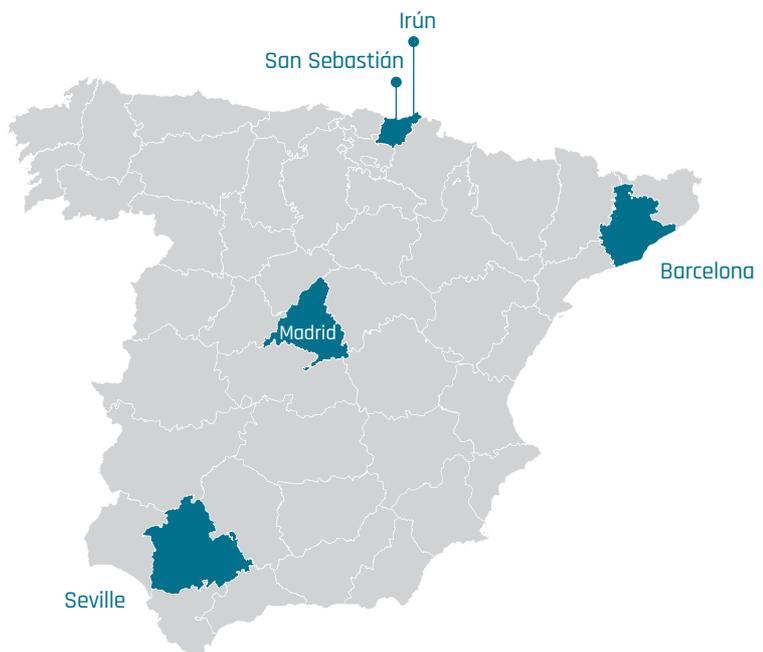
THE IBERPAPEL GROUP HAS SALES OFFICES OR AGENTS COVERING THE FOLLOWING COUNTRIES:



We are 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 work with sales representatives, who do not form part of the corporate structure, in most European countries and the north of Africa.



## OUR CUSTOMERS

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.

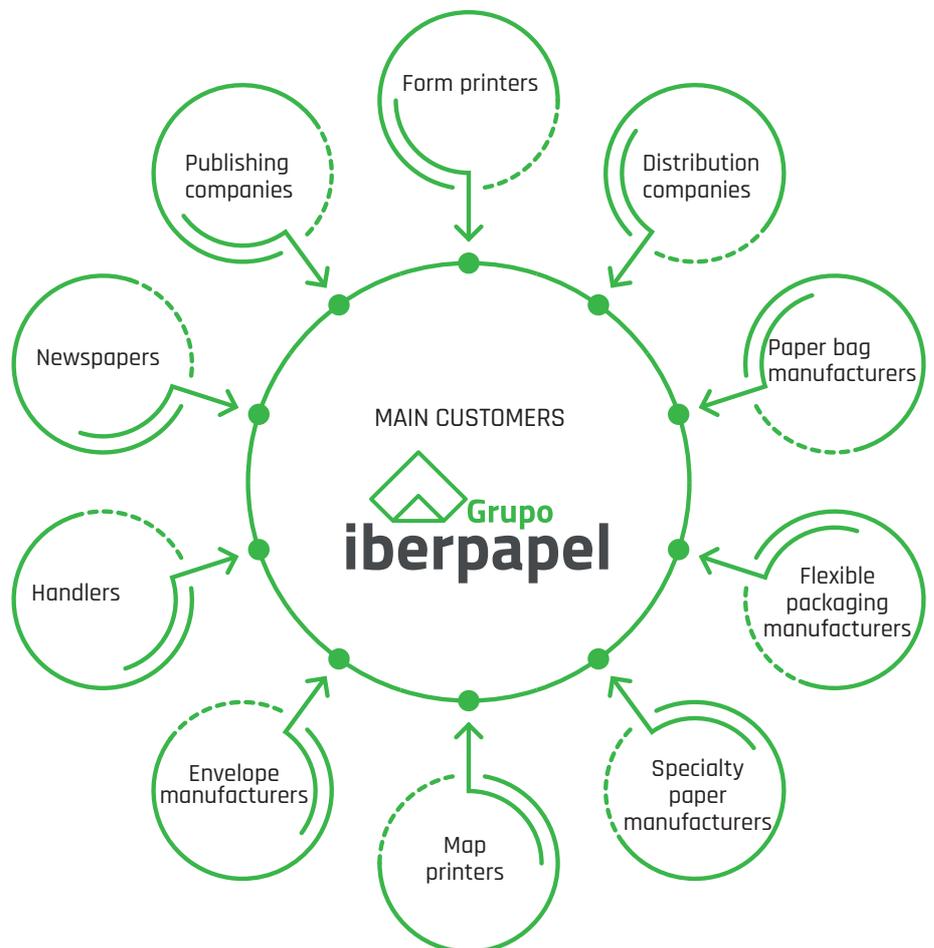
Our customer portfolio essentially includes companies that use paper as their main raw material with which the Company has a sound, solid, long-term relationship. The Company's track record, spanning over 80 years, instils in our clients a feeling of confidence in our capabilities as their current and future supplier.

The loyalty of our customer portfolio and our flexible commercial policy allow us to maintain a di-

versified sales structure. These lasting commercial relationships reflect our customers' satisfaction with the service received 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 do-

mestic and international markets, with consolidated business in Spain, France, Italy and Portugal, where we leverage geographic proximity, although our products are also sold in 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.

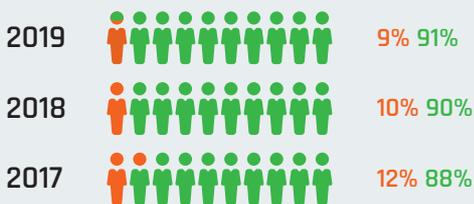




## IBERPAPEL'S CUSTOMERS AT A GLANCE

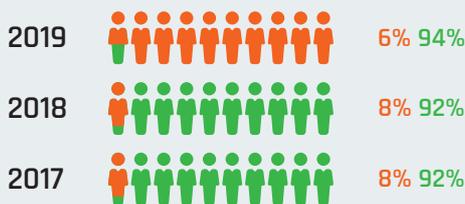
### AGE OF DOMESTIC CUSTOMERS

- Less than 5 years
- More than 5 years



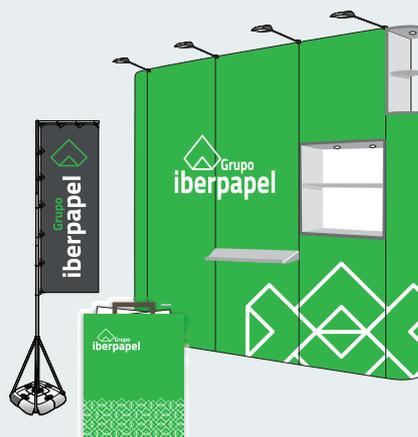
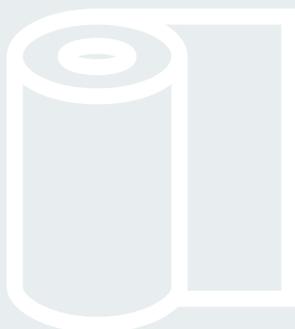
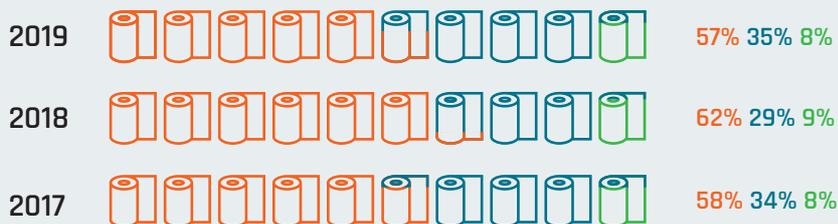
### AGE OF INTERNATIONAL CUSTOMERS

- Less than 5 years
- More than 5 years



### GEOGRAPHIC DISTRIBUTION OF REVENUE

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



- 57% of paper sales are made in Spain, 35% in the European Union and 8% in Africa.

- Iberpapel has long-standing customers (more than 5 years), assuring stability.

- In Spain, we have long-term relationships with 91% of customers.

- Internationally, long-term customers account for 94% of the total.

## 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 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 transportation and distribution capacity through a considerable number of carriers in each geographic zone to which products are shipped. The proper distribution of work among these carriers is vital to meet 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 com-

panies, 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		
2019	99.00%	-	1.00%	69.70%	7.40%	22.90%
2018	98.99%	-	1.01%	82.33%	4.63%	13.04%
2017	99.13%	-	0.87%	69.03%	7.31%	23.66%

# #04 Our Social Responsibility





## 4.1 Management approach to Corporate Social Responsibility (CSR)

### 4.1.1 CSR commitment and integration in our corporate strategy



At Iberpapel, we maintain our firm pledge to act responsibly so that our activity is respectful to people and the environment. In this spirit, we adhere to the Sustainable Development Goals as basic principles to bring an end to poverty, protect the planet and guarantee peace and social stability, among other aspects.

In the Iberpapel Group, we consider that sound management of the various aspects of Corporate Social Responsibility enhances our competitiveness and helps to meet stakeholder expectations and demands. We have therefore integrated Corporate Social Responsibility into our business strategy. This is based on three key pillars:



Thanks to these three pillars, the Group can assure the integration of CSR and sustainability into our business strategy and all 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 occupational safety, among other aspects.

This integration of CSR and sustainability into strategy and management begins at the highest executive level, since the Company understands that responsible behaviour, accountability and sustainability management are the only path for companies operating in the XXI century. Iberpapel responds in this way to all our stakeholder

expectations, overcoming new challenges, adapting to new trends and trying to contribute, through the business, to a better future. The Corporate Social Responsibility Committee allows us to guarantee that our promises to society and the environment are fully incorporated into our corporate strategy and that ground is gained every year.



#### FORMAL CONFIRMATION OF OUR CORPORATE SOCIAL RESPONSIBILITY PLEDGE AND NEW DEVELOPMENTS IN 2019

Our belief in these aspects is supported by the Corporate Social Responsibility Policy, which lays down the six general principles governing our sustainable behaviours and, more specifically, defines essential and specific principles covering the different areas of CSR and our stakeholders. In 2019, the Iberpapel Group developed a new Anti-Corruption Policy so as to ensure that there are no undesired conducts that could be viewed as acts of corruption, from both a public and private viewpoint.

Chapter 4.2 analyses in more depth the Iberpapel Group's stakeholder relationships and the dialogue channels that allow us to improve and adapt to their needs.

## 4.1.2 The Iberpapel Group: committed to the Sustainable Development Goals (SDG)

The Group's activities have various positive impacts that help to achieve the Sustainable Development Goals (SDG) set in

the United Nations 2030 Agenda. The SDGs are intended to mark the route towards a future in which business profitability and

productivity are tied to the principles of environmental and social sustainability.

The Iberpapel Group's impacts on the most significant SDGs related to the business are described briefly below:



**GOOD HEALTH AND WELL-BEING**  
Guarantee a healthy life and promote well-being for all

**31%** reduction in the number of accidents at PGZ vs. 2018

*We actively promote occupational health and safety, one of our main CSR commitments. Year after year, best practices in occupational risk prevention management are implemented to guarantee safety and well-being for all our employees.*

**Main contributions:**

- Implementation in PGZ of an Occupational Risk Prevention Management System (SIGPRL), certified by an independent expert.
- Installation in PGZ of a comprehensive Occupational Risk Prevention Management Computer System (Prosafety).
- Development in PGZ of a facility inspection plan and an observation procedure to ensure safe behaviours by employees.
- Integration of all executives, middle managers and supervisors into PGZ's own prevention team.
- Mandatory examinations for the Group's workers.



**AFFORDABLE AND CLEAN ENERGY**  
Guarantee access to affordable, safe, sustainable, modern energy for all

**60MW** biomass and gas power cogeneration

*The Iberpapel Group actively encourages the use of renewable energies and efficient facility management. All power consumed is obtained from gas and biomass cogeneration plants, reflecting our belief in clean energies and technologies.*

**Main contributions:**

- Supply from our own gas and biomass cogeneration plants, avoiding over 240,000 tonnes of CO<sub>2</sub>.
- Development of the Energy and Climate Change Programme, which promotes energy efficiency and the use of biomass as an alternative to traditional fossil fuels.
- Implementation of an Energy Management System under ISO 50001, certified externally by an independent expert (DNV).



**DECENT WORK AND ECONOMIC GROWTH**  
Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all

Nearly **93%** indefinite contracts

*Iberpapel offers employees a work environment committed to respect, stability and occupational safety. We also implement work-life balance measures, valuing the importance of our employees' personal life so they can perform their work to be best of their abilities. We also pledge to create stable, quality jobs in the local community.*

**Main contributions:**

- Workforce growth in 2019 to reach 294 employees, 93% on indefinite contracts.
- Promotion of training for employees, totalling 16,257 hours in 2019.
- Over 500 work-life balance actions representing of 4,300 hours.
- Workloads in line with working hours, guaranteeing employees' right to disconnect.



### INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructures, promote inclusive, sustainable industrialisation and foster innovation

Investment of over **€180 million** in the "Hernani Project" (2017-2022)

*We focus on innovation and technology to increase productivity and enhance customer service. These projects allow us to adapt to customers' needs and maximise value creation for all our stakeholders.*

#### Main contributions:

- Development of the "Hernani Project", which entails installing a new paper machine (estimated production capacity of 85,000 tonnes per year) and renovating and modernising the existing cellulose plant.
- New products: Zicubag (paper for bags, high mechanical resistance), Zicubag GR (greaseproof paper), Zicuflex (packaging paper) and Vellum SC (label face).
- Increase in certification for timber production in Iberpapel's Forestry Division.



### RESPONSIBLE CONSUMPTION AND PRODUCTION

Guarantee sustainable approaches to consumption and production

**42%** of waste is reused

*We promote the rational, respectful use of natural resources. Iberpapel promotes the circular economy and bioeconomy by fostering the recycling and reuse of biochemical products, the reuse of waste generated and energy efficiency in our plants.*

#### Main contributions:

- Harnessing of the potential of the bioeconomy and the circular economy in the paper industry, based on an economy that cuts production inputs by reusing waste and biological resources.
- Responsible and sustainable forest management, guaranteeing absolute traceability for customers under the FSC® and PEFC™ systems.
- The Argentinian companies' forestry assets are now certified under PEFC/CEFOAR Nº UY20/81841041.



### CLIMATE ACTION

Adopt urgent measures to combat climate change and its effects

Saving of **240,666 tonnes of CO<sub>2</sub> emissions**

*Besides sustainable forest management certified by internationally recognised organisations, Iberpapel helps to mitigate climate change by producing power using gas and biomass cogeneration. Iberpapel is also active in atmospheric CO<sub>2</sub> removal by issuing VCUs at our plantations in Uruguay.*

#### Main contributions:

- Environmental Management System under the ISO 14001:2015 standard, certified by an independent third party (DNV).
- Certification of the removal of 620,000 tonnes of CO<sub>2</sub> through the issuance of VCUs at our plantations in Uruguay
- Environmental awareness-building in all our workers.
- General training of all employees in environmental management.



### LIFE ON LAND

Promote the sustainable use of terrestrial ecosystems, combat desertification, halt and reverse land degradation and halt biodiversity loss.

**100%** custody chain certified timber suppliers

**100%** forest assets FSC® or PEFC™ certified

*We seek to use forest resources sustainably and responsibly, guaranteeing future viability. Best practices include the promotion of silvopastoral systems that help to preserve the local area and generate considerable social and environmental benefits, the promotion of projects in voluntary carbon markets and forestry certification for all our forest assets and the timber supplier custody chain.*

#### Main contributions:

- Use of a raw material that is natural, sustainable and fully renewable.
- Promotion of timber plantations and responsible management.
- Low-carbon energy consumption and waste reuse.
- Our afforestation of degraded land using silvopastoral systems was selected by the Uruguayan government for presentation to the Committee on Forestry (COFO) at the FAO meeting in Italy.

# SUSTAINABLE DEVELOPMENT GOALS

All the SDGs are interrelated. So, although the business is directly related to

those mentioned previously, the Group promotes sustainability in all

areas and contributes to all 17 Sustainable Development Goals.

Our contribution to the SDGs are described in the following chapters:

REPORT CHAPTERS	3 GOOD HEALTH AND WELLBEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS
1. Chairman's Letter												
2. Iberpapel at a glance												
3. Our Group	●	●	●	●	●	●	●	●	●	●	●	●
4. Our Corporate Social Responsibility	●			●	●	●		●	●	●		
4.2 Stakeholder dialogue commitment												●
4.3 Responsibility to our people	●	●			●		●					
4.4 Responsibility to our customers								●				
4.4 Responsibility to our suppliers								●				
4.4 Responsibility to our local community		●			●							●
5. Our environmental responsibility				●				●	●	●		
6. Our Corporate Governance			●		●						●	
7. Our results					●							

## 4.2 Stakeholder dialogue commitment

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

### 4.2.1 Management approach to stakeholder dialogue



We place great importance on close and continuous communication with all the stakeholders and entities that make our Company's success possible. We can only overcome the challenges that the future brings and create the most possible sustainable, shared value if we take into account the needs and expectations of our stakeholders and include them in our business strategy.

Our stakeholder relationships are grounded in the principles of our Corporate Social Responsibility Policy which is in turn supported by specific action policies and codes.

Stakeholder relationships are based on transparent communication, mutual trust and an ongoing, two-way communication. This allows us to integrate social, environmental, governance, ethical and human rights concerns in our daily activities and relationships through communication channels that are permanently available and undergo constant improvements.

For the model to be successful, we first identify our stakeholders on the basis of interrelationships and activities in the economic, social and environmental context.

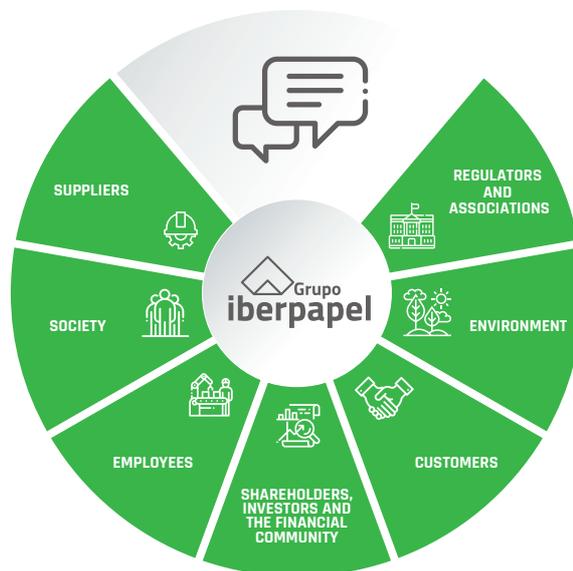
Secondly, we prioritise stakeholder groups by studying the influence each one has on our business and strategic objectives, while also analysing our impacts on them.

Following the identification and prioritisation processes, channels are put in place to contact stakeholders and understand their perspectives and trends. So, the design of these channels takes into ac-

count both the profile of each group and the aspects that are relevant in relation to our business, pursuing a dual purpose: facilitate communication and boost the volume and quality of interactions with stakeholders.

We have created different two-way communication channels to receive and respond in a personalised manner to their concerns and expectations, with the aim of ensuring their satisfaction.

#### SMOOTH DIALOGUE WITH OUR MAIN STAKEHOLDERS



The main channels in place connecting the Group with our stakeholders are presented below:

 <p><b>CUSTOMERS</b></p>	<p><b>Contact and dialogue:</b></p> <ul style="list-style-type: none"> <li>• Personal visits to customers and by customers to our premises.</li> <li>• Continuous telephone and e-mail contact.</li> <li>• Industry magazines and publications.</li> <li>• Quality control system (ISO 9001:2015).</li> <li>• Online shopping portal: <a href="http://www.iberpapelonline.es">www.iberpapelonline.es</a></li> </ul>	<p><b>Relevant expectations and aspects:</b></p> <ul style="list-style-type: none"> <li>• Personalised service.</li> <li>• Responsible, efficient management.</li> <li>• Transparency and permanent communication.</li> <li>• Fulfilment of delivery terms.</li> <li>• High quality, environmentally responsible and innovative products</li> </ul>
 <p><b>SUPPLIERS</b></p>	<p><b>Contact and dialogue:</b></p> <ul style="list-style-type: none"> <li>• Visits by suppliers to our premises and by Iberpapel to their premises.</li> <li>• Industry presentations, meetings and conventions.</li> <li>• Industry magazines and publications.</li> <li>• Continuous telephone and e-mail contact.</li> <li>• Quality control system (ISO 9001:2015).</li> <li>• Corporate website: <a href="http://www.iberpapel.es">www.iberpapel.es</a></li> </ul>	<p><b>Relevant expectations and aspects:</b></p> <ul style="list-style-type: none"> <li>• Fulfilment of contracts and commitments.</li> <li>• Transparent commercial activities.</li> <li>• Cooperation and collaboration.</li> <li>• Reliable, punctual payments.</li> </ul>
 <p><b>EMPLOYEES</b></p>	<p><b>Contact and dialogue:</b></p> <ul style="list-style-type: none"> <li>• Periodic meetings with the Works Committee and dialogue with unions represented.</li> <li>• Health and Safety Committee.</li> <li>• Vertical two-way (management-employees) communications channels under SIGPRL (internal occupational risk prevention management system).</li> <li>• Training process.</li> <li>• Whistleblower hotline integrated with the Criminal Risk Prevention System.</li> </ul>	<p><b>Relevant expectations and aspects:</b></p> <ul style="list-style-type: none"> <li>• Equal opportunities.</li> <li>• Stability and working conditions.</li> <li>• Life-work balance.</li> <li>• Career development.</li> <li>• Occupational health and safety.</li> <li>• Dialogue and transparency with management.</li> </ul>
 <p><b>ENVIRONMENT</b></p>	<p><b>Contact and dialogue :</b></p> <ul style="list-style-type: none"> <li>• Regular participation in environmental forums:             <ul style="list-style-type: none"> <li>- Environmental Committee of ASPAPEL (Spanish association of pulp, paper and board manufacturers).</li> <li>- Environmental Committee of the Basque Paper Industry Cluster Association.</li> <li>- Water Planning Committee.</li> <li>- Citizen Participation in the Water Board of the Eastern Cantabrian Water Zone.</li> </ul> </li> </ul>	<p><b>Relevant expectations and aspects:</b></p> <ul style="list-style-type: none"> <li>• Transparency and dialogue with related organisations.</li> <li>• Environmental in environmental conservation plans.</li> <li>• Reduction of the environment impacts of the Group's activities.</li> </ul>
 <p><b>SHAREHOLDERS, INVESTORS AND THE FINANCIAL COMMUNITY</b></p>	<p><b>Contact and dialogue:</b></p> <ul style="list-style-type: none"> <li>• Annual report, quarterly and half-yearly reports.</li> <li>• Conference call to announce results, open to all market professionals.</li> <li>• Annual presentation to shareholders and analysts.</li> <li>• General Shareholders' Meeting.</li> <li>• Corporate website: <a href="http://www.iberpapel.es">www.iberpapel.es</a></li> </ul> <p><b>Shareholders and investors:</b></p> <ul style="list-style-type: none"> <li>• Fact sheet.</li> <li>• Corporate presentation.</li> <li>• Press releases.</li> <li>• Dedicated e-mail address: <a href="mailto:atencion.al.accionista@iberpapel.es">atencion.al.accionista@iberpapel.es</a></li> <li>• Investor Relations Department.</li> </ul>	<p><b>Relevant expectations and aspects:</b></p> <ul style="list-style-type: none"> <li>• Transparent, smooth dialogue.</li> <li>• Relevant information.</li> <li>• Value generation and distribution.</li> <li>• Impact management.</li> <li>• Harnessing of financial opportunities.</li> <li>• Good governance and risk management.</li> <li>• Share value.</li> </ul>

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

 <p><b>REGULATORS AND ASSOCIATIONS</b></p>	<p><b>Contact and dialogue:</b></p> <ul style="list-style-type: none"> <li>• Cooperation with government bodies at the local, regional, autonomous and national levels.</li> <li>• Domestic and international industry associations such as:             <ul style="list-style-type: none"> <li>- CEPI (Confederation of European Paper Industries),</li> <li>- ASPAPEL (Spanish association of pulp, paper and board manufacturers),</li> <li>- Basque Paper Industry Cluster Association,</li> <li>- EURO-GRAPH (European Association of Graphic Paper Producers),</li> <li>- BASKEGUR (Basque Timber Association),</li> <li>- Bolsa de Papel (<a href="http://labolsadepapel.com">http://labolsadepapel.com</a>).</li> </ul> </li> </ul>	<p><b>Relevant expectations and aspects:</b></p> <ul style="list-style-type: none"> <li>• Service, quality and efficiency.</li> <li>• Transparency in activities.</li> <li>• Innovative and effective solutions to new challenges.</li> <li>• Productive and responsible partnerships.</li> <li>• Compliance with legislation and regular reporting obligations.</li> </ul>
 <p><b>SOCIETY</b></p>	<p><b>Contact and dialogue:</b></p> <ul style="list-style-type: none"> <li>• Different websites: <a href="http://www.iberpapel.es">www.iberpapel.es</a> / <a href="http://www.iberpapelonline.es">www.iberpapelonline.es</a></li> <li>• B2B (Business-to-Business),</li> <li>• Social action plan to encourage educational development in our local communities.</li> <li>• Commitment to employment and sustainability.</li> <li>• Participation in the "Thank you paper" campaign.</li> </ul>	<p><b>Relevant expectations and aspects: :</b></p> <ul style="list-style-type: none"> <li>• Transparency regarding the company's activities.</li> <li>• Economic and social impacts on the community.</li> <li>• Community engagement.</li> <li>• Ethical business actions.</li> <li>• Plant safety and community protection.</li> </ul>

### 4.2.3 Accessibility of Iberpapel's information

> [102-8; 102-40; 405-1; 407-1]

Transparency is a key aspect of management. So we make information available to all our stakeholders as required by law and voluntarily to foster a full understanding of the Group's operations and other aspects that are relevant to potential users, such as economic and environmental, social and governance (ESG) matters.

We post all financial (annual reports, annual accounts, etc.) and non-financial information on our website. The "Social Responsibility" tab contains disclosures on our stakeholder commitments as regards ESG, which may also be consulted in the Company's annual reports.

In view of our belief in transparency, we aim to

make our corporate website contents totally accessible to all our stakeholders. In 2020, we have started adapting the website design with this in mind.



## 4.3 Responsibility to our people

### 4.3.1. Responsibility to our people at a glance



#### 2019 MILESTONES

- Successful completion of the OHSAS 18001:2007 audit of the industrial subsidiary PGZ.
- Reduction in absenteeism due to illness and accidents thanks to the new health and safety measures implemented by PGZ.
- Computerisation of the Human Resources Department for people management and training.
- Negotiation of the Guipúzcoa provincial collective bargaining agreement.
- PGZ's deployment of the comprehensive Occupational Risk Prevention Management Computer System (Prosafety).
- Launch of a programme of inspections to assure safety conditions.

#### FUTURE CHALLENGES

- Focus on hiring young professionals to have the best talent.
- Computerisation of the Human Resources Department for attendance control.
- Maintenance of a stable working climate and improve industrial relations.
- Development of a new Equality Plan for 2020.
- Adaptation of the existing Health and Safety Management System to the ISO 45001 standard.

#### MAIN METRICS FOR 2019 AND TRENDS

Number of employees<sup>1</sup>



**294**

+1.03% vs. 2018

% indefinite contracts



**92.8 %**

-1.6% vs. 2018

No. of disabled employees



**9**

-10% vs. 2018

Training hours



**16,257**

+13.2% vs. 2018

<sup>1</sup>At the year end (31/12/2019)

#### OUR MAIN CONTRIBUTION TO THE SDGs

SDG

IBERPAPEL'S CONTRIBUTION

GOAL  
3.4

Aware of the importance of our employees to the organisation, one of our ethical principles addresses health and safety. Our industrial subsidiary PGZ has an Occupational Risk Prevention Management System that meets the specifications of the OHSAS 18001 standard, having been certified by the independent entity Det Norske Veritas (DNV).

GOAL  
4.3  
4.4

In the changing society in which we live, being prepared is increasingly an essential requirement. Aware of the challenge that this entails, we strive to adapt to the new changes through a broad offering of training alternatives and various methodologies. In 2019, training hours rose by 13.2%, focusing on matters of interest to both the Group's business and our employees themselves.

SDG IBERPAPEL'S CONTRIBUTION



GOAL  
8.5  
8.6  
8.8

We are committed to promoting a good work climate and improving industrial relations. We provide our employees with stable, quality work, as reflected in the high ratio of indefinite contracts and work-life balance measures.



GOAL  
10.21

The principles applied in recruitment and selection processes are founded on respect for equal opportunities and non-discrimination by reason of age, gender, disability, race, origin, religion or economic situation, or any other condition. The Group fosters social inclusion, as 3% of our employees have a disability.



### 4.3.2 Our people management

> [102-8; 102-40; 102-41; 405-1; 407-1]



#### PROFILE OF THE IBERPAPEL GROUP'S EMPLOYEES

Recognising that human resources management is a key aspect of our strategy, since only excellent people management will make us stand out from other companies, stable, lasting employment relationships are encouraged, as reflected in our stable average workforce in recent years. At present, 26.87% of our employees have been with us for 20 years or more and 93% have indefinite contracts.



Account for **90%** of the workforce.

**40%** of men are aged between 40 and 49.

**92%** have indefinite contracts.



Account for **10%** of the workforce.

**50%** of women are aged between 40 and 49.

**97%** have indefinite contracts.

Human capital is a key, distinctive factor in our Group. Without their professionalism, combined with their commitment and values, Iberpapel could not lead our industry as we do and will

surely continue to do in the future.

Iberpapel's team is currently formed by 294 employees in three countries (Spain, Argentina and Uruguay). They are divided into four professional ca-

tegories encompassing a highly varied spectrum, given the diversity of the Group's 17 companies operating in the forestry, industrial and commercial sectors.

Despite the variety that

may be found in our workforce, all the employees share the Group's values and principles and are aligned with its objectives.

## Workforce highlights

At the year end (31 December 2019), the Group has 294 employees, one more than in 2018. The average age is 46.04 and

the majority are aged between 40 and 49. Virtually all our employees are located in Spain.

Mutual respect and trust have assured a relatively stable average work-

force in recent years, which reflects our employees' commitment to and satisfaction with our work philosophy. Ninety-three percent of Iberpapel's employees have indefinite

contracts thanks to a company policy designed to instil the maximum trust and promote a pleasant working climate.

### TOTAL NUMBER AND DISTRIBUTION OF EMPLOYEES BY GENDER AND COUNTRY

COUNTRY	2019  2018		2019  2018		Total 2019	Total 2018
Spain	250	245	24	25	274	270
Uruguay	9	8	2	2	11	10
Argentina	5	7	4	4	9	11
<b>TOTAL</b>	<b>264</b>	<b>260</b>	<b>30</b>	<b>31</b>	<b>294</b>	<b>291</b>

### TOTAL NUMBER AND DISTRIBUTION OF EMPLOYEES BY GENDER AND PROFESSIONAL CATEGORY

PROFESSIONAL CATEGORY	2019  2018		2019  2018		Total 2019	Total 2018
Board directors	1	1	-	-	1	1
Executives	8	8	1	1	9	9
Technical specialists and administrative staff	54	51	23	24	77	75
Workers and specialists	201	200	6	6	207	206
<b>TOTAL</b>	<b>264</b>	<b>260</b>	<b>30</b>	<b>31</b>	<b>294</b>	<b>291</b>

### TOTAL NUMBER AND DISTRIBUTION OF EMPLOYEES BY GENDER AND AGE

AGE GROUPS	2019  2018		2019  2018		Total 2019	Total 2018
From 19 to 29	26	25	-	-	26	25
From 30 to 39	26	21	3	4	29	25
From 40 to 49	106	115	15	16	121	131
From 50 to 59	80	74	7	5	87	79
From 60 to 65	26	25	5	6	31	31
<b>TOTAL</b>	<b>264</b>	<b>260</b>	<b>30</b>	<b>31</b>	<b>294</b>	<b>291</b>

TOTAL NUMBER AND DISTRIBUTION OF EACH TYPE OF EMPLOYMENT CONTRACT BY GENDER, AGE AND PROFESSIONAL CATEGORY

INDEFINITE CONTRACTS	2019		2018	2019		2018	Total 2019	Total 2018
Board directors	1		1	-		-	1	1
Executives	8		8	1		1	9	9
Technical specialists and administrative staff	49		45	22		24	72	70
Workers and specialists	186		190	6		6	192	196
<b>TOTAL</b>	<b>244</b>		<b>244</b>	<b>29</b>		<b>31</b>	<b>273</b>	<b>275</b>

INDEFINITE CONTRACTS	2019		2018	2019		2018	Total 2019	Total 2018
From 19 to 29	18		19	-		-	18	19
From 30 to 39	14		11	2		4	16	15
From 40 to 49	106		115	15		16	121	131
From 50 to 59	80		74	7		5	87	79
From 60 to 65	26		25	5		6	31	31
<b>TOTAL</b>	<b>244</b>		<b>244</b>	<b>29</b>		<b>31</b>	<b>273</b>	<b>275</b>

TEMPORARY CONTRACTS	2019		2018	2019		2018	Total 2019	Total 2018
Board directors	-		-	-		-	-	-
Executives	-		-	-		-	-	-
Technical specialists and administrative staff	5		6	1		-	6	6
Workers and specialists	15		10	-		-	15	10
<b>TOTAL</b>	<b>20</b>		<b>16</b>	<b>1</b>		<b>-</b>	<b>21</b>	<b>16</b>

TEMPORARY CONTRACTS	2019		2018	2019		2018	Total 2019	Total 2018
From 19 to 29	8		6	-		-	9	6
From 30 to 39	12		10	1		-	12	10
From 40 to 49	-		-	-		-	-	-
From 50 to 59	-		-	-		-	-	-
From 60 to 65	-		-	-		-	-	-
<b>TOTAL</b>	<b>20</b>		<b>16</b>	<b>1</b>		<b>0</b>	<b>21</b>	<b>16</b>

FULL-TIME	2019	 2018	2019	 2018	Total 2019	Total 2018
Board directors	1	1	-	-	1	1
Executives	8	8	1	1	9	9
Technical specialists and administrative staff	53	51	21	22	75	73
Workers and specialists	200	200	5	5	205	205
<b>TOTAL</b>	<b>262</b>	<b>260</b>	<b>27</b>	<b>28</b>	<b>290</b>	<b>288</b>

FULL-TIME	2019	 2018	2019	 2018	Total 2019	Total 2018
From 19 to 29	26	25	-	-	26	25
From 30 to 39	26	21	3	4	29	25
From 40 to 49	105	115	13	15	118	130
From 50 to 59	79	73	7	5	86	78
From 60 to 65	26	25	4	4	30	29
<b>TOTAL</b>	<b>262</b>	<b>259</b>	<b>27</b>	<b>28</b>	<b>289</b>	<b>287</b>

PART TIME	2019	 2018	2019	 2018	Total 2019	Total 2018
Board directors	-	-	-	-	-	-
Executives	-	-	-	-	-	-
Technical specialists and administrative staff	1	1	2	2	3	3
Workers and specialists	1	-	1	1	2	1
<b>TOTAL</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>4</b>

PART TIME	2019	 2018	2019	 2018	Total 2019	Total 2018
From 19 to 29	-	-	-	-	-	-
From 30 to 39	-	-	-	-	-	-
From 40 to 49	1	-	2	1	3	1
From 50 to 59	1	1	-	-	1	1
From 60 to 65	-	-	1	2	1	2
<b>TOTAL</b>	<b>2</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>5</b>	<b>4</b>

**Industrial relations: percentage of employees covered by collective bargaining agreements**

> [102-41]

The Iberpapel Group defends its employees' right of representation. This is reflected in the fact that 100% of the Group's workforce comes under the collective agreement

applicable at each of the companies' work centres.

There are union representatives at PGZ to ensure balanced relations and the capacity to reach stable collective agreements covering the entire workforce.

There are a total of nine, reflecting the trade union alternatives in the area. Three are Risk Prevention delegates and

three are Trade Union Area Delegates, representing each of the trade unions present in the Company.

During 2019, the Provincial Collective Agreement (2019-2022) negotiations were finalised, achieving a clear consensus between employees and management for the coming years.

The Iberpapel Group's policy is to remain committed to ongoing dialogue with employees through transparent, participative processes, as reflected in the Company's industrial relations, which have always been conducted on reasonably good terms.

**4.3.3 Safety, health and occupational risk prevention**

> [403-1; 403-2; 403-3; 403-4]

Iberpapel considers that prevention and continuous improvement of aspects related to our employees' safety are among the main concerns both internally and externally for our stakeholders.

Proof of this commitment can be found in our Occupational Risk Prevention Management System (SIGPRL) in place in the Industrial Division, which meets the specifications of the OHSAS 18001 stan-

dard and is intended to help improve levels of health and safety for all workers.

Our SIGPRL has been certified externally by the independent expert DNV. The results of the latest

system audit in 2019 were satisfactory.

The following actions were carried out in the framework of our Occupational Risk Prevention Management System:



Our own prevention service, supplemented by a number of external prevention services.



Scheduled annual prevention activities.



Implementation of an occupational risk prevention computer system (Prosafety).



Coordination of business activities with our contractors.



Observation and control of applicable prevention legislation by the employees themselves as they witness safe conduct.



A periodic, highly ambitious inspection plan encompassing all the facilities.

### The importance of employee health and safety at Iberpapel

We are fully conscious that people are our main asset and must work in conditions that are optimal from a health and safety viewpoint.

### Resources devoted to our workers' health and safety (PGZ)

Human resources devoted to this matter include our own prevention service. In addition to those responsible, this service encompasses all our executives, supervisors and middle managers, who act as prevention resources.

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 (€744 thousand, +2% on 2018) and an important benefit for the workers.

The investment in internal and ex-

ternal human resources engaged in health and safety amounted to around €981 thousand in 2019 (3.7% up on the previous year).

Similarly, specific actions entailed investments of close to €185 thousand (+6.3% on 2018) to improve signs and warnings, firefighting facilities, collective and individual protection, barriers and machine protection.

An additional investment of approximately €170 thousand (+3.8% on 2018) was incurred for risk prevention training.



In this context, the industrial subsidiary PGZ has its own In-House Prevention Service covering the specialities Industrial Safety and Hygiene, and uses two External Prevention Services. The Group's other subsidiaries have contracted an External Prevention Service for the specialities Ergonomics, Psychosociology and Occupational Medicine.



The health of workers and occupational risk prevention are included in all the Group's collective bargaining agreements.



### EXTERNAL PREVENTION SERVICES

- **Preving:** Coordinates business activities, given the significant presence of contractors in the Company's facilities.
- **CEI:** Oversees the observance of prevention rules by the employees themselves, thereby reinforcing the oversight activities that are the Company's responsibility.
- **Preving y Quirón prevención:** Prevention services for the Group's subsidiaries.

### HEALTH AND SAFETY COMMITTEE (PGZ)

Total number of Health and Safety Committees	1
% of employees covered by Health and Safety Committees	100% of employees at the work centres in question.

### COST OF OCCUPATIONAL RISK PREVENTION ACTIVITIES AND RESOURCES 2019-2017

Thousand euro	2019	2018	2017
In-house resources	744	728	718
External resources (Asepoyo, Preving, Unipresalud)	237	218	218
Specific risk prevention actions	185	173	275
Risk prevention training	170	130	109
<b>TOTAL</b>	<b>1,336</b>	<b>1,249</b>	<b>1,320</b>



## Occupational medicine

The Iberpapel Group outsources these tasks to Preving's Prevention Service. In 2019, a total of 177 compulsory medical examinations were carried out, 176 workers having been declared fit to work and some kind of restriction having been imposed in 11 cases.

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 to which great importance is afforded. A medical service is available to PGZ's workers for minor care and consultation, as well as a first-aid service in the event of accidents, which is provided by Quirón Prevención.

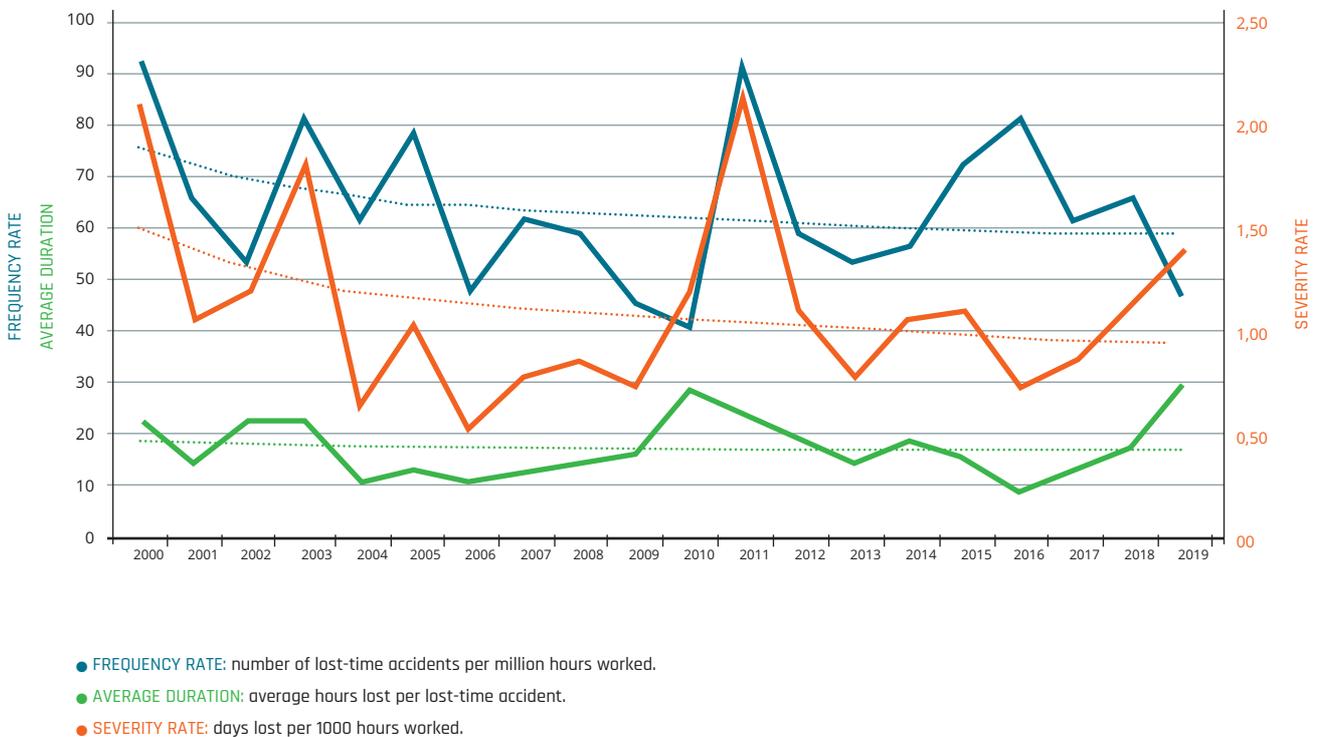
The medical service also coordinates seasonal flu vaccination campaigns.

## Employee health and safety highlights <sup>2</sup>

In 2019, the total number of occupational accidents fell by 31% on the previous year. Lost-time accidents decreased by 26% and non-lost-time accidents by 33%. Despite this reduction, days lost due to accidents rose 30% on the previous year.

The charts therefore show a decline in frequency and a rise in average duration and severity, although all these trends remain favourable.

ACCIDENT RATE TRENDS (2000-2019)



<sup>2</sup> All the employee health and safety metrics relate only to PGZ, the industrial company that employs most of Iberpapel's workers.

As regards the main reason for the days lost, 46% show no objective cause and 17% were attributed to slips and trips.

By body part injured, injuries to upper extremities stand out (66%).

With respect to the most typical injuries: 74% relate to muscular injuries and 19% to cuts and bruises.

PGZ'S ACCIDENT RATES BY GENDER IN 2019 3

Thousand euro	👤 MEN	👤 WOMEN	TOTAL
Frequency rate <sup>4</sup>	210	-	210
Average duration <sup>5</sup>	30	-	30
Severity rate <sup>6</sup>	1.40	-	1.40

HOURS OF ABSENTEEISM BY GENDER AT PGZ

	2019 👤	2018	2019 👤	2018	Total 2019	Total 2018
Hours of absenteeism	4,133	3,972	176	193	4,309	4,165



<sup>3</sup>The rate trends may be observed in the chart.

<sup>4</sup>Number of lost-time accidents per million hours worked.

<sup>5</sup>Average hours lost per lost-time accident.

<sup>6</sup>Last days per thousand hours worked.

### 4.3.4 Talent attraction and retention

> [401-1; 401-2; 404-1; 404-2]

We develop and implement measures to motivate and reward our employees for their dedication and commitment. Retention actions are fully aligned with our values and principles, caring for our professionals from a personal perspective and developing their professional skills.

At present, the tools we use to achieve this purpose are employee training and career development, communication, work-life balance and the right to disconnect, fringe benefits and remuneration.

#### Professional training and development

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 companies' culture and values, and drive their personal and professional development.

In 2019, over 603 training actions were completed, entailing a total of 16,257 training hours, more than in the previous years. Virtually all our workers received training during the year.

The investment in training and development amounted to approximately €730,590 in internal and external costs (+25.6% on 2018). This training effort translates into an average of 65 hours and €2,921 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.



We encourage 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.

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

Fully aware of our decisive influence on the working environment and given the high degree of automation at the plant and our heavy investment in technology, we carefully select the most qualified employees for each of our three divisions. 83% 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.



In 2019, we trained our employees in the Corporate Social Responsibility matters most relevant to them. This included health and safety training, such as courses on occupational safety and first aid, or on the safe operation of facilities. In response to the interests expressed by employees through the appropriate channels, we arranged courses addressing other CSR areas such as the improvement of communication with customers and suppliers and quality enhancement.

AVERAGE ANNUAL TRAINING HOURS PER EMPLOYEE AT PGZ, BY PROFESSIONAL CATEGORY AND GENDER

PROFESSIONAL CATEGORY	2019	2018	2019	2018	Total 2019	Total 2018
Board directors	-	-	-	-	-	-
Executives	4	-	9	-	4	-
Technical specialists and administrative staff	3	6	56	25	19	12
Workers and specialists	65	61	-	-	63	60
<b>TOTAL</b>	<b>65</b>	<b>54</b>	<b>57</b>	<b>23</b>	<b>65</b>	<b>53</b>

### Communication with our employees

Two-way communication between the employees and the company is a key factor to assure a good work climate and obtain first-hand insight into their needs and concerns.

We have a number of communication channels open, such as regular meetings with the Works Committee, a smooth, transparent dialogue with union representatives and the Group's Whistleblower Hotline.

We also have two-way vertical communication channels between management and employees as part of the in-house Occupational Risk Prevention Management System.

### Organisation of work time, work-life balance and the right to disconnect

#### Organisation of work time

The length of the working day, which can help to improve both quality of life and productivity, is stipulated in the applicable collec-

tive bargaining agreement.

Iberpapel believes in rational work time management and has measures in place to facilitate a work-life balance and the right to disconnect.

### Work-life balance measures

At Iberpapel, we seek to favour the balancing of our employees' personal, family and working lives. Measures are studied and implemented to make it easier to strike this balance without undermining the Group's productivity and needs.

In 2019, 522 actions (+16.3% on 2018) were carried out and over 4,310 hours (+3.4% on 2018) were devoted to this endeavour, involving men and women without distinction, in areas such as:

AREA	NUMBER OF ACTIONS	AREA	NUMBER OF ACTIONS
Prevention	176 actions	Leave of absence	3 actions
Medical specialists	87 actions	Caring for minors	10 actions
Caring for family members	72 actions	Caring for the elderly	3 actions
General practitioner and private doctors	116 actions	Paternity	4 actions
Death of family members	14 actions	Changes of address	8 actions
Family marriage	1 actions	Exam access	1 action
Working hour reduction	2 actions	Other types of action	10 actions
Employee marriage	2 actions		

### Right to disconnect

Besides the work-life balance measures, we ensure that our employees do not exceed the working hours assigned and they are not asked to perform tasks outside their working day. We therefore guarantee that workloads are in line with working hours. Iberpapel currently has no formal policy in this respect.

### Fringe benefits for our employees

In addition to the actions indicated, the Iberpapel Group provides the employees with conditions and fringe benefits that may vary from company to company, as reflected in each collective agreement.

PGZ's workers, who make up most of the Group's workforce, receive:

- A medical service inclu-

ding 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 0.70% of the contribution base for general contingencies, as compared with 0.60% in the previous year. Our employees also contribute 0.70% of the contribution base monthly.

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

### Remuneration for personnel

As remuneration is one of the factors that most in-

fluence employee satisfaction, it is set with the aim of motivating our professionals and encouraging initiative so they become

actively involved in problem solving and teamwork and, above all, show a positive, communicative attitude.

## HIGHLIGHTS OF TALENT ATTRACTION AND RETENTION

### TOTAL NUMBER AND RATE OF NEW HIRINGS BY AGE GROUP AND GENDER IN 2019

NEW HIRINGS	From 19 to 29	From 30 to 39	From 40 to 49	From 50 to 59	Rate of new hirings
	12	4	-	-	6,81
	1	-	-	-	0,43

### TOTAL NUMBER AND RATE OF NEW HIRINGS BY AGE GROUP AND GENDER IN 2018

NEW HIRINGS	From 19 to 29	From 30 to 39	From 40 to 49	From 50 to 59	Rate of new hirings
	13	9	1	-	9,89
	-	-	-	-	-

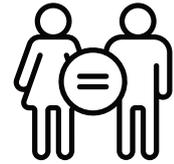
### TOTAL NUMBER AND RATE OF EMPLOYEE TURNOVER BY AGE GROUP AND GENDER IN 2019

NEW HIRINGS	From 19 to 29	From 30 to 39	From 40 to 49	From 50 to 59	Rate of new hirings
	12	4	-	-	4,47
	1	-	-	-	0,43

### TOTAL NUMBER AND RATE OF EMPLOYEE TURNOVER BY AGE GROUP AND GENDER IN 2018

NEW HIRINGS	From 19 to 29	From 30 to 39	From 40 to 49	From 50 to 59	Rate of new hirings
	13	9	1	-	7,56
	-	-	-	-	-

### 4.3.5 Commitment to diversity, inclusion, integration and equal opportunities



In all the geographies in which we operate and in the companies through which we do business, we seek to foster a fairer, more equal and inclusive society, so we promote equal opportunities and talent diversity in all phases of the labour relationship with employees, in relation to hiring, promotion, development and training, as well as working conditions.

The Group is totally opposed to any kind of discrimination by reason of race, gender, ideology, nationality, religion, sexual orientation or any other personal, physical, mental or social conditions of our employees, promising to eliminate any obstacle in the way of equal treatment and opportunities.

#### Equality Plan

In line with Organic Law 3/2007 of 22 March on the Effective Equality of Women and Men, as well as Iberpapel's commitment to equality under the applicable collective bargaining agreement, the foundations have been laid to address the Equality Plan, which will be agreed by the Equality Plan Negotiating Committee.

It contains the policies governing our daily activities in relation to equality and non-discrimination, the firm purpose being to promote real equality among women and men through specific actions in the areas of training, professional promotion and working conditions.

The objectives for 2020 include reaching a consensus on the Equality Plan.



The purpose is to promote measures that favour recruitment, hiring, training and promotion, including:



Guarantees of equal treatment and opportunities for women and men.



Application of the gender perspective in all areas of the organisation.



Assurance of non-discrimination by reason of gender.



Communication, awareness and corporate culture.

## Disability management

The Iberpapel Group's commitment to Corporate Social Responsibility inclu-

des favouring equal opportunities through a series of measures to integrate social groups that find it more difficult to access the

job market, by reserving posts for disabled people in certain areas, mainly the warehouse or the laboratory.

We currently have a total of 9 disabled employees.

### DISABLED EMPLOYEES BY GENDER, PROFESSIONAL CATEGORY AND AGE <sup>9</sup>

PROFESSIONAL CATEGORY	2019 	2018	2019 	2018	Total 2019	Total 2018
Board directors	-	-	-	-	-	-
Executives	-	-	-	-	-	-
Technical specialists and administrative staff	-	-	-	-	-	-
Workers and specialists	9	10	-	-	9	10
<b>TOTAL</b>	<b>9</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>10</b>

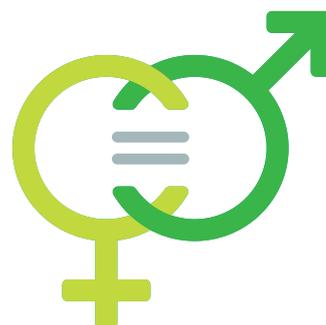
AGE GROUPS	2019 	2018	2019 	2018	Total 2019	Total 2018
From 19 to 29	-	-	-	-	-	-
From 30 to 39	-	-	-	-	-	-
From 40 to 49	2	2	-	-	2	2
From 50 to 59	2	2	-	-	2	2
From 60 to 65	5	6	-	-	5	6
<b>TOTAL</b>	<b>9</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>10</b>

Thanks to this commitment, we do not merely comply with applicable legislation (General Law on the Rights and Social Inclusion of Disabled Persons), but we are actively engaged in fostering their inclusion in the job market.

In this context, 3% of the Group's workforce are disabled persons, which is 50% above the legal minimum.

## Other equal opportunity pledges

Actions undertaken to achieve real and effective equal opportunities are not limited to external aspects. Iberpapel's sponsorships include the women's team of Hernaniko Arraun Elkarte (Hernani Rowing Club), a Basque sports club that has competed in regattas in all categories and types of fixed-seat rowing boats since it was founded in 1965.



## 4.4 Responsibility to our customers

> [102-9]



### 4.4.1 Responsibility to our customers at a glance

#### 2019 MILESTONES

- We keep customers for the long term, thanks to our ability to adapt to changing needs.

#### FUTURE CHALLENGES

- Win more customers and increase the volume of sales.
- The "Hernani Project", so as to meet our customers' present and future needs

#### MAIN METRICS AND TRENDS FOR 2019 >> Our performance in 2019

Domestic customers  
for >5 years



**91%**

+1.11% vs. 2018

International customers  
for >5 years



**94%**

+2.17% vs. 2018

Ratio of claims to sales  
made



**0.36%**

+50% vs. 2018

#### OUR MAIN CONTRIBUTION TO THE SDGs

SDG

IBERPAPEL'S CONTRIBUTION



GOAL  
12.8

We offer our customers high-quality products that fulfil their requirements. This guarantees satisfaction, as shown by the fact that 91% and 94% of our domestic and international customers have been with us for more than 5 years. We have a Marketing and Sales Strategy that ensures our awareness of changing needs and direct dialogue with customers, allowing continuous improvement.



### 4.4.2 Responsibility to our customers



Iberpapel is able to make high-quality, competitive and sustainable products which meet our customers' needs.

#### A. CUSTOMER SATISFACTION AND TRUST

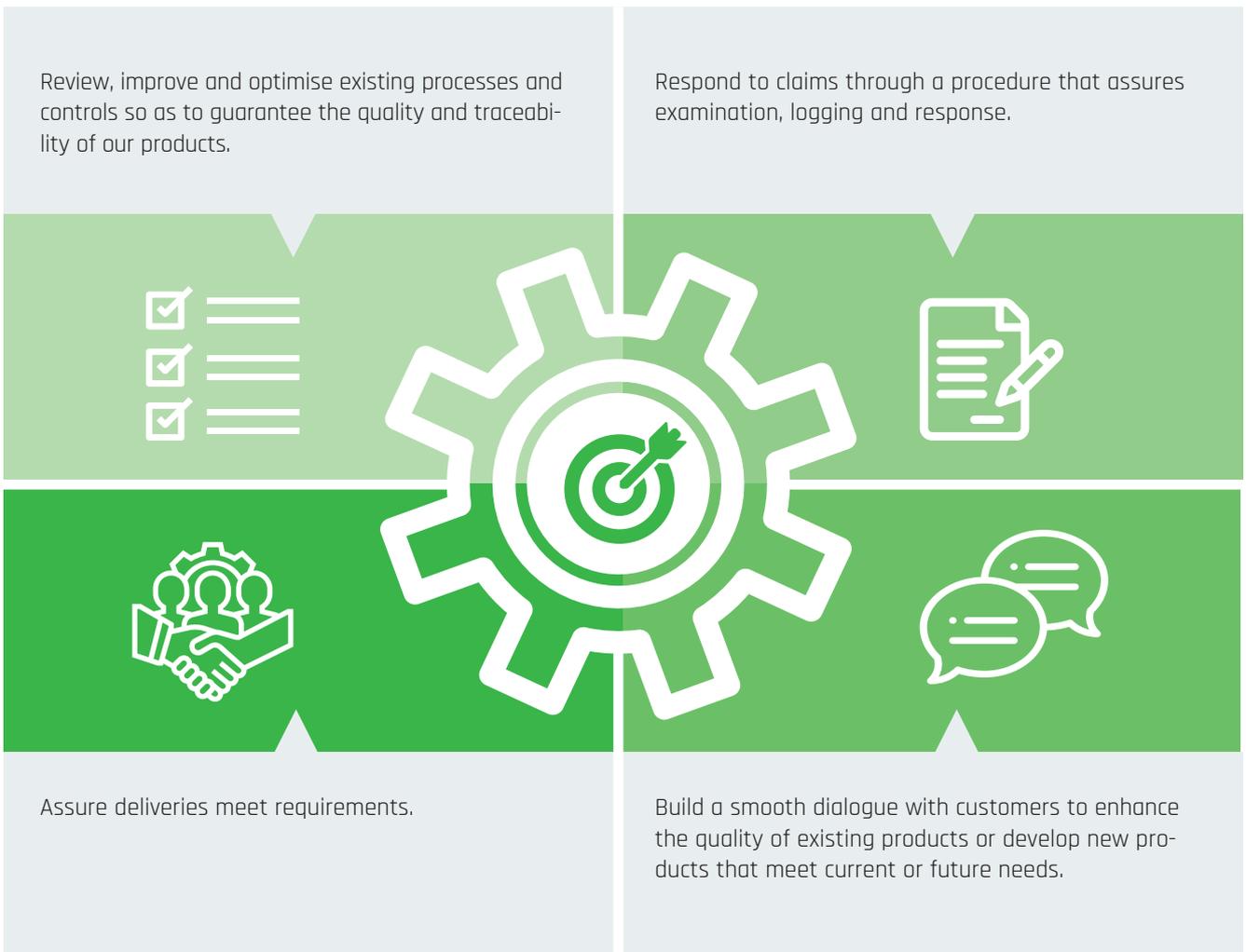
> [416-1]

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 ex-

pectations, 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:

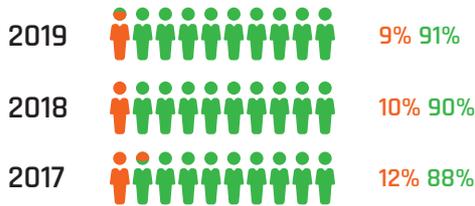


Customer satisfaction and loyalty is high, as demonstrated by the fact that 91% of the Iberpapel Group's domestic

customers have worked with us for over five years; in the case of our international customers, this increases to 94%.

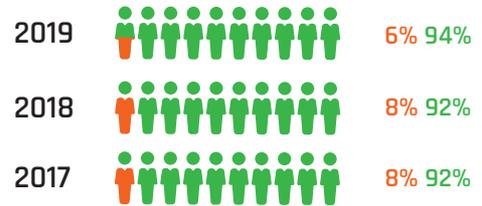
#### AGE OF DOMESTIC CUSTOMERS

- 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 shoppers 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 commitment to business quality and excellence, renewed ISO 9001:2015 Quality Management System certification and ISO 14001:2015 Environmental Management System certification in 2019. Our efforts to implement the benchmark standards in areas such as quality and

the environment are reflected in products that comply fully with environmental and other legislation while also meeting customers' needs. Both our customers and the international certification systems endorse our high-quality products and our customers place their trust in us as a present and future supplier.



## B. MARKETING STRATEGY



We respond to our customers' current and potential needs and expectations using key information, thanks to our Marketing and Sales Strategy. Pricing policies are continuously reviewed and products are planned and promoted in Spain and overseas.

The Marketing and Sales Strategy reflects a philosophy of continuous improvement so as to expand and maintain our customer base by meeting their demands.

This strategy is based mainly on:





### KEY COMPONENTS OF OUR SALES 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, we have launched four new products, sales of which are increasingly relevant: Zicubag (paper for bags, with high mechanical resistance), Zicubag GR (greaseproof paper) Zicuflex (packaging paper) and Vellum SC (label face), consolidating our position as a supplier 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.

## C. CUSTOMER CHANNELS AND COMMUNICATION

> [417-1]



The Group regularly conducts customer satisfaction surveys and has an ISO 9001 certified claims system to log possible incidents and prepare improvement plans based on the opinions of consumers.

In order to establish a constant, proactive dialogue in relation to complaints and claims, Iberpapel has developed an after-sale service to manage and record any incidents. Using this tool, we are able to classify customer complaints and suggestions in three areas (commercial, logistics and quality), which are in turn divided into different claim

reasons. In this way, they can be parameterised and studied over time to implement corrective measures for each one and verify their effectiveness, such as damages in transit, delivery errors, commercial management discrepancies or the physical characteristics of paper and related machinability, or cutting or surface issues.

The relevant depart-

ment studies each individual claim to arrive at a solution that is satisfactory to both parties, including the recovery and replacement of the products.

Any improvement opportunities are identified, as well as the aspects with which the customer is currently most satisfied, so as to make plans for the future.

Finally, Iberpapel's cus-

tomers visit the Group's facilities, mainly the paper company, to obtain first-hand knowledge of the Company's processes and methodology.

Similarly, our sales representatives visit the main customers to obtain consumer opinions and detect possible new ways of collaborating to generate new business opportunities.

### D. RESPONDING TO OUR CUSTOMERS' NEEDS

The Iberpapel Group communicates smoothly and continuously with customers so as to learn about and respond to their needs. In order to protect our leading position in the industry and provide a quality service, we work actively to identify and adopt early

any new market trends, innovations and developments that can be offered to our customers.

Our production process is very flexible because all the phases are integrated. This allows paper of different qualities to be produced and market niches for

smaller paper machines to be accessed.

In view of the new market trends, in recent years we have engaged in intense research and development work to enhance processes, launch new products and monitor new technologies so as to ensure

the maximum possible customer satisfaction by both responding to aesthetic and mechanical requirements for all paper uses and meeting the highest environmental standards.



#### HERNANI PROJECT

In this context, the ambitious Hernani Project has been launched, comprising two different sub-projects. It began in 2017 and is due to last until 2022, investing over €180 million.

The first phase relates to the cellulose plant, where the production process will benefit from major

technological improvements in the interests of end product quality, productivity, efficiency, safety and environmental impacts.

A new production process will also be developed for the efficient manufacture of high-quality KRAFT MG paper.



Papers of the KRAFT MG kind, as biodegradable, environmentally friendly materials, are destined to replace synthetic polymers as reference materials in the flexible packaging market.



The knowledge generated and major investments made will allow the Company to successfully compete in the promising flexible packaging paper market

## 4.5 Responsibility to our suppliers

> [102-9]



### 4.5.1 Responsibility to our suppliers at a glance

#### MILESTONES

- Development of sustainable management procedures aligned with procurement policies.
- Deployment of two chains of custody that guarantee the sustainable sources of our raw materials obtained from forests.
- The input rate for certified forest materials in Iberpapel's production system is above the reference rate for Spain's paper industry.

#### FUTURE CHALLENGES

- Maintain a high percentage of custody chain certified timber suppliers.
- Carry on buying raw materials from domestic suppliers.
- Continue extending our commitment to sustainability throughout our value chain.
- Incentivise loyalty and regularity in strategic suppliers while promoting lasting relationships.

#### MAIN METRICS FOR 2019 AND TRENDS

Payments to suppliers



**210,090 THOUSAND €**

+5.30 vs. 2018

% of custody chain certified timber suppliers



**100%**

= vs. 2018

% officially approved suppliers



**100%**

= vs. 2018

Raw material sourced nationally



**94.53%**

+3.27% vs. 2018

#### OUR MAIN CONTRIBUTION TO THE SDGs

SDG

IBERPAPEL'S CONTRIBUTION



GOAL  
12.2  
12.6

Our commitment to sustainability in value chain management is a key to assuring a responsible supply and production model. With this aim, we have designed management procedures that are both efficient and sustainable, allowing a rational, effective, economical supply process integrated with our corporate procurement policies.

We also have two chains of custody that guarantee the sustainable sources of our raw materials obtained from forests. Only in this way can we confirm that our principles of integrity, transparency and respect for our environment are applied along our supply chain, formed by 23 suppliers.



## 4.5.2 Responsibility to our suppliers

> [204-1]

One of the essential aspects of our business is to assure supplies of basic raw materials, such as tim-

ber, 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 committed to the environment. We have two chains of custody for forestry products integrated with our Environmental Management System audited externally and independently by Det Norske Veritas under ISO 14001:2015.

The first chain of custody has been operational since 2005, was prepared in line with the PEFC™ standard and is audited externally and indepen-

dently by AENOR. The second came into use in 2009 under the FSC® standard and is audited externally and independently by SGS. The pur-

pose of both chains is to put in place a system certified by a third party to 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.



PEFC™ and FSC® certified forestry products (timber, paper, cork, mushrooms, resins, essences...) provide consumers with a guarantee that they are buying products from sustainably managed forests. So shoppers can help to combat illegal felling and promote the primary functions performed by forestry resources, such as helping to conserve numerous ecosystems and biological diversity, supporting the economy of many rural populations and the source of a huge transformation industry, and playing a social and cultural role that is increasingly appreciated.

This procedure is applicable to all phases of the forestry product process, from purchase to receipt and transformation of timber and pulp, and the se-

lling 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 sustain-

able development through management systems adopted by several Group companies:

COMPANIES	ISO 14001:2015	PEFC™	FSC® MULTI-SITE	FSC®
Papelera Guipuzcoana de Zicuñaga S.A.U	✓	✓	✓	
Copaimex S.A.U			✓	
Zicupap S.A.U.			✓	
Distribuidora Papelera S.A.U.			✓	
Moliner, Domínguez y Cía S.A.U.			✓	
Central de Suministros de Artes Gráficas Papel S.A.U.			✓	
Iberbarna Papel S.A.U.			✓	
Iberpapel on line S.L.U.			✓	
Ibereucaliptos S.A.U.			✓	✓
Los Eucaliptus S.A.				✓
Argentinian forestry companies		✓		

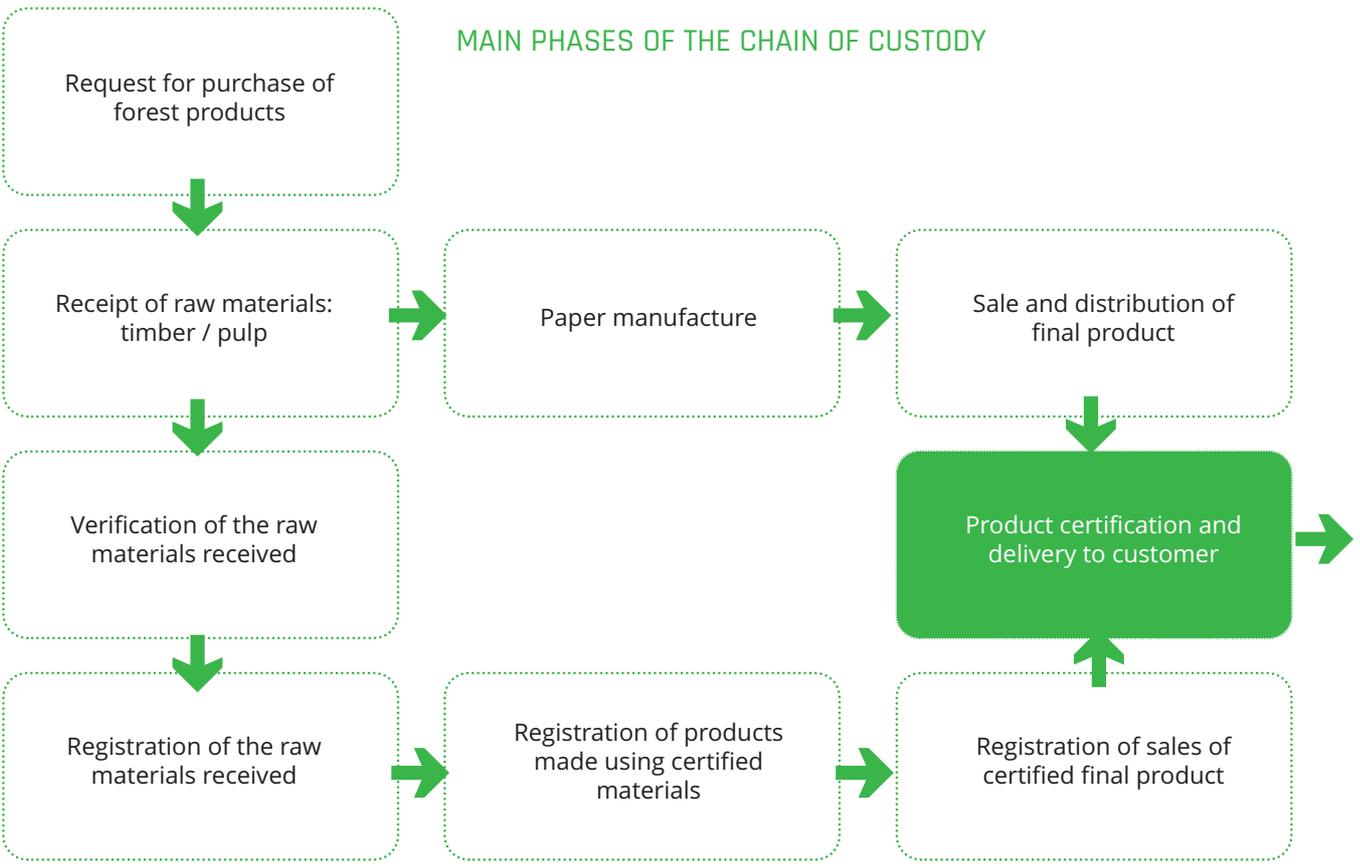
## B. CHAIN OF CUSTODY SYSTEM PERFORMANCE



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 2019, we reached 67% certified timber with respect to total inputs.** In turn, 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.



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

> [308-1; 414-1]



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.

Sustainability is integrated with our strategy, involving the entire value chain including suppliers, who share our environmental policy. As evidence of the Company's commitment, in 2019 100% of the timber used by the Iberpapel Group was bought from suppliers with custody chain certification. The timber delivered is controlled by means of the EUTR (European Union Timber Regulation) Due Diligence System and two custody chain systems.

In addition, for all raw materials, Iberpapel only makes purchases from suppliers that have been evaluated, approved and included in our list of official suppliers, whose reliability is regularly monitored.

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, meaning that they are tested on the basis of the supplies made until they are deemed to be suitable by the Purchasing Department.

	2019	2018	Change 2019-2018
No. of officially approved suppliers	879	853	3.05%
% of officially approved suppliers	100	100	0%



The Iberpapel Group has stable, lasting commercial relationships with its suppliers. In the past three years, 85% 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



## D. SOURCE OF OUR RAW MATERIAL AND LOCAL SUPPLIERS

Iberpapel prioritises domestic suppliers, provided that they make a competitive offer and meet required quality standards, valuing aspects such as a quality system or certified

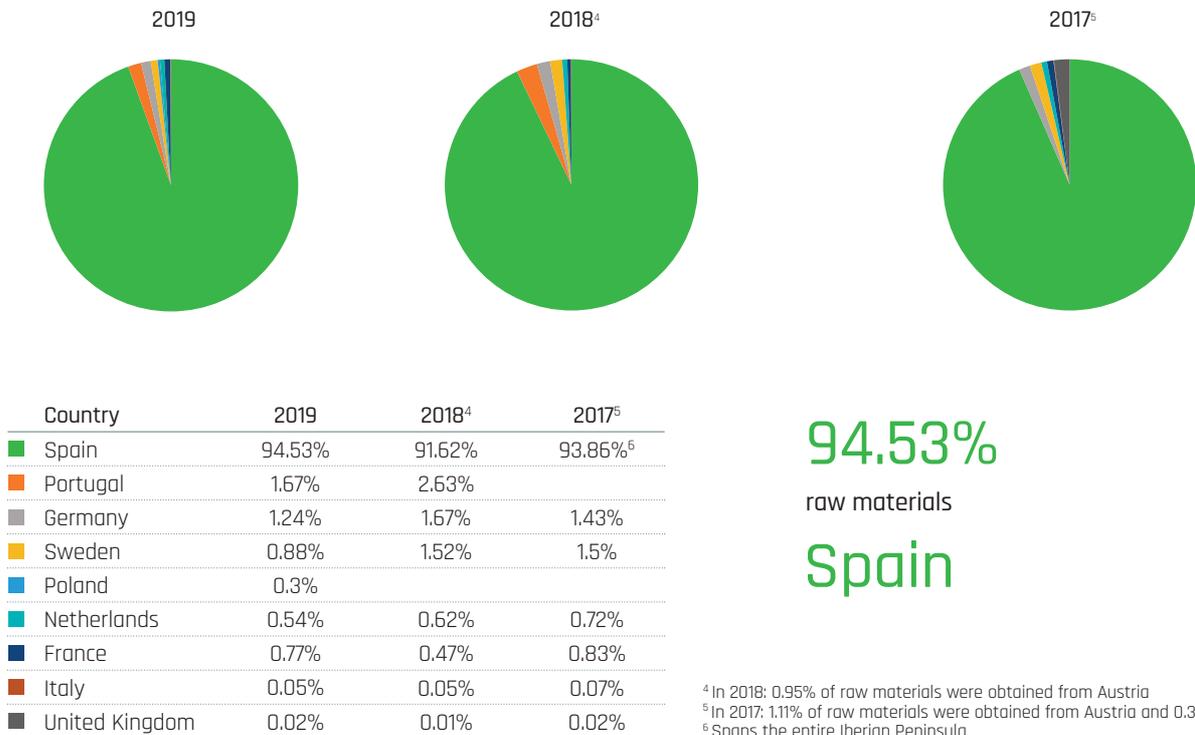
products, among others. In this way, we have a very positive impact on the communities in which we operate, generating stable, quality employment. Over 94% of our raw materials

are obtained in Spain. Timber and other supplies from European countries are also used, mainly Portugal (1.67%), Germany (1.24%) and Sweden (0.88%).



In 2019, over 90% of the Iberpapel Group's raw material was obtained in Spain.

### SOURCE OF RAW MATERIALS



## E. MAIN IMPACTS ON THE COMMUNITY THROUGH OUR SUPPLY CHAIN

> [204-1]

The following table summarises the following metrics reflecting community impacts through our value chain:

	2019	2018	Change 2019-2018
Total paid to suppliers (thousand €)	210,090	199,507	5.30%
% to domestic suppliers	94.53	91.62	3.27%
Average supplier payment period (days)	20.34	22.24	-8.54%

## 4.6 Responsibility to our local community



### 4.6.1 Responsibility to our local community at a glance

#### 2019 MILESTONES

- Increase expenditure on purchases from domestic suppliers.
- Participation in 4 sponsorships.
- Donation of material to key community institutions.

#### FUTURE CHALLENGES

- Carry on working with local communities in Argentina and Uruguay.
- Continue to encourage local job creation and positive economic impacts, favouring domestic suppliers.

#### MAIN METRICS FOR 2019 AND TRENDS

##### Domestic suppliers



94.53%

+3.27% vs. 2018

##### Community sponsorships



4

+100% vs. 2018

##### Involvement in forums and associations



12

+300% vs. 2018

#### OUR MAIN CONTRIBUTION TO THE SDGs

##### SDG

##### IBERPAPEL'S CONTRIBUTION

**4** QUALITY EDUCATION

GOAL  
4.1 / 4.5  
4.6

We have a social action plan for Argentina and Uruguay. We organise courses, talks and other initiatives in schools in our local communities to stimulate rural development. We also support schools by providing learning material and firewood for heating and cooking.

**8** DECENT WORK AND ECONOMIC GROWTH

GOAL  
8.5  
8.6

We contribute to local development and the economy through stable, quality direct jobs. We are a socioeconomic driver for the areas near to our assets thanks to indirect and induced employment in secondary activities. We prioritise domestic suppliers of raw materials and products, provided they submit a competitive offer and meet our quality standards.

**17** PARTNERSHIPS FOR THE GOALS

GOAL  
16.6  
16.7

We participate actively in different forums and associations, working together to boost development in society through excellence in our industry. We sponsor community sports clubs and cultural initiatives.

## 4.6.2 Our relationship with the local communities

The Group has made a firm commitment to our local areas, mainly in South America, bringing Corporate Social Responsibility beyond

the business activity itself. Primarily in Argentina and Uruguay, we assure a trusting relationship with local communities to maxi-

mise the positive impacts on society while mitigating negative effects and identifying new development opportunities.

The Iberpapel Group's activities usually have economic and other impacts that are favourable for the local areas.



We interact with key local agents so as to offer and obtain relevant information, meet their needs and respond to any complaints, creating two-way relationships based on mutual trust. 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.

## 4.6.3 Socioeconomic contribution to local development

> [203-2]

Our presence in the area is generally an opportunity for economic growth, the generation of stable, quality jobs and local development in the communities.

**Job creation in the community**  
Iberpapel provides direct

employment, frequently hiring people from local communities.

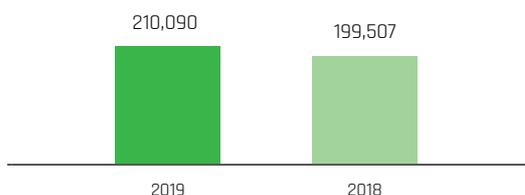
**Economic impacts**  
Besides direct jobs, we also generate indirect work linked to the creation of secondary activities.  
We make direct contribu-

tions to the local economy by purchasing most of our raw materials and other products from national suppliers, which is one of the main local economic impacts.

As regards our raw material, 94.5% was bought from national suppliers in

2019, entailing total expenditure (national and international) of €210,090 thousand, more than 5% up on 2018.

EXPENDITURE ON PURCHASES FROM SUPPLIERS (thousand €)



Further information on our relationship with suppliers can be consulted in Chapter 4.5. Responsibility to our suppliers.

## 4.6.4 Social action initiatives

> [413-1]

There are other impacts on local populations and the territory, besides employment and local development. We promote and develop projects and initiatives that improve local conditions to encourage the development of the rural zones, which is an increasingly complex issue 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, Iberpapel 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 organise training initiatives such as talks on the silvo-pastoral 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 fires and courses on food and nutrition.



We organise conferences in local communities on first aid, food and nutrition.



### OTHER CONTRIBUTIONS TO THE COMMUNITY

The Iberpapel Group also helps by donating material and equipment to local institutions, specifically in Argentina.

We have worked with institutions such as the fire brigade and the police (mainly contributing fuel and firefighting equipment); a range of schools, from elementary to technical, providing equipment such as shelves, posts for games and printers; fuel in the form of firewood or our labour for transport or wood cutting.

▼ Agronomy students visit the El Hornero property in 2019.



INSTITUTION	CONTRIBUTION
San José Fire Brigade	Fuel
Colonia Elía Police Department	Fuel
Colón Agrotechnical School	10 trays of baby trees / transport
Colonia del Carmen Agrotechnical School	10 trays of baby trees
Berduc School	Equipment for a native plant nursery
Colonia Elía Fire Brigade	Firefighting equipment
Rural School No. 31 - Nueva Carrara	Transport of firewood for heating
Rural School No. 144 - Estación	Printer and water heater
Pedreira Rural School N. 30 - Pueblo Edén	Long posts and labour for wood cutting
Rural School No. 125 - Soca	Posts of different sizes for games
Rural School No. 91 - Piedras de Aflar	Transport of firewood for heating

## 4.6.5 Community sponsorships

Papelera Guipuzcoana de Zicuñaga, S.A.U. sponsors a number of sports clubs. Football and Basque pelota in the youth categories and women's rowing.

We also get involved in other programmes to promote social cohesion in our local communities, such as the sponsorship of local festivals.

### SPONSORSHIPS IN 2019



- Hernani Football Club
- Hernani Basque Pelota Club



- Hernani Rowing Club (women's team)

- Zicuñaga local festival



## 4.6.6 Involvement in forums and associations

> [102-12; 102-13]

We play an active role in various national and international forums and associations to publicise the Group and forge partnerships with other relevant industry or national agents so as to join forces to achieve common objectives in the future through close cooperation. In particular, we take part in:

- **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.

- **CEPI (Confederation of European Paper Industries)**, a non-profit organisation comprising four standing committees responsible for long-term strategies on matters affecting the industry. These committees address the environment, safety, climate change, energy and forests.

- **ASPAPEL (Spanish association of pulp, paper and board manufacturers)**, a national body that groups together Spain's cellulose and paper companies.

- **Basque Paper Industry Cluster Association**, a non-profit organisation focused on generating competitive advantages for companies in the Basque regional paper industry value chain.

- **EURO-GRAPH (European Association of Graphic Paper Producers)**, which represents the industrial sectors producing paper for newspapers, magazines and fine paper in Europe.

- **BASKEGUR (Basque timber association)**, a professional organisation representing and Basque forestry and timber sector as a voluntary meeting and consultation body for our industry and associated sectors.

- **Bolsa de Papel**, 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 participate in the campaign "**Gracias Papel**" ("Thank you paper"), an initiative launched by the Paper Forum to share current, verified information on paper with the general public.

- **Buenarbol**, a forestry information project developed by the Edufores foundation to publicise the social, economic and environmental uses of the eucalyptus tree in Spain. The project also highlights its importance in the bioeconomy and circular economy, through the

essential use of natural resources and sustainable growth.

We are also regular participants in environmental forums, such as:

- **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.**

# #05 Our Environmental Responsibility





## 5.1 Our environmental responsibility at a glance



### 2019 MILESTONES

- 100% of power consumed from cogeneration.
- 26% cut in water consumed in relation to 2005.
- Certification of the removal of 620,935 t of CO<sub>2</sub> through the issuance of VCUs (Verified Carbon Units) at our plantations in Uruguay

### FUTURE CHALLENGES

- Carry on with initiatives to ensure the responsible consumption of resources at our facilities and value chain.
- Continue to foster responsible power generation.
- Promote the circular economy through the internal or external reuse of waste to replace raw materials.

### MAIN METRICS FOR 2019 AND TRENDS

CO<sub>2</sub> emissions avoided



**240,666 t**

-1.48% vs. 2018

Power consumption



**0.552 MWh/t**

+1.47% vs. 2018

Water consumption



**16.5 m<sup>3</sup>/t**

+1.22% vs. 2018

Waste reused



**42%**

-12.5% vs. 2018

### OUR MAIN CONTRIBUTION TO THE SDGs

SDG

IBERPAPEL'S CONTRIBUTION



META  
7.2 / 7.3

Iberpapel reduces its environmental impacts through a commitment to clean energies and technologies, such as gas and biomass cogeneration plants. Besides promoting clean energy, energy efficiency is another key aspect of our operations.



META  
12.2/12.4  
12.5

We prioritise waste reuse and energy recovery before final disposal, applying circular economy principles to try to close our production circle and reduce raw materials and other products consumed. We adopt responsible consumption practices in our procurement policy so as to ensure that timber supplies, in particular, and pulp supplies, to a lesser extent, are obtained from suppliers that are qualified and, above all, committed to the environment.



META  
13.1

Our commitment to combating climate change is formally reflected in the Climate Change Policy, which contains related pledges and lines of action, prioritising three strategic aspects: energy efficiency, use of biomass to obtain energy and CO<sub>2</sub> removal by our forest sinks.



META  
15.2  
15.4  
15.5

We believe in using forest resources, a key component of our business, sustainably and responsibly so as to guarantee viability for future generations. Our actions 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. We monitor biodiversity in our properties, which has allowed the identification and declaration of high conservation value areas.

## 5.2 Environmental responsibility

> [307-1]

### A. INTERNATIONAL ENVIRONMENTAL SITUATION

In recent years, concern in society for climate change and the potential global consequences has risen considerably. This was discussed in the 2015 meeting in Paris of the Conference of the Parties 21 (COP 21), where a historic milestone was reached in the form of an agreement to limit the global temperature rise to 2°C.

Compliance with this international agreement would mean a global annual decarbonisation rate of 7.5%. The current trend is far from the rate required, however. According to studies<sup>1</sup>, the rate of decarbonisation reached in 2018 at the global level was 1.6%, less than half the rate necessary to reach the 2°C target.

This global challenge was pursued further in the 25th United Nations

Framework Convention on Climate Change. Although the conference was organised by Chile, COP25 was held in Madrid from 3-15 December 2019. No major agreements were reached and the core issues were postponed to the next Climate Summit.

During COP25, there were scientific presentations on various climate-related matters. The reports highlighted that 2019 would be a record year for temperatures and that carbon dioxide emissions would hit historical highs. One of the core goals was for the countries signing the Paris Agreement to present more rigorous plans to cut greenhouse gas emissions. Finally, only 84 countries undertook to apply stricter emission-cutting programmes in 2020, including Germany, United Kingdom, France and

Spain, but the countries responsible for most greenhouse gas emissions, such as the United States, Russia, China and India, did not make any additional commitments.

The UN warns that global efforts must be tripled if the temperature rise is not to exceed 2°C and that they must increase fivefold to assure a rise of less than 1.5°C; current projections point to an increase of 3.2°C.

COP25 also failed to reach an agreement on the deployment of Article 6 of the Paris Agreement on carbon markets, which allow countries and companies to offset greenhouse gas emissions. As with the other matter, this has been left pending until COP26 to be held in Glasgow in November 2020.



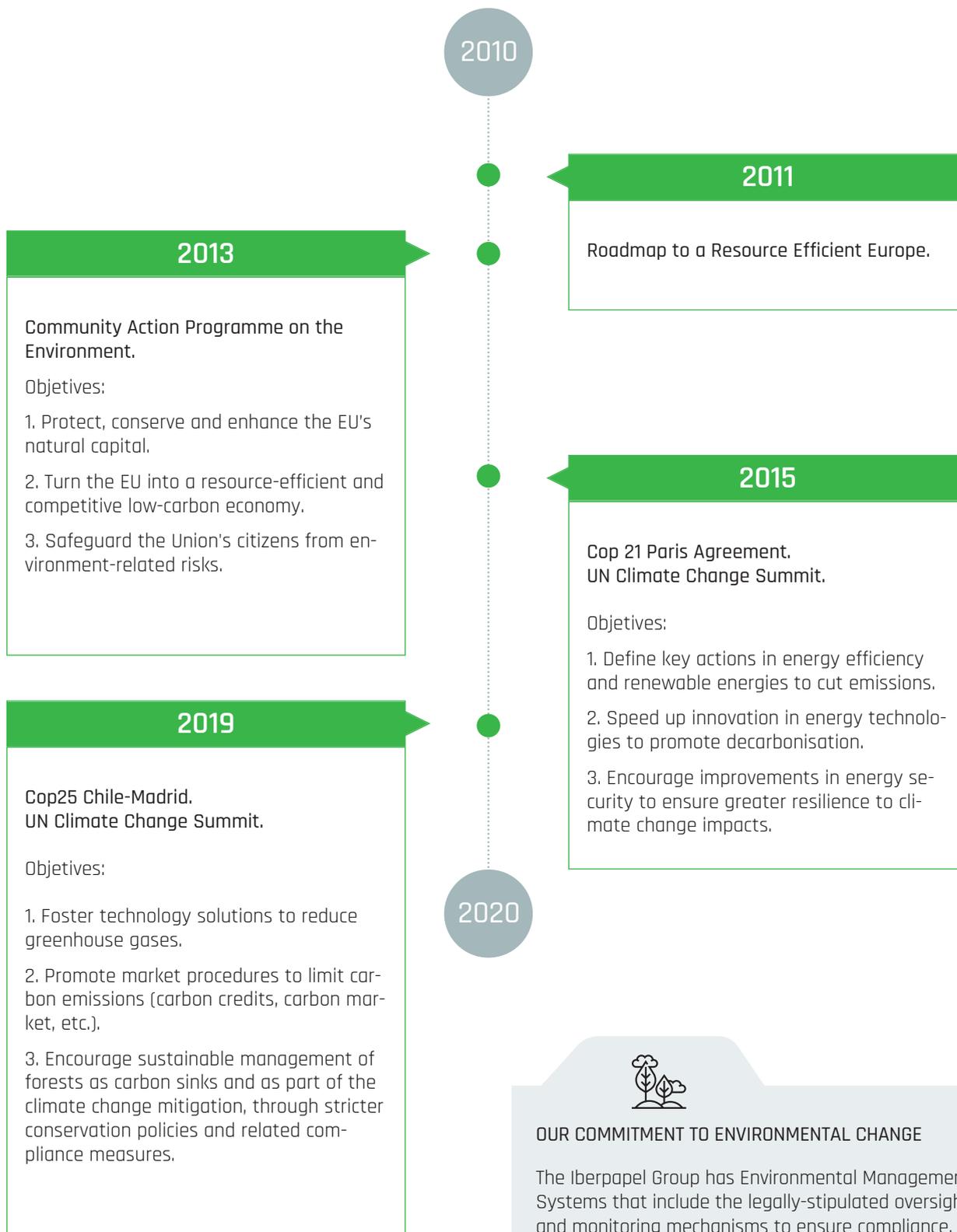
In this context, activities must shift towards a low-carbon economy that uses resources efficiently while being socially respectful. The change must be based on the use of renewable sources of both energy and raw materials, as well as on the efficient use of resources.

With this aim, the World Business Council for Sustainable Development (WBCSD) estimates that efficiency in the use of resources must increase at least fourfold by 2050. According to the International Energy Agency (IEA), by 2040 nearly 60% of all new power generation capacity will be in

the form of renewable energies and the average intensity of power generation emissions will fall to 80 grams of CO<sub>2</sub> per kWh (entailing a reduction of over 84%).

<sup>1</sup> The low carbon economy index. PwC, 2019.

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



## B. OUR ENVIRONMENTAL PERFORMANCE IN 2019

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

We also have 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.

In recent years, we have invested in sustainable growth, always taking into account environmental aspects, so that impacts have been uncoupled from production growth. In other words, while we produce considerably more paper than in 1990, the environmental effects have decreased significantly. We promise to press

on with this uncoupling process through a sustainable vision of our production, such as the promotion of timber from sustainable sources or the use of management systems to ensure that our products are safe and recyclable while meeting customers' needs.

**240,666 t**  
**CO<sub>2</sub> avoided**

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

**100%**

100% of energy consumed is produced by **cogeneration**.

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

**100%**

**↓ 26%** desde 2005

We have worked to reduce **water consumption** in recent years.

**42%**

42% of all the plant's **waste is reused** externally.

**100%**

100% of the Group's forest assets in Spain and Uruguay are **FSC®** and **PEFC™** certified.



**620.935 t CO<sub>2</sub>**

Certification of the **removal of 620,935 t of CO<sub>2</sub>** through the issuance of VCUs at our **plantations in Uruguay**.

We have an Energy Management System under the ISO **ISO 50.001** standard.



ENVIRONMENTAL HIGHLIGHTS	2019	2018	2017
Atmospheric emissions of sulphur (kg/t of pulp produced)	0.0077	0.0100	0.0097
Nitrogen oxide emissions (kg/t of pulp and paper produced)	0.87	0.64	0.61
Atmospheric emissions of particulates (kg/t of pulp produced)	0.18	0.19	0.16
Consumption of cogeneration power (%)	100%	100%	100%
External reuse of plant waste (%)	42%	48%	47%
"Hazardous" waste as a % of total plant waste	0.1%	0.1%	0.1%
Water used per unit of pulp + paper produced (m <sup>3</sup> /t)	16.5	16.3	15.8
CO <sub>2</sub> saving due to use of biomass (t)	183,513	186,455	184,093
CO <sub>2</sub> saving due to cogeneration (t)	57,153	57,835	59,801
Power consumption (MWh/t)	0.552	0.544	0.526
Heat consumed (MWh/t)	2.34	2.32	2.28
CO <sub>2</sub> emissions (t)	209,635	214,521	218,844

<sup>17</sup> CO<sub>2</sub> emissions calculated and audited in accordance with Decision 2007/589/EC and the specific follow-up plan approved by the environmental authority.

### C. OUR COMMITMENT TO ENVIRONMENTAL IMPROVEMENT

At Iberpapel we want to play an essential role in fostering sustainability in the industry by having a positive influence on our society through the environmental impacts of our industrial activity. We therefore align our main strategies with our 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 environment.

In the recent Integrated Environmental Authorisation obtained by Papelera Guipuzcoana de Zicuñaga S.A.U., the Basque Regional Government required fulfilment by the Company with the stringent environmental values set out in

the latest BREF in force since September 2018, which lays down all the conditioning factors for industrial operations and the application of Best Available Techniques (BAT).



WE PROMOTE THE USE OF CLEAN FUELS



**240,666 t**  
**CO<sub>2</sub>**  
avoided in 2019

- Heavy fuels having a high impact on CO<sub>2</sub> 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 as efficiently as possible, optimising the fuel employed.



WE USE A NATURAL RAW MATERIAL THAT IS SUSTAINABLE AND TOTALLY RENEWABLE

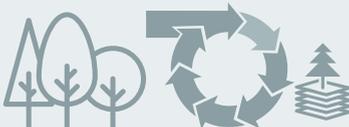


**25,788 ha**  
of forests

- We promote timber plantations and sustainable forest management.
- We do not consume trees from natural forests.
- Our activity conserves forests.
- Certification of CO<sub>2</sub> 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



**42%**  
waste reused

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



WE MINIMISE ENVIRONMENTAL IMPACTS



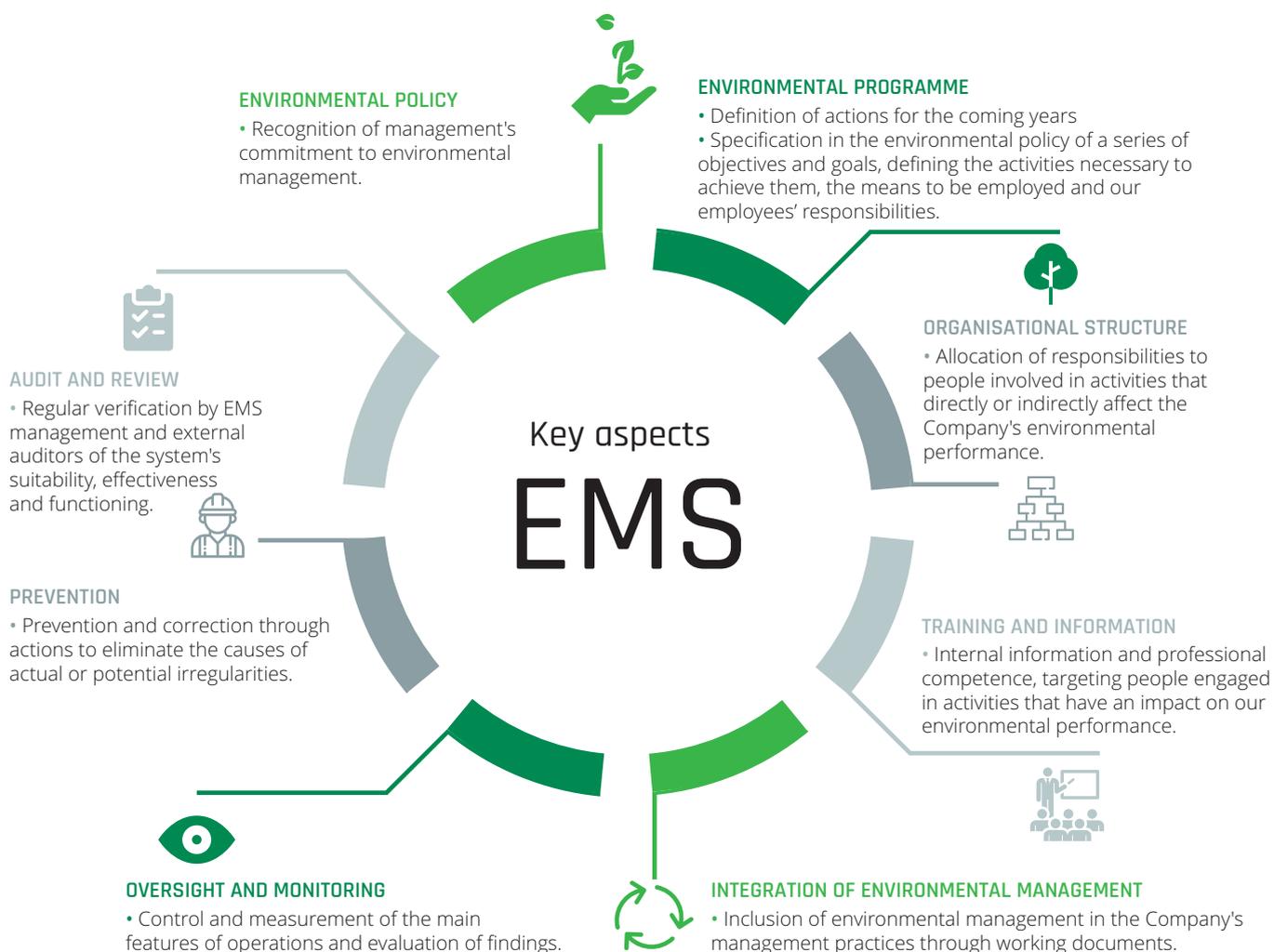
- We reduce greenhouse gas emissions.
- We seek to cut the pollution load in our discharges.



## C1. Our Environmental Management System (EMS)



We promise to offer the best integrated service to our customers while showing the utmost respect for the environment. We therefore base our actions on the precautionary principle, analysing and managing the main environmental risks through the value chain and addressing both direct impacts on the local area and the indirect impacts of our business.



Our approach to environmental management is grounded in the Environmental Policy applicable throughout the Iberpapel Group. This policy sets out the main commitments and is endorsed by the highest level of company

management. It is the basis of the Environmental Management System (EMS) and allows us to control and minimise the main environmental risks associated with our business (see chapter 6 on our main non-financial risk), as

well as associated impacts. All the employees are aware of the policy. Our EMS goes beyond regulatory compliance and spans the entire value chain. This system, certified externally by an independent organisation

under ISO 14001 standard, allows us to reach high levels of efficiency in aspects such as energy, water and material consumption, waste generation and greenhouse gas emissions.

## MAIN FEATURES OF THE EMS



Environmental Management System certified under the ISO 14001 standard 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 measurements so as to verify the allocation of GHG emission allowances under the national allocation plan. Annually, prior to the surrender of emission allowances, GHG emissions are audited by an independent entity.



The procedure for managing the 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 requested and received by our customers.



PGZ has 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.



At year-end 2019, there is no significant environmental provision or guarantee reflected in the Group's Consolidated Annual Accounts that must be included in this chapter. No fines or penalties have been imposed due to the infringement of environmental legislation.

## C2. Environmental training and awareness-building

We consider that training and building awareness in our employees in relation to environmental management and the efficient use of resources has a direct impact on our Group's environmental performance. The purpose of this training and the workshops is to ensure that all our employees contribute actively towards ongoing envi-

ronmental improvement and are able to respond to issues arising in their activities (waste management, raw materials handling, noisy activities, atmospheric emissions, etc.).

In order to instil our principles and values in the workforce, the contents shared in the training courses focus on three aspects:

Before preparing the courses, we identify needs related to the impacts of our activities for inclusion in 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 EMS.

## MAIN CONTENT OF TRAINING ACTIONS



Environmental awareness-building in all our employees.



General training of all PGZ's workers in environmental management.



Professional competence.

## D. CONSUMPTION OF RAW MATERIALS AND BY-PRODUCTS

> [301-1]

At Iberpapel we are fully aware of the indirect impact the poor management of the supply chain can have on the environment and on people.

We therefore accept that it is essential to apply fair terms and conditions to our collaborators so as to assure the sustainability of their supply chain and the passing on of commitments, covering both the environmental aspects addressed in this chapter

and the social and regulatory compliance matters.

Our management systems include a supplier approval and assessment system so as to promote responsible management in our supply chain. Suppliers are classified taking account of technical, financial and other sustainability aspects, such as environmental and social behaviours.

Other environmental criteria are applied during

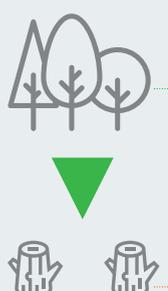
the procurement process, as part of supplier approval, in order to extend the values along the supply chain. In this context, nearly two thirds of the timber purchased is certified under the FSC® and PEFC™ standards.

According to the European forestry industry, forests managed sustainably in the EU reduce carbon emissions in a volume equivalent to 13% of global emissions. This is

based on the sequestration of CO<sub>2</sub> through the sustainable growth of trees, efficient carbon storage in forestry products and replacement of materials from carbon-intensive industries by sustainable forestry products. The global perception of papermaking as an antiquated, traditional industry is shifting to that of a modern, innovative and sustainable sector which supplies new and renewable materials.

### WE HAVE IMPLEMENTED AND WE APPLY A DUE DILIGENCE SYSTEM TO AVOID THE ILLEGAL PURCHASE AND MARKETING OF TIMBER AND TIMBER PRODUCTS.

**MONITORING OF SUPPLIERS AND PRODUCTS**



**PLANTATIONS MANAGED FOR CONTINUOUS REGENERATION**

*We work to promote sustainable forest management and the suitable use of both this resource and the land on which it is grown. This forms part of our Custody Chain system that guarantees absolute traceability for customers under the FSC® and PEFC™ systems.*

**OUR RAW MATERIAL: EUCALYPTUS TIMBER**

The main raw material is eucalyptus timber, a fast-growing species that contributes to carbon fixation more efficiently than other tree species. Our timber is obtained from plantations, not from forests.

We foster the use of environmentally sustainable chemical substances and products.

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

### BENEFITS OF OUR RAW MATERIAL AS A RENEWABLE, RECYCLABLE MATERIAL

- 

The European Union's forests are estimated to absorb 13% of total greenhouse gas emissions.
- 

Between 2005 and 2015, European forests grew by 44,000 km<sup>2</sup>.
- 

Cellulose plants and paper mills can obtain greater added value from timber components and secondary production processes, thereby minimising waste.

### Monitoring of suppliers and products

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



Our supply chain responsibility, including the management approach to sustainable procurement, Custody Chain System performance and raw material supplier assessment and control, is explained in more detail in chapter 4.5. Responsibility to our suppliers

## D1. Efficient management of the consumption of raw materials and by-products

In the last 50 years, worldwide demand for raw materials has risen at an unprecedented pace. According to the European Energy Agency, in this period global production has doubled, the extraction of materials tripled and economic development, measured as GDP, quadrupled. This business expansion is responsible for the loss of 90% of biodiversity and, largely, for the increase in greenhouse gases.

Since our business began, we have sought to become more efficient in the use of resources without comprising either our industrial plant's production or the quality of our products.

This is achieved by applying circular

economy principles, which both improve efficiency in the use of raw materials and by-products and prevent the generation of certain types of waste. The aim is to ensure that resources remain useful as long as possible, extracting maximum value from them and recycling and regenerating end-of-life products.

In 2015, the EU launched a package of circular economy measures. The circular economy goes beyond reducing waste, addressing aspects such as access to resources, use of materials and related impacts, sustainable design, consumption models and production processes.

### By-products

The European Union has developed the Regulation for Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH). All the chemical substances we import and use in our processes are duly registered at the European Chemicals Agency in Helsinki.

CONSUMPTION OF MATERIALS (thousand euro <sup>1</sup>)

	2019	2018
Raw materials and consumables used <sup>2</sup>	88,368	88,231

## D2. Sustainable forest management in the Iberpapel Group

Our forest management is based on the following principles:

					
<p>Certification of CO<sub>2</sub> 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. A microclimate is created under the trees which protects the livestock from the inclemency of the weather, reducing the energy spent. The livestock control the understory, reducing weed control costs, greenhouse emissions and fire risks. This forestry and livestock farming model is highly important in social terms because it integrates previous land uses with a new acti-

vity such as forestry without dislocating the traditional activities.

The silvopastoral management system is thus intended to optimise and boost the production capacity of fields previously used as pastureland through extensive livestock farming focused on the rearing of cows and sheep while conserving protected native woodland. It has become an essential tool for the sustainable use, exploi-

tation and management of the natural resources. These production systems allow economic, environmental and social benefits to be obtained.

<sup>1</sup> As the consumption of raw and other materials is a strategic aspect of the Group's production process, volumes are confidential. However, in the interests of transparency, the monetary value is reported to allow the reader to analyse our performance.  
<sup>2</sup> Timber, long and short fibre, carbonate, chlorate, starch.

## BENEFITS OF SILVOPASTORAL SYSTEMS

### SPAIN



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

### 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.

#### Benefit



### ECONOMIC

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

#### Benefit



### ENVIRONMENTAL

- The contribution 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.

#### Benefit



### SOCIAL

- 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.

### 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.

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 wit-

hin 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.

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.

### FSC® & PEFC™ FORESTRY MANAGEMENT CERTIFICATION

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.

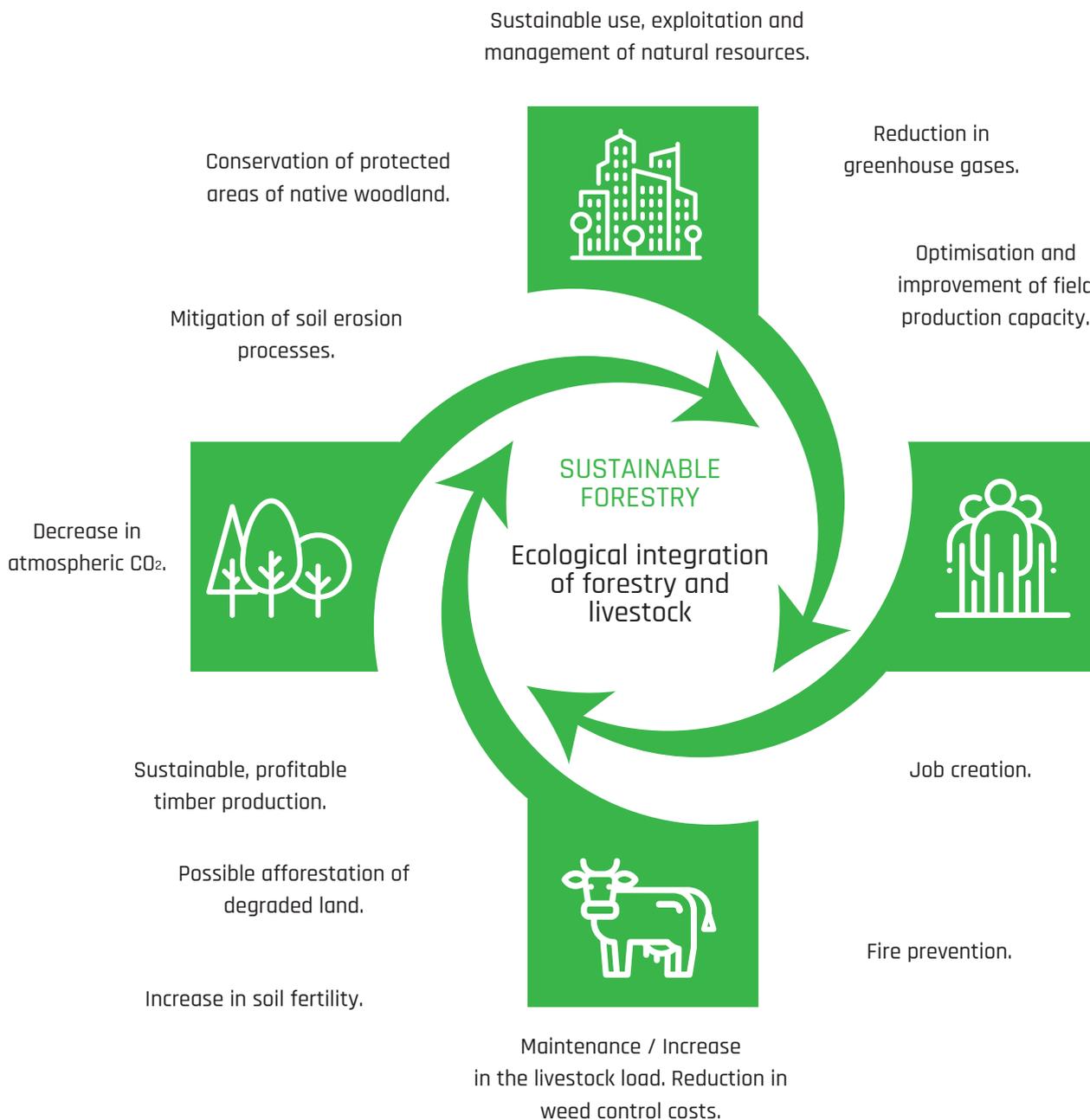
Our Group's forestry activities ob-

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

In Spain, our forest assets have

had FSC® Sustainable Forestry Management certification under code GFA FM/COC-002538 since 2013.

In 2019, the Argentinian companies' forestry assets became certified under PEFC/CEFOAR N° UY20/81841041.



### D3. Proposed objectives of the sustainability model applied in the Iberpapel Group's properties

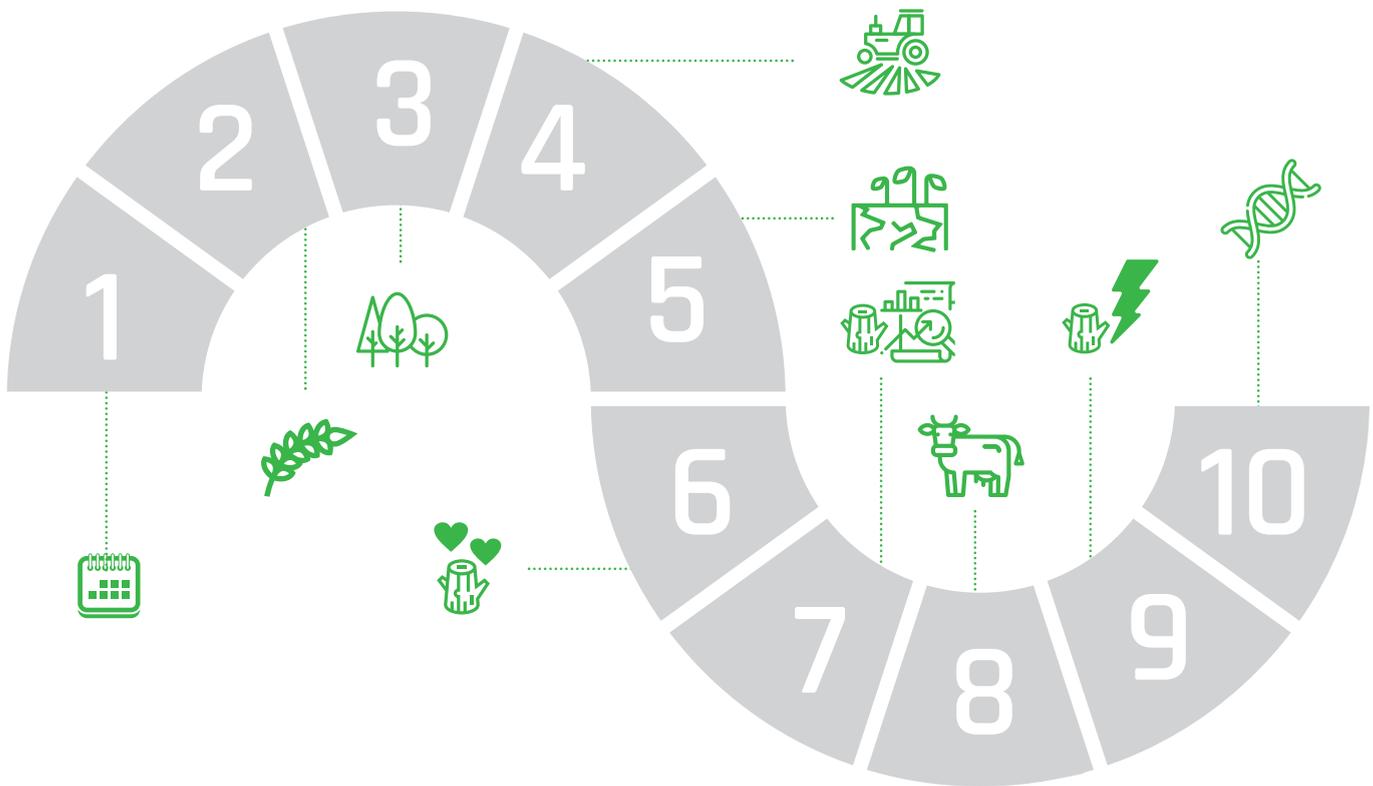
**[1]** Plant forests on forest land during Spring; in the southern hemisphere summer (January, February, March) the land is prepared for afforestation in Spring (September, October, November and December). We use seeds selected from Australia (Jeerelang) and the best clones.

**[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.

## E. ENERGY AND CLIMATE CHANGE

> [302-1; 302-2; 305-1; 305-2; 305-7]

According to the European Energy Agency, Europe's energy system increasingly needs to adapt and become more resilient in relation to the changing climate. Climate change and extreme atmospheric phenomena have impacts on the energy system ranging from the availability of primary energy sources through transformation, transmission and power

storage to demand. All these impacts must be addressed in the transition to clean energy.

The EU has set various quantitative targets in relation to the energy system in the 2030 energy and climate programme. It has also proposed a strategy to reach a carbon neutral economy in 2050. Since, 1990 the percentage of renewable energy contribu-

ted to primary energy has tripled, while the percentage has doubled in power generation. All these scenarios indicate that the levels will increase quickly.

In the paper industry, CEPI, the Spanish association of pulp, paper and board manufacturers, has also launched a road map to reduce carbon emissions by 80% in Europe by 2050, while increasing

added value in the business by 50%. The idea is to steer the industry towards European leadership in the low-carbon bioeconomy.

A large part of this strategy is reflected in the Climate Change Policy approved by Iberpapel's Board of Directors in 2018.



### IBERPAPEL GESTIÓN'S CLIMATE CHANGE POLICY

#### 1-Introduction:

The Board of Directors of IBERPAPEL GESTIÓN, S.A. (Iberpapel or the Company) is responsible for determining the general business policies and strategies and corporate governance policies. The Company has made a pledge to the environment, in general, and to the fight against climate change, in particular.

Climate change is one of the most important challenges that must be faced by humanity in the XXI century. The use of fossil fuels has caused a considerable increase in greenhouse gases that have accelerated global warming.

The international community has agreed to limit the average temperature rise to 2°C above the temperature during the pre-industrial era. Scientists have explained that to limit the temperature increase,

global emissions must peak in 2020 before declining. With this aim, the world's emissions will have to be between 40% and 70% than in 2010 and fall to nearly zero by 2100.

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 collaboration in the efficient use of resources and solidarity.

Iberpapel and its Group companies recognise the gravity of the threat posed by global warming, which must necessarily be confronted in a joint and coordinated way by governments, multilateral bodies, the private sector and society as a whole.

Iberpapel supplies society with products made from renewable materials that require less fossil energy during the life cycle than the majority of other industries, are highly recyclable and also store carbon.

Most of the timber used as a raw material comes from sustainably managed forests. Our plan is energy-intensive, but a large percentage of this energy is obtained from renewable sources such as biomass, which do not add CO2 to the atmosphere. We use this energy in a highly efficient way by means of cogeneration to generate both thermal energy and power.

This climate change policy is designed to coordinate and disseminate the Group's climate change pledge.

## 2- Action areas:

Iberpapel and the other Group companies will be active in the following areas in order to implement our climate change commitment:

- We will assure that greenhouse gas emissions are monitored in an accurate, consistent and transparent way.
- We will support the use of timber, a renewable raw material having less of an impact on climate change, as compared with other less sustainable raw materials.
- We will promote sustainable management of our forest resources and the third-party resources that we access in the market.
- We will employ renewable energies in the production process, or fossil fuels having less of an impact

on climate change, such as natural gas. No fossil fuels other than natural gas will be used. Bioenergy will be prioritised.

- We will apply highly efficient cogeneration as the most effective means to generate heat and electricity.
- We will continue to develop CO2 sinks in our forest plantations. The purpose is to provide other organisations with tools to voluntarily offset greenhouse gas emissions captured by our forests. These emission reduction mechanisms will be audited independently.
- We will stimulate research and development of products related to the bioeconomy. These products will in the future replace others currently made using fossil fuels.
- We will foster the circular eco-

nomy as the most efficient way to use resources. We will promote the use of process waste as a substitute for raw materials in our production process or in other industries.

- We will actively encourage a culture that promotes the efficient and responsible use of energy and behaviours that favour this approach, involving the Company's stakeholders in the process.
- Iberpapel promises to assess how climate change risks will affect the business.
- Climate change might influence Iberpapel's business model and is therefore on the Board of Directors' agenda.

Applying this policy, which lays down our commitments, we collaborate actively with government bodies to improve the environmental impact of the pulp, paper and board manufacturing industry.

One of the main results of our policy has been the deployment of an Energy and Climate Change Programme that prioritises three strategic action areas covering three of the most important environmental aspects for both the Group and our stakeholders.

A programme has been designed to prioritise energy efficiency, the use of biomass to obtain energy and CO<sub>2</sub> removal by our forest sinks, as explained in more detail later in this chapter.

In addition to this programme, Iberpapel is active in the field of Best Available Techniques, as reflected in our new natural gas cogeneration facilities, which will produce all the power required in our production processes.



### THE IBERPAPEL GROUP, AN ENVIRONMENTAL PIONEER

- We made a pioneering contribution to the United Nations' approval of the first consolidated forest industry methodology, associated with the Kyoto Protocol Clean Development Mechanisms.
- We are the first Spanish paper industry company to obtain carbon credits certified by an independent body for the removal of CO<sub>2</sub> from the atmosphere.



## E1. Energy consumption

The Group fosters a culture of efficient energy management. This commitment is fulfilled by supplementing our ISO 14001-certified EMS with an Energy Management System certified externally by an independent entity under the ISO 50001 standard.

Certification was possible thanks to numerous ac-

tions taken to promote energy efficiency and help to combat climate change. We have carried out energy audits to identify potential improvements in lighting, air conditioning and system and process efficiency. We have also eliminated heavy fossil fuels in favour of clean alternatives through cogeneration as

the best available technique and heat and electricity generation using biomass.

We have cogeneration systems in our facilities, cogeneration being 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. This technology has brought major to both the Group and the environment:



In 2019, as a result of the use of gas cogeneration in our facilities, the Group avoided 57,153 tonnes of CO<sub>2</sub> emissions, which would have been released into the atmosphere had the heat and power been produced separately.

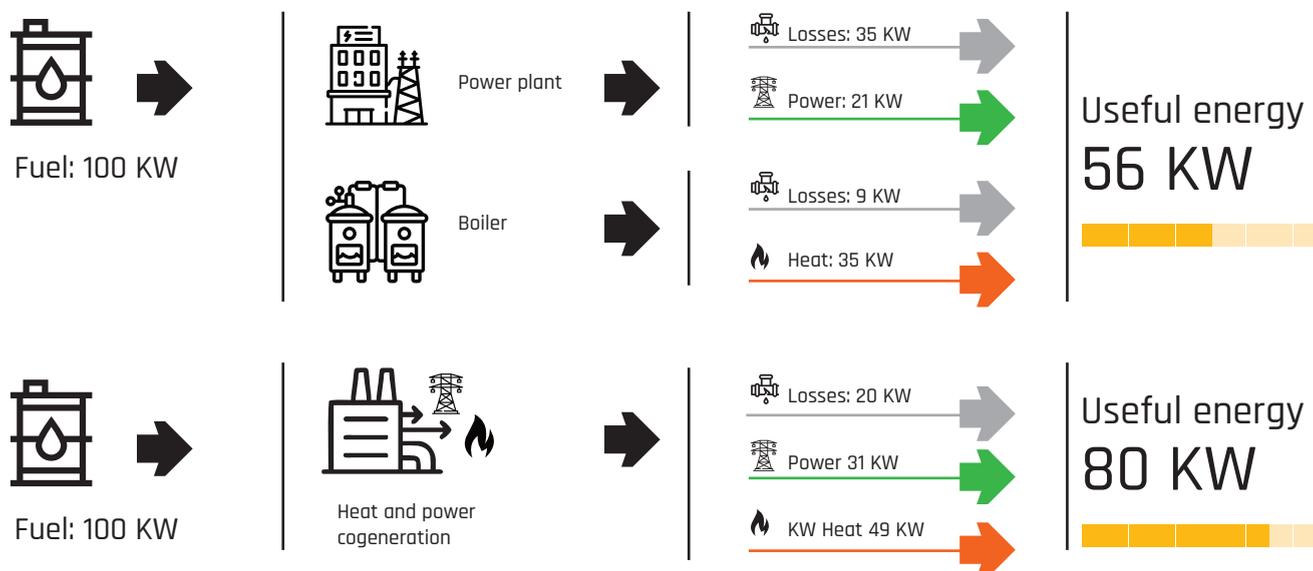


The use of biomass as a renewable fuel avoided the emission of 183,513 tonnes of CO<sub>2</sub> that would have been released into the atmosphere using fossil fuels to generate the equivalent amount of energy.



Total CO<sub>2</sub> emissions that we managed to avoid through the use of biomass and gas totals 240,666 tonnes. These emissions have contributed towards the country's overall GHG reduction objective.

### SAVING THROUGH COGENERATION AS COMPARED WITH CONVENTIONAL TECHNIQUES



**Efficient energy management**

In 2019, 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 in 2019 amounted to 4,599,230 GJ (natural gas and electricity), a very significant part of this energy consumed being exported

to the grid in the form of electricity.

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

Energy consumption at our cogeneration plants (GJ)

	2019	2018	2017
Natural gas	3,731,000	3,803,558	3,900,974
Biomass	3,166,532	3,151,849	3,173,031

Energy generation at our cogeneration and hydraulic plants (GJ)

	2019	2018	2017
Power	1,722,500	1,777,400	1,773,616
Steam	3,687,870	3,714,300	3,888,000

Energy consumption at our facilities and electricity exported to the grid (GJ)

	2019	2018	2017
Electricity exported to the grid	854,300	905,140	874,670
Electricity self-consumed	868,200	872,260	898,945
Steam self-consumed	3,687,870	3,714,300	3,888,000



In 2019, the ratio of power consumption, measured in MWh consumed per tonne of products produced, rose slightly (1.5%) on the previous year. The ratio of thermal energy consumed, measured in the same terms, also increased by 0.9%.

**BIOMASS, A KEY PILLAR OF OUR CIRCULAR ECONOMY**

One of the pillars of our circular economy system is the use of biomass to obtain energy.

In the search for alternatives to fossil fuels, we use a part of the organic waste from our processes (in this case, biomass), applying the principles of the circular economy, as a renewable resource to generate green energy. We can therefore reduce demand for fuel using non-polluting alternative sources.

## E2. Combating climate change

Our strategy to combat climate change is grounded in our Climate Change Policy, which is designed to coordinate disseminate our pledges.

The policy is the basis of our Energy and Climate Change Programme which, as commented at the start of this chapter, prioritises three strategic areas for the Group in the fight against climate change.

We promote the reduction of greenhouse gases (GHG) through solutions that draw on energy efficiency, the use of biomass for energy and carbon dioxide removal by our forest sinks.

As regards our forest sinks, the forestry industry can make a huge contribution to GHG reduction and the adaptation to climate change.

The Group avoided emissions amounting to 240,666 tonnes of CO<sub>2</sub> that would have been released in 2019 had the power been generated using conventional methods. Additional power would have been lost during transmission from the generation point to the point of use, which is also avoided through in situ cogeneration.

Our use of cogeneration considerably cuts GHG emissions compared with the separate generation of heat and power.



Atmospheric emissions of CO<sub>2</sub> avoided (tonnes)



**2019**  
240,666

**2018**  
244,290

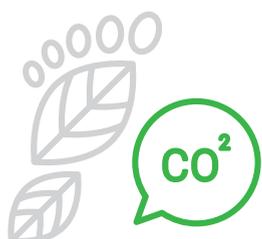
**2017**  
243,894

### Carbon footprint

The Iberpapel Group calculates its carbon footprint in two emission scopes: direct (Scope 1), which include those derived from the consumption of fossil fuels in production facilities, and indirect (Scope 2) related to power consumption.

EMISSIONS BY SCOPE (CO<sub>2</sub>-equivalent tonnes)

	2019	2018	2017
Scope 1 GHG emissions (t CO <sub>2</sub> eq)	209,635	214,521	218,844
Scope 2 GHG emissions (t CO <sub>2</sub> eq)	-	-	-
Total GHG emissions (t CO <sub>2</sub> eq)	209,635	214,521	218,844



Direct emissions include those arising from the consumption of natural gas in the cogeneration plant and the lime furnace; **no other fossil fuels are consumed.** There were no

emissions due to refrigeration gas leaks in 2019. Most of Iberpapel's refrigeration equipment uses ammonia, a refrigeration gas that does not contribute to climate change.

The Group does not have a fleet of vehicles, so Scope 1 emissions do not include mobile sources.

Biomass combustion is regarded as carbon neutral because the CO<sub>2</sub> liberated during combustion equals the CO<sub>2</sub> absorbed by the plants during growth, which is the natural carbon cycle.

Finally, as the power consumed is obtained entirely from the Group's

cogeneration plants, there are no Scope 2 emissions, because they have been treated as the organisation's direct emissions.

The use of cogeneration and biomass brings environmental benefits, particularly the reduction of emissions during the generation of power

and thermal energy, given the high efficiency of this energy system. The emissions saved by Iberpapel thanks to the self-supply of energy, the use of biomass and the export of any surplus into the grid are quantified as follows:

EMISSIONS BY SCOPE (CO<sub>2</sub>-equivalent tonnes)

	2019	2018	2017
CO <sub>2</sub> saving due to use of biomass (t CO <sub>2</sub> eq)	183,513	186,455	184,093
CO <sub>2</sub> saving due to gas cogeneration (t CO <sub>2</sub> eq)	57,153	57,835	59,801
Total CO <sub>2</sub> saving (t CO <sub>2</sub> eq)	240,666	244,290	243,894



REDUCTION OF GHG EMISSIONS IN THE DISTRIBUTION PHASE

Iberpapel uses five-layer pallets instead of four in the distribution phase in order to reduce GHG emissions. By means of the pallet's structure, we always seek to optimise transport, handling and storage. By optimising transport, associated emissions are also reduced. Four-layer pallets optimise stowage when maritime container are used. This pallet is designed for a global market and long distances, with all that this means as regards the carbon footprint, relocation, etc. But the five-layer pallet optimises short-distance transport. It is designed for use in local markets. Our customers therefore minimise the carbon footprint until the products reach their facilities.





### E3. Kyoto Protocol mechanisms

PGZ, as Iberpapel's only facility subject to the emissions trading system, must comply with the relevant regulations and is therefore required to obtain GHG emission authorisation, to continuously monitor atmospheric emissions and to surrender one allowance per tonne of CO<sub>2</sub> emitted.

All operations holding emission allowances are reflected in the plant's credit account in the European electronic register. In the first quarter of 2020, the Company, fulfilling its legal obligations, surrendered the quantity of allowances covering its 2019 CO<sub>2</sub> emissions, amounting to 209,635 tonnes of CO<sub>2</sub>.

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.

**CO<sub>2</sub>: 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 III, 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 glyoxy-

lic acids.

The system covers emissions of carbon dioxide, nitrous oxide, perfluorocarbons and nitric, adipic and glyoxylic acids.

During the year we requested the allocation of allowances for phase IV. Since the start of phase III, as recognised by the European Commission, emission allowance allocation takes place through an auction system, which is seen as the most efficient method. In the new phase, the auction system will remain the general rule, free allocation being an exception associated essentially with sectors exposed to the risk of carbon leakage. The revised directive states that, as before, no emission allowances will be allocated free of charge in relation to power generation.

In our case, free allocation will be based on a product benchmark associated with the most efficient European plants and related to the facility's production.

Beginning in 2021, the European emission ceiling will decrease annually by 2.2%, this being the linear reduction factor (LRF), which will lead to a 43% decline in emissions by 2030 as compared with the 2005 level, which is one of the European Union's key climate change strategies, the LRF in phase III being 1.74%. So there will be fewer free allowances available in phase IV than in phase III. Another new aspect in phase IV is that the trading period will last for 10 years (2020-2030) instead of eight, consisting of two allowance allocation periods.



## E4. Other atmospheric emissions

In Europe, the most problematic pollutants in terms of human health are particulate matter in suspension, ozone and nitrogen dioxide. SO<sub>2</sub>, NO<sub>x</sub> and NH<sub>3</sub> can also cause acidification and eutrophication in ecosystems, as well as harm to buildings and vegetation.

According to the latest European Energy Agency report on air quality in Europe, the most important pollutants associated with air quality are particulates, ozone, nitrogen oxides,

of the 28 European Union countries. Values above the limit were also observed for nitrogen oxides in 10% of measuring stations, although 86% of these cases were directly related to traffic. Episodes of pollution associated with sulphur dioxide fell to 2% of all measuring stations, while exposure to the pollutant carbon monoxide above recommended limits is very infrequent. Finally, emissions of arsenic, cadmium, nickel, lead and mercury

well-being in society. The Group's only activity that could generate emissions of this kind is conducted in our industrial division, specifically the paper mill.

PGZ's atmospheric emissions are mainly associated with the processes employed to generate the power required for its industrial activity and fundamentally consist of carbon dioxide (CO<sub>2</sub>), sulphur dioxide (SO<sub>2</sub>) and nitrous oxides (NO<sub>x</sub>). Additionally, the use of biomass generates particulates and total reduced sulphur compounds.

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 cogeneration 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 2019 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 PM<sub>10</sub>, tota-

lled 0.08 kg per tonne of pulp produced in 2019. 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 (Best Available Techniques) 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. The findings of some of these ongoing emission controls are shown below.



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 (NO<sub>2</sub>) and tropospheric ozone (O<sub>3</sub>).

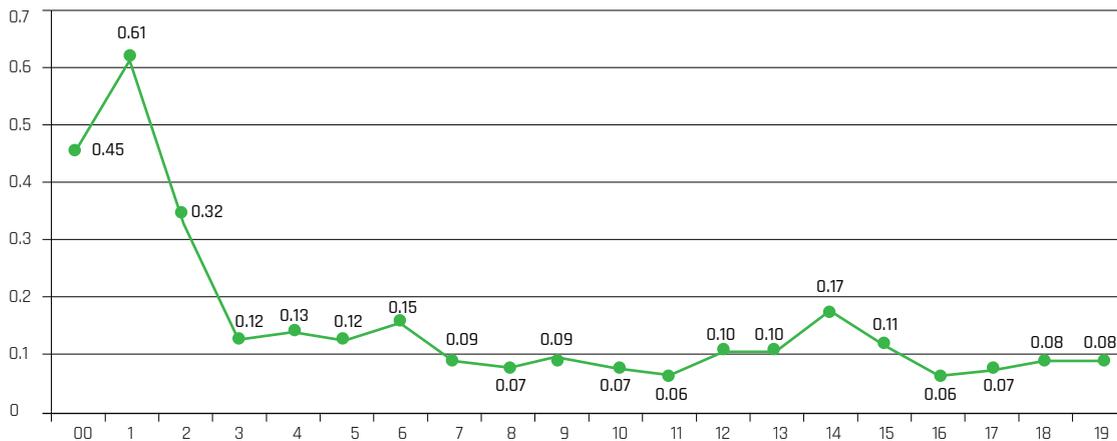
In Spain, the "National Air Quality and Atmospheric Protection Plan 2017-2019: AIR Plan", approved in 2017, is designed to improve air quality and guarantee the protection of health and ecosystems in Spain.

sulphur dioxide, carbon monoxide, benzene and metals. As regards particulates smaller than 2.5 micras, values above the stipulated limits were recorded at 7% of measuring stations and in seven

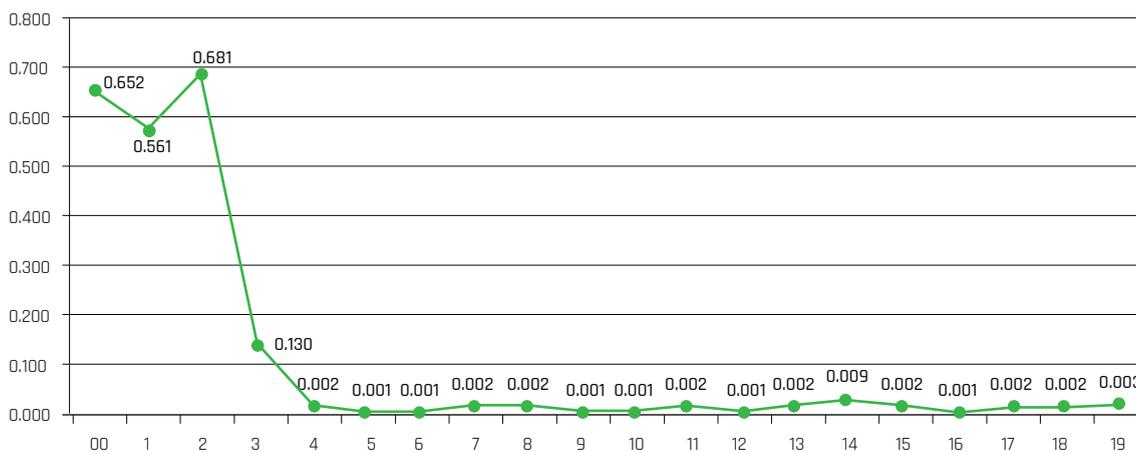
fell considerably during the period 2000-2017 due to the improvements in industry and power generation.

We control and reduce atmospheric emissions as part of our commitment to

PM10 ATMOSPHERIC EMISSIONS (2000-2019) (kilos of particulates per tonne of paper and pulp produced)



SOX EMISSIONS (2000-2019) (kilos of particulates per tonne of paper and pulp produced)



LIGHT AND NOISE POLLUTION

All direct environmental impacts caused by the Iberpapel Group's activities are properly measured and managed by means of Environmental Management Systems.

## E5. Clean energy

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 buildings,

industries and transportation in order to meet climate objectives.

- Implement governance rules for the European Energy Union.

These objectives will be achieved by reforming the Internal Electricity Market Directive, the Electricity Market Regulation, the Renewable Energies Directive, the Energy Efficiency Directive, the Energy Performance of Buildings Directive and other less significant regulations.

The impact of these changes, combined with the current reform of the ETS market, is very significant, so European industry is following the process initiated by the European

Commission with great interest. Various European associations have signed a joint statement requesting the Commission's involvement.



€100/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 (European Union Allowance) within the stipulated annual period. Additional penalties may be established by the Member States.





## F. WASTE MANAGEMENT AND CIRCULAR ECONOMY

> [306-2]

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

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. Other examples are the reuse of water from the paper machines

as a substitute for clean water in the pulp manufacturing process or the use of biomass as a green energy source, already mentioned in the Energy and Climate Change section of this chapter.

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, 0.11% in 2019, which is 0.12% down on 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 indivi-

dually managed. The main wastes generated in 2019 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 2019, the revival of the ce-

ment industry continued, increasing this method of waste reuse.

The option employed for waste fractions that cannot be used in other sectors is a landfill.

In 2019, 58% of waste generated was deposited in landfills when reuse or recovery was not an option. This 6% increase in the percentage sent to a landfill with respect to 2018 is explained by the growth in waste produced in 2019.

Through PGZ, Iberpapel 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:

### PROCESS WASTE MANAGEMENT IN THE PAPER INDUSTRY



• Energy recovery: 27%



• Direct agricultural uses: 24%



• Composting: 10%



• Uses in other industries: 12%

• Other uses: 4%



• Deposit in landfills: 23%

WASTE GENERATION AT PGZ

	2019	2018	2017
Hazardous waste (t)	84	78	55
Non-hazardous waste (t)	76,213	62,665	59,486
Total waste (t)	76,297	62,743	59,541
% hazardous waste (%)	0.11	0.12	0.10

	2019	2018	2017
Percentage of waste recovered or reused (%)	42	48	47
Percentage sent to landfill (%)	58	52	53

G. LIQUID EFFLUENTS AND WATER USE

> [303-1; 306-1]

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

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

Pulp and paper 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. Our 2016-2020 reduction plan is currently in progress. These plans allow us to maintain the low levels of water consumption stated in the BREF document issued by the European

Commission on BAT in the pulp and paper industry.

Specifically, in 2019, 16.5 m3 of water was used per tonne produced, representing an increase of 1.2% on 2018. These values are much lower than the ranges described in the BREF for BAT application.

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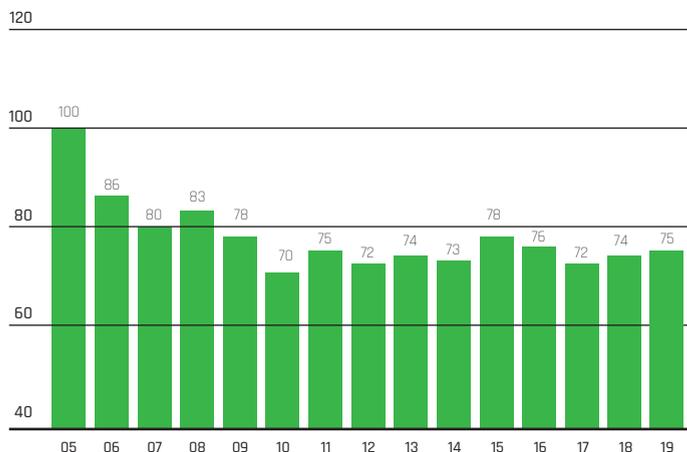
Specifically, in 2019, 16.5 m3 of water was used per tonne produced, representing an increase of 1.2% on 2018. These values are much lower than the ranges described in the BREF for BAT application.

PERCENTAGE WATER CAPTURE BY SOURCE

	2019	2018
River water (%)	80.09	78.30
Groundwater (%)	19.91	21.70

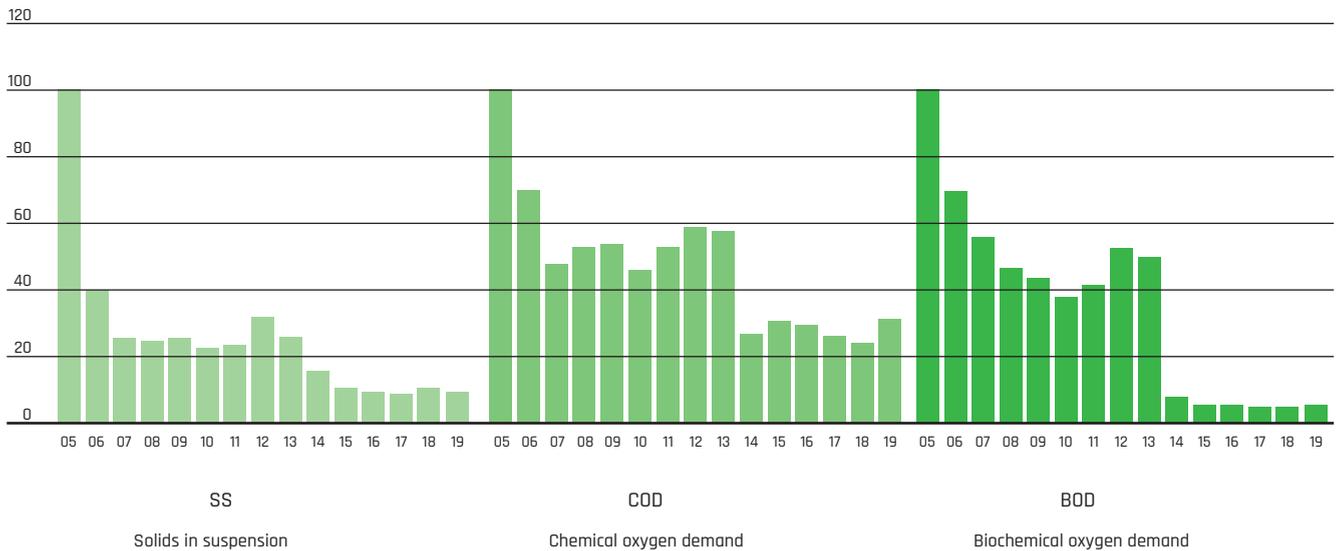
The chart reflects the efforts made by PGZ to improve consumption in recent years, with respect to 2005 base figures.

PERCENTAGE USE OF FRESH WATER (BASE 100 2005)



In recent years (2005-2019), PGZ's effluents have improved considerably and now contain only 10% of their initial suspended solids, 32% of their initial chemical oxygen demand and 6% of their initial biochemical oxygen demand.

PERCENTAGE EFFLUENT LOAD (BASE 100 2005)



## H. BIODIVERSITY PROTECTION

> [304-1; 304-2; 304-3]

We observe and monitor biodiversity during our activities, 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.

These studies are employed to identify the areas which show the most biodiversity and de-

clare them to be areas of high conservation value. 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, have been declared high conservation value areas.



▼ Cerro Betete (Uruguay)



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 gui-

delines 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 plan is to protect natural ecosystems that have a high conservation value such as native woodland, 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.

Recently, as a result of the environmental impact studies carried out to modernise the Hernani plant, local biodiversity has been analysed. The potential natural vegetation consists of riverside species, specifically Cantabrian alder trees (*Hyperico androsaemi*), typically found on waterlogged river banks, as the dominant and sometimes the only species, black alder trees (*Alnus glutinosa*) and ash trees (*Fraxinus excelsior*), plane trees (*Acer pseudoplatanus*) and willow trees (*Salix* sp.), with an understory rich in shrub-like species such as hazels, blackthorns and roses, and a rich and varied herbaceous layer. Atlantic oaks (*Quercus robur*) can be seen further away from the river.

The fauna is logically

conditioned by the urban environment. In the surrounding areas, there may be examples of the common toad (*Bufo bufo*), the Iberian green frog (*Rana perezi*) or the palmate newt (*Lissotriton helveticus*). From the bird world, there are song thrushes (*Turdus philomelos*), European robins (*Erithacus rubecula*) and white wagtails (*Motacilla alba*). Common kingfishers may also be spotted (*Alcedo atthis*). Representing mammals, there are hedgehogs (*Erinaceus europaeus*), moles (*Talpa europea*), Pyrenean desmans (*Galemys pyrenaicus*) and European minks (*Mustela lutreola*). River fauna would include common minnows (*Phoxinus phoxinus*), stone loaches (*Barbatula batbatula*) and salmon (*Salmo salar*).



## 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.



## I. 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 CO<sub>2</sub> emissions by 80%.
- Increase the added value of products manufactured by 50% by 2050.

The European pulp and paper industry produces bioproducts using timber and recovered paper, which are renewable materials. It is also the leading industrial sector in terms of bioenergy generation capacity and bioenergy consumption. The paper industry, with its traditional and 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 bio-fuel plants, and on the production of chemicals, which can also generate electricity or heat simultaneously.

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

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

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

## J. OUR GENETIC AND SILVICULTURE IMPROVEMENT PLAN



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

- Application of the best technologies to achieve the highest quality timber and integration of forestry with natural systems.
- Selection of superior trees.
- Optimisation of land use by planting the most suitable 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. 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, the forestry business was diversified by bringing in other eucalyptus species with qualities

that are suitable for timber and cellulose such as the Eucalyptus grandis Hill ex Maiden or Eucalipto 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 CO<sub>2</sub> emissions through forest masses, which act as sinks for greenhouse gases. In order to calculate and monitor CO<sub>2</sub> removal as a result 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:

### CERTIFICATION OF CO<sub>2</sub> EMISSIONS REMOVAL AT OUR URUGUAYAN PLANTATIONS UNDER THE INTERNATIONAL VCS

 <b>ECONOMIC</b> benefit	 4,691 ha	 <b>ENVIRONMENTAL</b> benefit	 FSC-certified management systems	 620,935 t CO <sub>2</sub> emissions absorbed	 <b>SOCIAL</b> benefit	 Knowledge sharing with local communities	 71% of the workforce are local people
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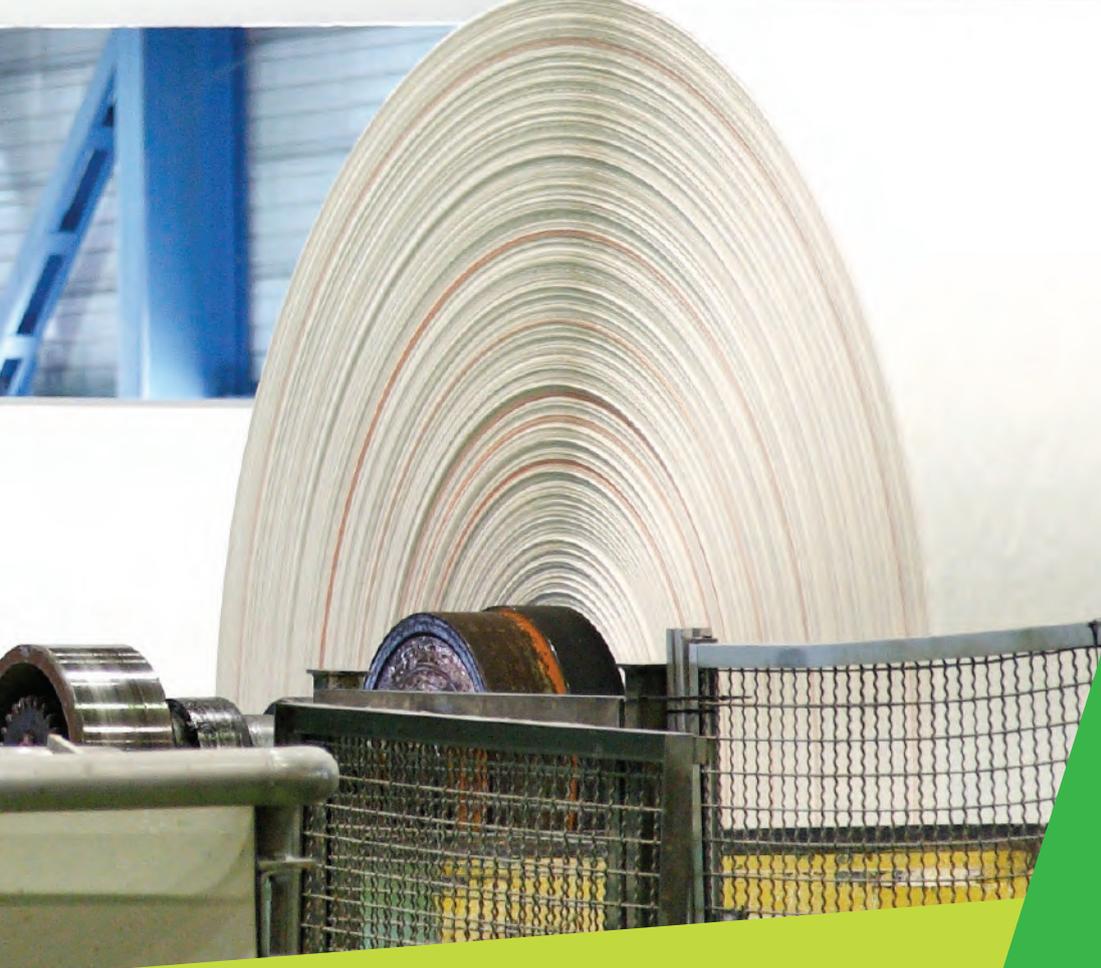


In 2019, the Argentinian companies' forestry assets became certified under PEFC/CEFOAR NO UY20/81841041.



# #06 Our Corporate Governance







## 6.1 Our corporate governance at a glance

### 2019 MILESTONES

- Preparation of an Anti-Corruption Policy.
- Update of the Group's Code of Conduct.
- New criminal risk assessment methodology.
- Update of the scope of certain risks and inclusion of new risks.

### FUTURE CHALLENGES

- Increase in the maximum number of Board members so as to have a vacancy to be filled by a woman in 2020.
- Increase the involvement of the least represented gender.

### MAIN METRICS FOR 2019 AND TRENDS

% Code of Good Governance recommendations followed



**98%**

= vs. 2018

Number of Board of Directors meetings



**10**

-16.67% vs. 2018

% attendance at the Annual General Meeting



**83.96%**

-0.6% vs. 2018

New or updated policies



**2**

= vs. 2018

Reports received through the Whistleblower Channel



**0**

= vs. 2018

### OUR MAIN CONTRIBUTION TO THE SDGs

SDG

IBERPAPEL'S CONTRIBUTION



GOAL  
5.1  
5.5

Equality is a basic action principle. So all professionals are given the same opportunities to access employment and promotion, assuring the complete absence of any kind of discrimination during their activities, as laid down in the Group's Code of Conduct. Iberpapel also has a Director Selection and Board Diversity Policy addressing the diversity of knowledge, experience and gender.



GOAL  
8.5

Iberpapel's pledge to provide decent, quality work is set out in our Code of Conduct, applicable in all the Group companies. The code includes commitments such as guaranteeing occupational health and safety and a pleasant work climate, promoting job stability through respect for the collective rights, and a work-life balance, among others.



GOAL  
16.5  
16.7

The Iberpapel Group's Code of Conduct implements a number of conduct standards that include ethical, respectful relationships with customers, suppliers and authorities, in line with prevailing anti-corruption and anti-bribery legislation. We also drew up an Anti-Corruption Policy in 2019.

## 6.2 Our commitment to transparency

We feel that good governance requires all our stakeholders to have access to regular information that is accurate, detailed, clear and useful.

In the interests of full transparency, all relevant information and communications are posted on the

corporate website <http://www.iberpapel.es>, together with corporate governance reports.

As a reflection of our belief in transparency, most of our policies can be consulted in the corporate governance section of the website.

This chapter contains a brief summary of the aspects of corporate governance most relevant to both the Group and its stakeholders.



The most complete details can be found in the Group's Corporate Governance Report, which is in the relevant section of our website.

## 6.3 Share capital structure and market capitalisation

The Iberpapel Group's share capital consists of 11,039,829 fully-subscribed and paid-up ordinary shares with a par value of 60 euro cents each, all in the

same class and series, carrying the same voting and dividend rights, and represented by book entries.

The Group has a solid shareholder structure,

there being no shareholding of 10% or more of share capital totalling €6,624 thousand at year-end 2019. Onchena is Iberpapel's principal

shareholder, followed by Santander Asset Management, Miquel y Costas, Norges Bank and Magallanes Value Investors.

### SHAREHOLDINGS ABOVE 3% OF CAPITAL (AT 31 DECEMBER 2019)

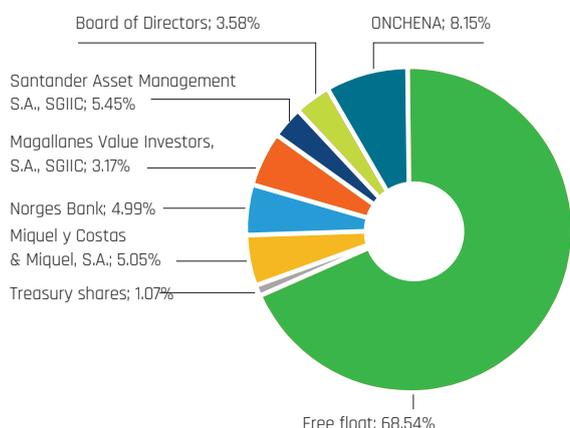
Shareholder's name or business name	% voting rights (direct)	% voting rights (indirect)	% of total voting rights
ONCHENA	8.15%		8.15%
MIQUEL Y COSTAS & MIQUEL, S. A.		5.05%	5.05%
NORGES BANK	4.99%		4.99%
MAGALLANES VALUE INVESTORS, S.A., SGIIC		3.17%	3.17%
SANTANDER ASSET MANAGEMENT S. A. SGIIC		5.45%	5.45%

### TREASURY SHARES

In 2019, the Company acquired 15,507 treasury shares. The total amount paid was €432 thousand. In 2019, 27,305 treasury shares were sold for €766 thousand, generating a profit of €10 thousand.

At 31 December 2019, the Company held a total of 118,601 treasury shares at an original cost of €3,276 thousand. These shares represent 1.074% 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.

### CAPITAL STRUCTURE



Share capital includes a free float of 68.54%.

All the parent company's shares are listed on the Madrid and Bilbao stock exchanges.

At 31 December 2019, the Group's market capitalisation stood at €281.52 million.

## 6.4 Principles for socially responsible governance

> [102-19; 102-20; 102-21; 102-25; 102-26; 102-35; 205-2]

Our activity is guided by policies, principles and frameworks that instil a cul-

ture of business responsibility in everything we do. In 2019, we updated and ex-

tended our governance in various areas related to our non-financial perfor-

mance to help us to handle the matters that most concern our stakeholders.

### POLICIES THAT INSPIRE US AND ARE INTEGRATED WITH OUR BUSINESS STRATEGY

<h4>General Code of Conduct</h4> <p>This brings together the ethical values that must underlie our conduct as Iberpapel professionals and the guidelines and general lines of action for decision-making. It is a formal reflection of the Iberpapel Group's model of ethical management and regulatory compliance.</p>		<h4>Corporate Social Responsibility Policy</h4> <p>This lays down the fundamental, specific principles of Corporate Social Responsibility and of the Group's relationship with the local community. It also defines the commitments acquired voluntarily to build value for all stakeholders.</p>	
<h4>Criminal Risk Prevention Policy</h4> <p>This policy addresses the tools at the Group's disposal to prevent criminal risks relating to actions and conduct by our employees and people working in the Company.</p>	<h4>Anti-Corruption Policy</h4> <p>It reflects the instruments available to mitigate and prevent the risk of corruption, bribery and conflicts of interest. The applicable guidelines are established, relevant roles and responsibilities are assigned and certain aspects of governance are addressed.</p>	<h4>Climate Change Policy</h4> <p>It presents and disseminates the Iberpapel Group's pledge to reduce the effects of climate change both for society and the Group itself.</p>	<h4>Environmental Policy</h4> <p>This lays down the Iberpapel Group's commitment to environmental management and defines the general principles to be followed.</p>
<h4>Quality Policy</h4> <p>This is the formal reflection of management's promise to implement a quality management system oriented towards customer service and continuous improvement.</p>	<h4>Director Selection and Board Diversity Policy</h4> <p>It assures that propose appointments or reappointments of directors are based on a prior analysis of the Board of Directors' needs and that they favour diversity of knowledge, experience and gender.</p>	<h4>Directors' Remuneration Policy</h4> <p>This provides principles and criteria to bring the Remuneration Policy into line with market best practices and trends.</p>	<h4>Communication Policy</h4> <p>It encourages permanent contact and dialogue with all stakeholders, particularly shareholders, institutional investors and proxy advisors, transparent and accurate information being the Group's maxims in this area.</p>

POLICIES UPDATED AND PREPARED IN 2019

**Approval of the Anti-Corruption Policy**

It defines the set of guidelines, behaviours and best practices for employees in connection with the prevention of potential corrupt practices. Among other matters, this policy regulates conflict of interest management, behaviour guidelines relating to public officials and authorities, and private third parties, and the internal policy on personnel expenses and hospitality; gifts, commercial invitations and entertainment, among other aspects.

**Update of the new General Code of Conduct**

This lays down general guidelines for conduct that must be observed by all our employees in their daily professional activities, irrespective of their hierarchical level and geographic or functional position. The new code has a domestic and international scope and includes new conduct rules and guidelines for application and interpretation.



**Internal Corporate Governance rules**

Besides the policies that inspire our organisation, the Iberpapel Group has Corporate Governance regulations including:

- Bylaws;
- General Shareholders' Meeting Regulations;
- Board of Directors and Board Committee Regulations;
- Internal conduct rules for matters relating to stock markets;
- Electronic Shareholder Forum rules;
- AGM distance-voting and delegation rules.

## 6.5 The Iberpapel Group's Corporate Governance System

> [102-18; 102-19; 102-20; 102-21; 102-22; 102-23; 102-24; 102-26; 102-28; 102-31; 102-32; 102-36]

### THE IBERPAPEL GROUP'S CORPORATE GOVERNANCE STRUCTURE

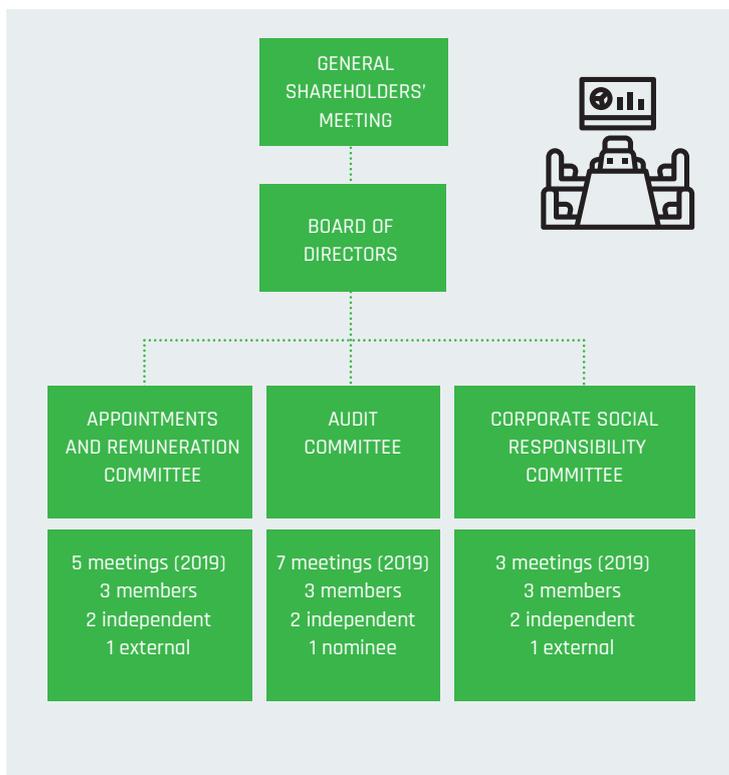
#### INTRODUCTION

Iberpapel has put in place a Corporate Governance System comprising the Group's principles and values, the Bylaws, the corporate policies referred to previously and the internal rules of Corporate Governance, as well as all our internal codes and procedures.

Its content is inspired by and grounded in our belief in best practices in Good Governance, Corporate Social Responsibility and business ethics. The Group's reference framework is the Spanish National Security Market Commission (CNMV)'s "Unified Code of Good Governance in Listed Companies".

The Iberpapel Group's Corporate Governance System has two main governing bodies: the General Shareholders' Meeting and the Board of Directors, which have in turn set up three governing committees: the Appointments and Remuneration Committee, the Audit Committee and the Corporate Social Responsibility Committee.

The functions of these bodies reflect the provisions of Spanish legislation and the CNMV's rules and recommendations.

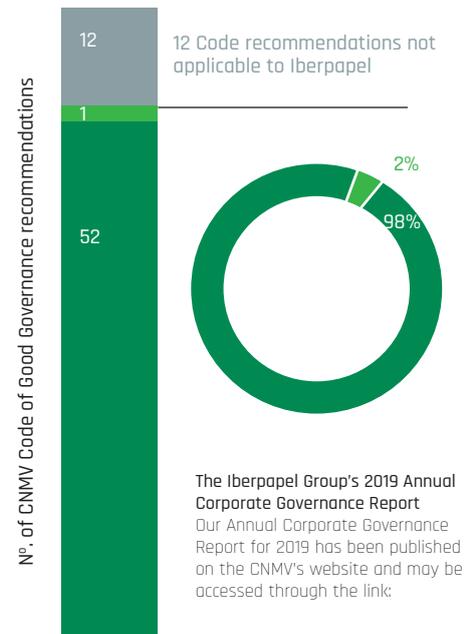


## PLEDGE TO CONTINUOUSLY IMPROVE OUR GOVERNANCE

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 2019, the only recommendation 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 2019 Annual General Meeting on its website to be suitable, for organisational reasons and in view of the high level of shareholder attendance at the meetings held, whether in person or through representatives (84.50% in 2018 and 83.96% in 2019).<sup>1</sup>



<http://www.cnmv.es/portal/Consultas/EE/DatosGenerales.aspx?nif=A-21248893>

<sup>1</sup> Further information on the CNMV's Code of Good Governance is available through this link: [https://www.cnmv.es/DocPortal/Publicaciones/CodigoGov/Codigo\\_buen\\_gobierno.pdf](https://www.cnmv.es/DocPortal/Publicaciones/CodigoGov/Codigo_buen_gobierno.pdf)

### A. GENERAL SHAREHOLDERS' MEETING

The General Meeting, duly assembled as stipulated in the Bylaws, the General Shareholders' Meeting Regulations and prevailing regulations, represents all the shareholders and is the Company's ultimate decision-making authority. Resolutions adopted are mandatory for all shareholders, including those who do not attend the meeting, abstained from voting or dissent, without affecting the rights and actions of all kinds to which they may be entitled by law.

#### A.1. GENERAL MEETING'S FUNCTIONS AND POWERS

The General Meeting decides on matters within its remit in accordance with Spanish Law and the Group's Bylaws, as well as the General Meeting Regulations. In particular, it may adopt 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 capi-

tal 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.

- Approval of the final liquidation balance sheet.
- 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 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.
- Any other matters that may be determined by Law or the Bylaws.

## A.2. RESOLUTIONS ADOPTED IN 2019

The full text of the resolutions adopted by the 2019 Annual General Meeting and the outcome of the relevant votes are available in Iberpapel's corporate website.

The resolutions adopted refer specifically to:

- **In the first** agenda item, the approval of the Annual Accounts and Management Report of both Iberpapel Gestión, S.A. and its Consolidated Group for the financial year ended 31 December 2018;
- **In the second** item, the reappointment of the Auditor of the Company and its Consolidated Group for 2019;
- **In the third** item, the reappointment of the members of the Board of Directors, specifically Mr. Iñigo Echevarría Canales, Mr. Martín González del Valle Chavarri, Mr. Néstor Basterria Larroude and Mr. Iñaki Usandizaga Aranzadi;
- **In the fourth** point, the consultative vote on the Annual Report on Directors' Remuneration, regulated by Article 541.4 of the Spanish Companies Act;
- **The fifth** related to the report, not to be put to a vote, on the amendment of the Board of Directors' Regulations agreed in the meeting of 31 May 2018.
- **In the sixth** item, powers were delegated to formalise, interpret, correct and execute the resolutions adopted by the General Shareholders' Meeting.
- **In the seventh** and final item, scrutineers were appointed to approve the Minutes of the Meeting.

## A.3. OUR INVESTOR RELATIONS, TRANSPARENCY AND ENGAGEMENT

Our investor relations are defined in the Communication Policy, the aim being to foster permanent contacts and dialogue with shareholders, institutional investors and proxy advisors while fully observing all market abuse regulations and assuring the similar treatment of shareholders in the same position, in a framework of transparency and trust.

This all forms part of one of the Group's main pledges to guarantee shareholders' right to information and to encourage maximum engagement. Some of the key mechanisms, besides the Communication Policy, are as follows:

- Implementation of the electronic voting system in the General Meeting;
- Posting on the corporate website of all the General Meeting information;
- Development and roll-out of the electronic forum;
- Disclosure of price-sensitive information and other information relevant to shareholders and investors;
- Creation of the "investor agenda" containing the most significant events;
- Email contact point through [atencion.al.accionista@iberpapel.es](mailto:atencion.al.accionista@iberpapel.es) and over the telephone.

## B. BOARD OF DIRECTORS

The Board of Directors is the body responsible for governance, general oversight and representation of the Group in relations with third parties, and is ultimately in charge of maximising business value in a sustainable way, in the interests of the Company and its shareholders, taking into account and observing the ethical duties instilled in Iberpapel's culture.

Its functions are carried out in unity of purpose and independence, responsibility, transparency and effectiveness, affording the same treatment to all shareholders and acting in the Company's interests so as to maximise the value of the business.

In 2019, the Board of Directors held ten meetings, all attended by the Chairman. The ten 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.

### B.1. DIRECTOR SELECTION AND REAPPOINTMENT SYSTEM AND BOARD COMPOSITION

The system for selecting and reappointing members of Iberpapel's Board of Directors is a formal, transparent procedure regulated by the Group's Bylaws and the Board of Directors and Board Committee Regulations.

The Group also has a Selection Policy, which assures that proposed appointments or reappointments of directors are based on a prior analysis of the Board of Directors' needs and that they favour diversity of knowledge, experience and gender.

All of the directors are appointed

by the Group's General Meeting, following a proposal by the Appointments and Remuneration Committee, in the case of independent directors, and a committee report in the case of all other directors. The Regulations state that the Board must include a reasonable number of independent directors and should have a majority of non-executive directors.

As regards composition, according to the Bylaws and the Board Regulations, which were amended for the last time in 2018, 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 reappointed one or more times for the same maximum period.

At 31 December 2019, the Board was formed by the following members:

#### COMPOSITION OF THE BOARD OF DIRECTORS IN 2019

Name	Board director category	Position in the Company	Date first appointed	Date last appointed	Committee membership
Mr. Iñigo Echevarría Canales	Executive director	Board Chair and CEO	21.07.1997	25.04.2019	
Mr. Néstor Basterra Larroude	External director	Vice-Chair	21.10.1997	25.04.2019	• Corporate Social Responsibility Committee
Mr. Iñaki Martínez Peñalba	Independent external director	Independent coordinating director	21.06.2012	24.04.2018	• Audit Committee • Appointments and Remuneration Committee
Mr. Martín González del Valle Chavarri	Other external director	Board director	28.06.2005	25.04.2019	• Appointments and Remuneration Committee
Ms. María Luisa Guibert Ucin	Independent external director	Board director	24.06.2010	20.04.2016	• Appointments and Remuneration Committee • Audit Committee
Mr. Gabriel Sansinenea Urbistondo	Independent external director	Board director	24.06.2010	20.04.2016	• Corporate Social Responsibility Committee
Mr. Jesús Alberdi Areizaga	Independent external director	Board director	22.05.2014	22.05.2014	• Corporate Social Responsibility Committee
Mr. Iñaki Usandizaga Aranzadi	External nominee director <sup>2</sup>	Board director	21.10.1997	25.04.2019	• Audit Committee

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

#### B.2. SECRETARY TO THE BOARD OF DIRECTORS

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.

#### B.3. BOARD OF DIRECTORS FUNCTIONS AND REMIT

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

- Supervision of the effective functioning of the committees created and the activities of any designated delegate bodies and executives.
- Determination of the Company's general policies and strategies.
- Its own organisation and functioning.
- Issuance and submission to the

General Meeting of the annual accounts.

- Appointment and removal of CEOs and stipulation of their contractual terms.
- Decisions relating to directors' remuneration, within the framework stipulated in the Bylaws and, if applicable, the remuneration policy approved by the General Meeting.
- Calling of the General Shareholders' Meeting and preparation of the agenda and resolution proposals.
- Treasury share policy.
- Approval of the strategic or business plan, management objectives and annual budgets, the Investment and Funding Policy, the Corporate Social Responsibility Policy and the Dividend Policy, the treasury share portfolio and, in particular, applicable limits.
- Determination of the Risk Control and Management Policy, including tax matters, and supervision of the inter-

nal 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.

#### B.4. GENDER DIVERSITY ON THE BOARD OF DIRECTORS

The Group has a Director Selection and Board Diversity Policy 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

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

to ensure that director selection procedures promote gender diversity, prohibiting any implicit bias that could cause discrimination in the appointment of women directors, the aim being to promote the inclusion of the less represented gender.

As the goal is to assure a gender balance on the Board of Directors and as there are no vacancies, a proposal is to be put to the 2020 Annual General Meeting to increase the maximum number of Board members so as to create a vacancy that would be filled by a women, whose appointment will also be proposed.

### 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 five times in 2019 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.

The committee's regulations are set out in the Group's Bylaws (Article 24) and in the Board of Directors' Regulations (Article 10). Both documents are available for consultation in Iberpapel's corporate website.

#### C.1. COMPOSITION OF THE APPOINTMENTS AND REMUNERATION COMMITTEE

Ms. María Luisa Guibert Ucin  
Office: Chair  
Category: Independent

Mr. Martin M<sup>a</sup> Gonzalez del Valle Chavarri  
Office: Director  
Category: Other external director

Mr. Iñaki Martínez Peñalba  
Office: Director  
Category: Independent

#### C.2. FUNCTIONS AND REMIT OF THE APPOINTMENTS AND REMUNERATION COMMITTEE

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 diversity of experience and knowledge and facilitate the selection of female members; establish a representation target for the gender that is less represented on the Board of Directors and prepare guidelines to achieve that target.
- Monitor and control the proper functioning of the corporate governance system in the Company, making improvement proposals as deemed necessary.
- Oversee the independent directors' independence.
- Propose the Annual Corporate Governance Report to the Board.

- Supervise the Company's actions in relation to corporate social responsibility and submit related proposals to the Board of Directors as appropriate.

- Prepare decisions relating to remuneration; in particular, report and propose to the Board of Directors on the remuneration policy, the system and amount of annual remuneration for Board directors and senior managers, and the individual remuneration of the executive directors and senior managers, as well as other terms and conditions of their contracts, particularly economic terms. For the purpose of these Bylaws, senior managers are understood to be the general managers or those that carry out senior management functions reporting directly to the Board, Executive Committees or the CEO and, in any event, the Company's internal auditor.

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

#### C.3. ACTIVITIES OF THE APPOINTMENTS AND REMUNERATION COMMITTEE

In 2019, 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 Board Chairman's performance. 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.

In 2019, no new director selection process was undertaken, the only

processes being the reappointment of the Board Chairman, Mr. Iñigo Echevarría Canales, Mr. Martín González del Valle Chavarri, Mr. Néstor Basterra Larroude and Mr. Iñaki Usandizaga Aranzadi, who had reached the end of their term of office. The committee previously reported on the reappointment of the directors. As Mr. Néstor Basterra Larroude 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 the Board of Directors, at the proposal of the Appointments and Remuneration Committee, agreed to reclassify Mr. Néstor Basterra Larroude from the "independent" category to the "other external director" category. In the meeting of 30 May 2019, the Board of Directors agreed to appoint Mr. Iñaki Martínez Peñalba as a member of the Appointments and Remuneration Committee, Mr. Néstor Basterra Larroude having decided to leave the committee.

## 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 seven meetings in relation to the 2019 financial year that were attended, when required, 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.

The committee's regulations are set out in the Group's Bylaws (Article 24) and in the Board of Directors' Regulations (Article 10). Both documents are available for consultation in Iberpapel's corporate website.

### D.1. COMPOSITION OF THE AUDIT COMMITTEE

Mr. Iñaki Martínez Peñalba  
Office: Chair  
Category: Independent

Ms. María Luisa Guibert Ucín  
Office: Director  
Category: Independent

Mr. Iñaki Usandizaga Aranzadi  
Office: Director  
Category: Nominee

### D.2. FUNCTIONS AND REMIT OF THE AUDIT COMMITTEE

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

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

the audit plan and execution, while assuring independence in the performance of the committee's functions.

- Oversee the effectiveness of the Company's internal control, internal audit and risk management systems, including tax aspects, and discuss with the auditor any significant weaknesses identified in the internal control system during the audit. In particular, the committee must:

- a) Propose the selection, appointment, re-election and resignation of the person responsible for internal audit;

- b) Approve the annual internal audit work plan for the Internal Control over Financial Reporting (ICFR) system and receive periodic information on audit work findings, and the action plan to correct weaknesses observed;

- c) Oversee the independence and effectiveness of the internal audit function;

- d) Propose the budget for that service;

- e) Receive periodic information on internal audit activities; and

- f) Check that senior management takes into account reported findings and recommendations.

- Oversee the preparation and presentation of mandatory financial information.

- Become familiar with the internal control systems. In particular, the Audit Committee must oversee:

1. The suitability of control policies and procedures in place.

2. The preparation and integrity of financial information on the Company and the Group, ensuring the proper design of the ICFR system, fulfilment of regulatory requirements, adequate definition of the consolidation scope, taking into consideration, among other aspects, the possible existence of complex corporate structures or special-purpose entities, the correct application of accounting policies, 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



The Appointments and Remuneration Committee prepares an annual activity report that is made available to all Iberpapel's stakeholders in the corporate website.

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.

### D.3. ACTIVITIES OF THE AUDIT COMMITTEE

In 2019, the Audit Committee was responsible for reporting favourably on the 2019 Annual Accounts and for supervising the effectiveness of the Company's internal control and audit and risk management systems.

#### D.3.1. Financial accounting information

In the meeting of 27 February 2019, the committee reported favourably on the financial statements at 31 December 2018, prior to approval by the Board, the market announcement and reporting to supervisory bodies.

As regards the individual and consolidated annual accounts and management report for 2018, which were submitted to the Annual General Meeting for approval in April 2019, the committee reviewed and reported favourably in the meeting of 27 February 2019 before the reports were authorised for issue by the Board on 27 February 2019.

#### D.3.2. External auditor

In the meeting held on 27 February 2019, the committee proposed the reappointment of the auditor PricewaterhouseCoopers Auditores, S.L. to audit the individual and consolidated annual accounts for the financial year

ended 31 December 2019.

The Board of Directors agreed to submit the proposal to the Annual General Meeting held in April 2019, when it was approved.

The committee is in constant contact with the external auditor through its attendance at committee meetings. During the meetings held in 2019, the committee analysed and approved the external audit plan for 2019, relating to both Iberpapel Gestión and the companies of the Consolidated Group. Status and trends were analysed regularly and the committee also approved the 2019 external audit budget for the Company and the Group.

#### D.3.3. External audit

On 20 December 2007, the Board of Directors agreed to entrust Deloitte with the review of the Iberpapel Group's internal control system.

In 2019, the head of the Internal Audit Unit, together with the external advisor Deloitte, carried out work on the following processes:

Cash management, staff costs and subcontracting of plant repair and maintenance services. The operational effectiveness of controls for some subprocesses of the Latin American business was also reviewed.

#### D.3.4. Annual Corporate Governance Report

In the meeting of 27 February 2019, the Audit Committee examined Iberpapel Gestión's 2018 Annual Corporate Governance Report for subsequent approval by the Board of Directors, with the following objectives:

- Guarantee fulfilment of legal requirements as regards information transparency.
- Analyse the consistency of the information contained in this report with the Company's internal regulations, the CNMV's records and Iberpapel Gestión's prior-year Corporate Governance reports.

#### D.3.5. Related-party transactions

In 2019 and to the publication date of this report, the Audit Committee, performing its supervisory function, took the view that none of the members of the Board of Directors, nobody represented by a Board director, no company in which such persons are directors, senior mana-

gers or significant shareholders, persons with whom arrangements have been made or that act through nominees, has completed related-party transactions forming part of the Company's ordinary business but not on normal market terms or material to the Company and its Group.



The Audit Committee prepares an annual activity report that is made available to all Iberpapel's stakeholders in the corporate website.

## 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 2019 to promote the Company's corporate governance strategy, among other functions. All the meetings were called by the committee chair.

The committee's regulations are set out in the Group's Bylaws (Article 24) and in the Board of Directors' Regulations (Article 10). Both documents are available for consultation in Iberpapel's corporate website.

### E.1. COMPOSITION OF THE CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

Mr. Jesús Alberdi Areizaga  
Office: Chair  
Category: Independent

Mr. Gabriel Sansinenea Urbistondo  
Office: Director  
Category: Independent

Mr. Néstor Basterra Larroude  
Office: Director  
Category: Other external director



The Corporate Social Responsibility Committee prepares an annual activity report that is made available to all Iberpapel's stakeholders in the corporate website.

### E.2. FUNCTIONS AND REMIT OF THE CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

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.

### E.3. ACTIVITIES OF THE CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

In 2019, the committee reported favourably on the Iberpapel Group's Anti-Corruption Policy and recommended that the Board should approve it. It took the same approach with the new General Code of Conduct. 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.

## OTHER RELEVANT CORPORATE GOVERNANCE MATTERS

### A. REMUNERATION SCHEME

In the meeting of 27 February 2018, Iberpapel Gestión's Board of Directors agreed to propose to the Annual General Meeting the approval of the Remuneration Policy for 2018, 2019 and 2020, following a favourable report

from the Appointments and Remuneration Committee. The proposal was approved in the meeting held on 24 April 2018 with a 96.34% favourable vote.

This new Directors' Remuneration Policy is founded on a set of principles and criteria that are reviewed periodically

by the Appointments and Remuneration Committee and the Board of Directors so as to align the Remuneration Policy with market best practices and trends. In particular, Iberpapel's Remuneration Policy is based on the following principles:

	<p>Observe Good Corporate Governance practices, above all the Code of Good Governance in Listed Companies.</p>		<p>Act in accordance with the current domestic and international circumstances, adapting to the actual remuneration situation of the undertakings that compete with the Company on a comparable basis.</p>
	<p>Guarantee that the remuneration received by the Board directors is sufficient to attract and retain the profiles desired by the Company.</p>		<p>Encourage the Board members to hold shares in the Company so as to align their interests with those of our shareholders and so of the Company.</p>
	<p>Remunerate the dedication, qualification, responsibility and performance of the members of the Board of Directors appropriately, without undermining their independence and while protecting the Company's interests.</p>		<p>Strike a suitable balance in the various aspects of the Remuneration Policy, reflecting market best practices.</p>

#### A.1. DIRECTORS' REMUNERATION

Iberpapel's Remuneration Policy is designed to reward the Board members for holding office in a manner that reflects their professional worth and experience, as well as their dedication and the responsibility taken on, avoiding the possibility that the remuneration might jeopardise their independence.

As stipulated in the Spanish Companies Act, the maximum remuneration they may receive for holding office is established, in this case €636,696.

Subject to this limit, the Board of Directors will determine each member's remuneration, taking into account functions and responsibilities, membership of committees, offices held and other objective circumstances deemed relevant.

Directors' remuneration includes the following items:

**1. Fixed annual allowance:** A fixed annual amount of €51,462 for each Board director.

**2. Additional fixed annual allowance:** An additional fixed annual amount of €15,000 for performing functions or activities as members of the Audit Committee, the Appointments and Remuneration Committee and the Corporate Social Responsibility Committee. The committee chair will receive a fixed annual allowance of €20,000.

#### A.2. EXECUTIVE DIRECTORS' REMUNERATION

The Group's Remuneration Policy also addresses the remuneration to be received by the Board directors for carrying out executive duties, so as to assure fair treatment based on professional worth, dedication and responsibility; guarantee the transparency and objectivity of Executive Directors' remuneration, as a basic principle of the Company's Corporate Governance system; and implement remuneration that is appropriate and competitive in the Company's industry so as to attract, retain and motivate the most skilled and prestigious professionals.

This remuneration consists of a fixed part and a variable part established by applying the above-mentioned principles and criteria.

*Fixed remuneration*

In addition to fixed remuneration as Board directors, the Executive Directors will receive fixed annual remuneration for the performance of executive functions.

*Variable remuneration*

The Company's Executive Directors will be entitled to receive extraordinary variable remuneration when the Board, following a report from the Appointments and Remuneration Committee, considers it to be in the Company's best interests to incentivise and reward their performance in relation to the configuration, preparation, negotiation and execution of corporate operations that are critical

to the Company's future. The objectives to be met by the beneficiaries of this variable remuneration may be supplemented by other parameters that measure long-term business performance<sup>1</sup>.

**A.3. REMUNERATION RECEIVED IN 2019**

In 2019, the amount accrued to the members of the Board of Directors totalled €937 thousand (€925 thousand in 2018).

In the meeting of 26 October 2017, the Appointments and Remuneration Committee issued a favourable report on the non-salary variable remuneration (non-vesting bonus) of a maximum of €150,000 for the Chairman and Chief Executive Officer of

Iberpapel Gestión, S.A., vesting over a three-year period provided that the **new paper machine number 5 in the Hernani investment project becomes operational**.

Remuneration paid in 2019 to senior managers who are not Board directors amounted to €1,300 thousand (€1,296 thousand in 2018).

The Board of Directors and the members classed as senior managers, as stated in the 2019 Annual Corporate Governance Report, have not received any shares, stock options, advances or loans in the current year or in the previous year.

**AVERAGE DIRECTORS' REMUNERATION BY GENDER** (thousand euro)

	Average for Board members	Average for senior managers	Average total remuneration
Men	70	366	122
Women	81	-	81

**ALIGNMENT WITH BEST PRACTICES**

The Board of Directors' current structure and the remuneration system defined in the Group's 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.

**RELATED-PARTY TRANSACTIONS**

During 2019, the Iberpapel Group did not carry out any transactions with its directors or other related parties, besides those described in the annual accounts.



<sup>1</sup> The last time the Appointments and Remuneration Committee issued a favourable report on variable remuneration, separate from the salary payable to Iberpapel's Chairman and CEO, was in 2017. Further details of the amount and conditions are provided in this report under "Remuneration received in 2019".

## 6.6 Ethical framework and regulatory compliance

> [102-16; 102-17; 102-25; 205-2]

Iberpapel 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.

### GENERAL CODE OF CONDUCT

With the aim of transmitting a firm commitment to good governance, social responsibility and respect for fundamental human and labour rights, the Group provides its employees and other stakeholders with the General Code of Conduct.

On 28 November 2019, the Board of Directors approved the new General Code of Conduct that combines the pre-existing codes.

The new code is intended to promote a professional, ethical and responsible commitment from the Iberpapel Group and all its professionals.

Besides defining the values, principles and general guidelines to be observed by all the employees while fulfilling their daily professional responsibilities, regardless of their hierarchical level and geographic location or function, the following new improvements have been added: the general and specific rules of conduct for each of the criminal risks identified in the Group have been revised; their content has been brought into line with the other internal policies and procedures; the bodies responsible for Code oversight, consultation and interpretation have been specified; and, finally, the distribution and communication channel has been defined.

### MANAGEMENT MECHANISMS: OVERSIGHT AND DISTRIBUTION OF THE GENERAL CODE OF CONDUCT; PROCEDURES AND POLICIES

Oversight of compliance with the Code is the responsibility of the Internal Control over Financial Reporting (ICFR) System Control and Monitoring Unit, which reports periodically to the administrative bodies on the level of fulfilment, weaknesses detected and proposed improvement actions.

The same unit is in charge of communicating and distributing the Code among the Group's employees through the following means:

- Delivery of a copy to each employee.
- Posting of the Code on the website, as well as any additional communication plan deemed fit.

### WHISTLEBLOWER CHANNEL

Iberpapel has implemented a reporting process to serve as an effective mechanism so that, through everybody's involvement, irregularities may be detected that could jeopardise the Group and its employees. The overall purpose is to comply with the recommendations of the Unified Code of Good Governance in Listed Companies and those relating to the internal control over financial reporting (ICFR) system.

The employees and other persons subject to the Code are required to report the following irregularities to the control and oversight bodies through the relevant channels:

- (i) Infringements of the Code;
- (ii) Breaches of the industry codes and guidelines;
- (iii) Other allegedly criminal acts (such as the use of confidential information, falsification of agreements, reports, fraud, etc.).

This communication is facilitated by means of a channel available to all our employees and a reporting procedure so that any employee, manager or director may raise the alert regarding an irregularity or crime.

The aim is for our employees to be able to report confidentially to the ICFR System Control and Monitoring Body any infringements of the General Code of Conduct, the internal control over financial reporting system recommendations or the Criminal Risk Prevention Principles, as well as any conduct related to occupational and/or sexual harassment set out in Articles 173 and 184 of the Spanish Criminal Code.

Should a report be received through this channel, the procedures laid down in the Policy on the Use of the Whistleblower Channel will be followed so as to observe all confidentiality requirements from the moment the report is received, taking any actions necessary to verify the information and obtaining advice from the Legal Advisory Department or any other persons deemed necessary.

In any case, the Iberpapel Group prohibits any kind of reprisal or disciplinary measure against those subject to the Code who report in good faith any type of infringement or irregularity.

Our overall Training Plans include specific measures relating to the Whistleblower Channel and Policy, so as to assure that it is correctly distributed and applied, allowing our employees to obtain all information that may affect their work.

The Audit Committee is responsible for overseeing the Whistleblower Channel.

## PREVENTION OF CORRUPTION AND CONFLICTS OF INTEREST

Both the General Code of Conduct and the Whistleblower Channel, which include aspects related to anti-corruption, are an effective tool for detecting and responding, if applicable, to potential corrupt practices.

Thanks to a firm pledge to combat all kinds of corruption, in 2019 Iberpapel drew up an Anti-Corruption Policy defining the set of guidelines, behaviour and best practices for employees in connection with the prevention of potential corrupt practices.

Besides the additional controls stipulated in the most stringent legislation, this policy contains guidelines to mitigate and prevent the risk of corruption and bribery throughout the Group, such as:

- General conduct guidelines for the directors, representatives, employees and all other people providing services in the Iberpapel Group.
- General conduct rules relating to gifts, hospitality and personnel expenses.
- General conduct guidelines on other special expenses, such as charitable donations, sponsorships, patronage and political contributions.
- General conduct rules in relation to public officials and authorities.
- Control measures in place in the Group.
- Penalty measures in case of infringements.

## HUMAN RIGHTS

Iberpapel, as a socially responsible group, is firmly committed to compliance with human rights. The aim is to run the business in a sustainable way, complying with all prevailing labour legislation and observing related international principles and standards.

Respect for human rights is important to our stakeholders, employees and supply chain. Our commitment in this area is reflected in the General Code of Conduct, which addresses the duty to act in accordance with current laws governing different matters such as human rights and internationally accepted ethical standards.

Our Corporate Social Responsibility Policy also promotes our belief in human rights, as stipulated in the International Bill of Human Rights, the United Nations Global Compact, the action principles, the business recommendations published by the United Nations, the Organisation for Economic Cooperation and Development and the International Labour Organisation (ILO).

Iberpapel intends to extend this commitment throughout the value chain. So these matters are managed actively by creating work environments in which diversity and tolerance are maxims. We endeavour to minimise the risk of human rights infringements in the supply chain by assuring that the supply of raw material, particularly timber, in view of its importance to the process and the volume of purchases, takes place under dignified working conditions in line with the ILO's conventions.

The Group absolutely rejects all discrimination in the workplace, child labour, forced labour and work carried out under extremely difficult, inhumane or degrading conditions. We have pledged to respect freedom of association and collective bargaining wherever we do business.

In 2019, as in previous years, the first step was to purchase timber from custody chain certified suppliers. We can be sure that the timber acquired in our value chain is controlled by means of the EUTR (European Union Timber Regulation) Due Diligence System.



Further details of all our CSR activities relating to the supply chain can be found in the "Responsibility to our suppliers" section of this report.

## SITUATIONS THAT HAVE OCCURRED AND CORRECTIVE MEASURES

During 2019, there were no infringements of the General Code of Conduct or of any other nature.

Should they arise, the necessary measures will be implemented to effectively apply the Code, as well as the other internal rules and policies. The failure to observe the principles and values contained in the Code may lead to penalty measures, all in accordance with the disciplinary rules laid down in the Spanish Labour Statute and applicable collective bargaining agreements, without affecting any administrative or criminal penalties that may be imposed.

## IBERPAPEL GROUP'S GENERAL ETHICAL PRINCIPLES

In all their activities, 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:

	<h3>EQUAL OPPORTUNITIES AND NON-DISCRIMINATION</h3>									
	<h3>RESPECT FOR EMPLOYEES</h3>									
	<h3>LIFE-WORK BALANCE, AS FAR AS POSSIBLE</h3>									
	<h3>COLLECTIVE RIGHTS</h3>									
	<h3>HEALTH AND SAFETY</h3>									
	<h3>ENVIRONMENTAL PROTECTION</h3>									

## 6.7 Integrated risk management

> [102-15; 102-29; 102-30]

### INTRODUCTION

The Iberpapel Group has a global risk management and control system, integrated with the ordinary management systems, in order to assure the fulfilment of our strategy and objectives by controlling, identifying, assessing and managing to an optimal degree any risks that may affect the business.

The Group has put in place the mechanisms necessary to control and manage risks in line with the universal assessment approach.

The Board of Directors lays down the general principles and guidelines of the risk management and control system, the acceptable risk level and the specific action guidelines to address and mitigate each risk category, including tax risks and the oversight of the internal information and control systems.

### RISK CONTROL AND MANAGEMENT

The Risk Control and Management Procedure describes the process for identifying, assessing and controlling the risks that are considered to be relevant in order to be able to fulfil the corporate strategy and objectives. Iberpapel is therefore able to guarantee that the Group's different levels of responsibility are aware of and assess the risks that threaten the organisation and that they are managed within pre-established acceptable risk levels.

In 2019, processes were reviewed in relation to cash management, staff costs and subcontracting of plant repair and maintenance services, as indicated in the Multi-Year Internal Audit Plan. The operational effectiveness of controls for some subprocesses of the Latin American business were also reviewed, in line with the supervision trend in prior years. This ensures that all the control activities in place in the organisation's main business cycles are formalised, documented and updated, and that the specific procedures required are implemented and up to date.

Iberpapel includes non-financial risks in the scope of monitoring, control and management, due both to the

Company's commitment and to the potential impact they could have, while also anticipating possible future legislation.

### OVERSIGHT OF INTEGRATED RISK MANAGEMENT

The Board Regulations state that the Audit Committee is responsible for overseeing the internal audit services, reviewing the designation of those responsible, checking the internal control and risk management systems, and approving tasks to be undertaken, as well as implementing plans and improvements proposed. 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. So the control activities to be carried out at each level in the organisation to mitigate risks are designed and implemented.

Depending on the 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 assessment 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 goals.

### THE IBERPAPEL GROUP'S RISK MAP

In 2019, 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.

### NEW RISK TYPES INCLUDED AND SCOPE UPDATE OF EXISTING RISKS

The crime of embezzlement by a private individual has been included following the reform of Spain's Criminal Code (LO 1/2019).

The following modified crimes are relevant to the Iberpapel Group:

- Corruption in business and bribery. The scope of the crime of corruption in business is extended to apply not only to those who receive, solicit or accept an unjustified benefit or advantage but also to those that offer or promise such rewards.
- The public official concept is extended to include any person that carries out public service duties related to the management of the European Union's financial interests.
- Tax authorities and grants. Fraud against the EU tax authorities and grant fraud are defined as crimes; penalties vary, depending on gravity, from €10,000 to €100,000.
- Stock market crimes. They include a new offence in Article 285 (ii): disclosure of insider information.

### MOST RELEVANT RISKS FOR THE YEAR

No relevant risk was identified in relation to processes or information used to make decisions.

The Iberpapel Group has integrated ESG (Environmental, Social and Governance) risks into its risk management strategy, addressing global sustainability challenges in the market. The Group controls and manages non-financial risks, some of which were included among the most relevant risks in 2019, such as those relating to the implementation of environmental management policies, compliance with environmental legislation, compliance with supplier health and safety legislation or cybersecurity, among others.

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**

	General risks	Specific risks - Description	Main risk management actions
<b>CONTEXTUAL RISKS</b>	Competition	1. Continued "price war" strategy due to market pressures.	Iberpapel mitigates these risks by maintaining a highly competitive cost structure that enables the impact of market crises to be absorbed comparatively better than its competitors.
		2. International circumstances leading to price cuts as demand for graphic paper falls due to the use of new technologies and digitalisation.	
		3. Tensions in raw material markets.	
	Power industry regulation	4. Relevance of regulatory amendments for industrial companies in general and power generators in particular.	The Group company PGZ has two operational power co-generation plants, one using biomass (black liquor), which is included in the cellulose production segment, and the other being a gas combined cycle plant. The Group therefore monitors the vast volume of regulations that have been published since 2013.
	Financial markets (including foreign exchange)	5. Financial solvency of customers in the current economic situation and impact on the sums insured (by insurance companies).	The Iberpapel Group has a number of credit lines covering all paper sales. Our financial position is healthy, allowing us to confront financial tensions.
		6. Foreign exchange fluctuations (e.g. US dollar) causing changes to paper industry supply and demand that may be significant.	
7. Tense global financial situation.			
<b>PROCESS RISKS</b>	Environment	8. Roll-out of environmental management policies and compliance with environmental legislation.	The Iberpapel Group has an environmental management system based on the international ISO 14.001 standard and certified by independent auditors, guaranteeing compliance with applicable, European, state and regional legislation. In order to comply with Law 26/2007 on Environmental Liability and Royal Decree 2090/2008 containing the implementing legislation, the Iberpapel Group has analysed environmental risks and monetised them by applying the Environmental Damage Index (IDM) and the Environmental Responsibility Offer Model (MORA). Finally, the Iberpapel Group is also proceeding with its reforestation policy, in which the voluntary carbon markets are an important tool.
	Health and safety	9. Compliance with health and safety regulations at facilities.	<p>The industrial subsidiary PGZ has an Occupational Risk Prevention management system that complies with the OHSAS 1 standard certified by Det Norske Veritas (DNV). One of the basic pillars of this system is to keep our workers permanently up to date with work post risks and mandatory preventive measures, which is achieved by means of the Prosafety management software, accessible to all our workers. It is supplemented by a programme of continuous inspections of both the facilities and safe behaviours, together with quarterly meetings of the joint Health and Safety Committee.</p> <p>The Company also has an In-House Prevention Service covering the specialities Industrial Safety and Hygiene, and uses two External Prevention Services for the specialities Ergonomics, Psychosociology and Occupational Medicine. The Group's other subsidiaries have contracted an External Prevention Service for all specialities.</p>

	General risks	Specific risks - Description	Main risk management actions
PROCESS RISKS	Forestry risk coverage	10. Risk prevention in the forestry business unit (e.g. fires not covered by insurance policies).	<p>The Group reduces these risks by controlling the distribution of forestry assets in three distant forestry areas (Argentina, Uruguay and Huelva) and a reasonable distribution of properties in each area. Forest cleaning and firebreak work, etc. is carried out on a regular basis, thereby considerably reducing the impact of any fire damage. This is all complemented by silvopastoral systems to control pastures and the forest understory.</p> <p>Los Eucaliptus is 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.</p>
	Damage to property	11. Damage to property risk coverage due to the centralisation of the Group's production in a single location (Hernani plant).	Iberpapel has policy of taking out insurance policies and the necessary coverage to mitigate, as far as possible, risks related to loss of profit, damage to property, collection of trade receivables, machinery breakdown, etc. The main policies in force include fully-comprehensive coverage for loss or damage to property, including loss of profit; coverage for trade receivables (the Group insures both domestic and export sales); third-party liability (including the party at fault and damage); third-party liability of directors and executives; environmental protection and coverage for environmental damage to third parties; and cyber risk insurance.
	Cyberattacks	12. Cyberattacks. Threats to the Group's assets, operations and information related to IT security and the risk of fraud.	This type of risk is defined as threats to the Group's assets, operations and information related to IT security and the risk of fraud. The Iberpapel Group has made administrative improvements to technology so as to mitigate security risks and reduce service interruption. Iberpapel has also had cyber risk insurance coverage since 2018.
DECISION-MAKING INFORMATION RISKS	Strategic planning / Investments	13. 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.	Iberpapel has a programme for the development, analysis and monitoring of investments that enables business growth processes to be suitably addressed. In this regard, on 9 May 2017 the Company's Board of Directors announced the start of the "Hernani Project", which will entail an investment of more than €180 million. The investment will consist of acquiring a new paper machine with an estimated production capacity of 85,000 tonnes per year and of modernising the existing cellulose plant. At 31 December 2019, the committed investment amounts to approximately €40,000 thousand, PGZ's non-current assets having increased by €34 million due mainly to this project.
		14. Total dependence on market trends to define prices, which complicates the use of a medium- and long-term planning tool.	
		15. Regulatory changes having a considerable impact on decisions in connection with investments to be made and related recoverability and return.	
	Financial information	16. Reliability of financial information for third parties and for decision-making.	In order to assure financial information for decision-making and third parties, the Iberpapel Group has implemented an internal oversight procedure and a related "Internal Control over Financial Reporting (ICFR) System Control and Monitoring Body", which reports to the Audit Committee.

### CRIMINAL RISKS

During 2019, in order to comply with the regulatory requirements of section 31 (ii) of the Spanish Criminal Code, the Iberpapel Group's control bodies, that is the Control and Monitoring Unit specifically designated by the Board of Directors of PGZ and the ICFR System Control Body specifically designated by the other Group subsidiaries, carried out the necessary oversight and monitoring tasks specified in the Group's criminal compliance model.

In 2019, these activities included:

- Review of the identification of the criminal risks to which the Group could potentially be exposed in view of its corporate objects and operations. The amendments brought in by the reform of the Criminal Code in March 2019 (Law 1/2019 of 20 February amending Organic Law 10/1995 of 23 November on the Criminal Code) were taken into consideration.
- Reassessment of the Group's criminal risk map so as to include the relevant adaptations and adjustments to reflect both criminal legislation and Iberpapel's operational and functional reality. In particular, a new criminal risk assessment and prioritisation approach was defined using quantitative criteria to evaluate inherent risk and residual risk.
- Update of the Iberpapel Group's General Code of Conduct, which is mandatory for all the Group companies. The new code has a domestic and international scope and includes new conduct rules and guidelines for application and interpretation. The code has been posted on Iberpapel Gestión, S.A.'s website so as to ensure the utmost transparency for all stakeholders.
- Preparation of an Anti-Corruption Policy defining the set of guidelines, behaviour and best practices for employees in connection with the prevention of potential corrupt practices.

### TAX RISKS

During 2016, the Company's Board of Directors, in response to a proposal by the Finance Department and to comply with Article 529.iii) of the Spanish Companies Act, designed the Iberpapel Group's tax strategy, defining the governing principles for the tax function of Iberpapel Gestión, S.A. and all the Group companies.

Since then, the Finance Department has maintained the Tax Risk Management System (SGRF), the purpose being to lay down principles and guidelines to ensure that tax risks that could affect the tax strategy and objectives are identified, assessed and managed systematically, in order to comply with the new requirements of the Spanish Companies Act.

The scope of the system encompasses all tax risks affecting activities and processes applicable to all taxes paid in Spain and by the subsidiaries abroad.



# #07 Our results for 2019







## 7.1 Our results at a glance

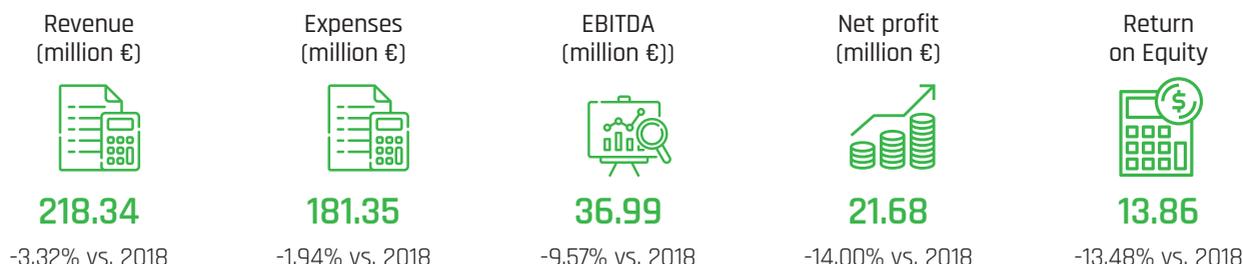
### 2019 MILESTONES

- Solid financial position to support future investment plans.
- Axesor Rating has issued an A rating (stable trend) to Iberpapel.

### FUTURE CHALLENGES

- Focus on business diversification.
- Maintain and if possible improve our financial position.

### MAIN METRICS FOR 2019 AND TRENDS



Section "7.3.5 Main financial and management ratios" includes Iberpapel's most significant financial ratios and three-year trends.

### OUR MAIN CONTRIBUTION TO THE SDGs

#### SDG

#### IBERPAPEL'S CONTRIBUTION



We contribute towards economic growth and development in our local communities through direct jobs (in our facilities) and indirect employment (through the value chain).  
 In 2019, the Company continued to provide value to society, economic value generated amounting to €218.3 million and economic value distributed totalling €190.8 million.

## 7.2 Summary of Iberpapel's business context

Fierce pressures in the cellulose market during 2019 led to a significant fall in prices, due mainly to large pulp stocks worldwide and essentially in China from the end of 2018 to early 2020. This helped to slow demand for printing and writing paper in 2019, also hit by the world economic slow-

down and the adjustment of inventories. Despite this, Iberpapel managed to maintain its selling prices.

Production by the Group's paper subsidiary was halted by a strike on six alternate days at the end of June and beginning of July, which affected the year's results.

As regards paper production costs, purchase prices of eucalyptus timber, the main raw material, have risen in recent years, although the market began to show signs of returning to normal at the end of 2019.

## 7.3 Management results

> [201-1]

In this complex context, Iberpapel's net profit for 2019 amounted to €21.7 million, 14% down on 2018. The Group was reasonably successful

in the defence of EBITDA, which ended the year at €37 million, 9.6% below 2018.

Our financial highlights for the

past three years are shown below to provide a more detailed analysis of Iberpapel's financial performance:

### FINANCIAL HIGHLIGHTS

Amount (€M)	2019	2018	2017	Change 2018-2019	Change 2017-2018	Comments
REVENUE	218.34	225.85	220.75	-3.32%	2.31%	The Group's revenue rose 3.3% in 2019 compared with 2018.
EXPENSES	181.35	184.94	183.84	-1.94%	0.60%	Expenses fell 1.94% with respect to the previous year.
EBITDA	36.99	40.91	36.91	-9.57%	10.84%	The Iberpapel Group's EBITDA decreased by 9.57%.
NET PROFIT	21.68	25.21	22.91	-14.00%	10.04%	Net profit totalled €21.68 million.

### Income statement

Besides the financial highlights, we provide below our other financial figures, in the interests of transparency, so that our stakeholders can have a better understanding of our performance over the years:

### INCOME STATEMENT

In millions of euros	2019	2018	Change 2018-2019	2017
Revenue	213.47	221.07	(3.44)%	217.05
Other income	4.87	4.78	1.93%	3.70
<b>Income</b>	<b>218.34</b>	<b>225.85</b>	<b>(3.32)%</b>	<b>220.75</b>
Changes in inventories of finished goods and work in progress	4.98	3.94	26.79%	(2.52)
Raw materials and consumables	(88.37)	(88.23)	0.16%	(84.91)
Staff costs	(20.30)	(19.29)	5.25%	(20.10)
Other expenses	(77.66)	(81.35)	(4.53)%	(76.31)
<b>EBITDA</b>	<b>36.99</b>	<b>40.91</b>	<b>(9.57)%</b>	<b>36.91</b>
Depreciation/amortisation	(10.70)	(10.93)	(2.03)%	(10.87)
Impairment and profit/(loss) on fixed asset disposals	0.01	0.01	14.29%	0.48
<b>EBIT</b>	<b>26.30</b>	<b>29.99</b>	<b>(12.31)%</b>	<b>26.51</b>
Net financial income/(expense)	(0.17)	(0.74)	(76.61)%	(0.58)
<b>Profit before tax</b>	<b>26.13</b>	<b>29.25</b>	<b>(810.67)%</b>	<b>25.93</b>
Taxes	(4.45)	(4.049)	10.07%	(3.03)
<b>NET PROFIT</b>	<b>21.68</b>	<b>25.21</b>	<b>(14.00)%</b>	<b>22.91</b>



Revenue for 2019 was impacted by a fall in physical units of paper sold.

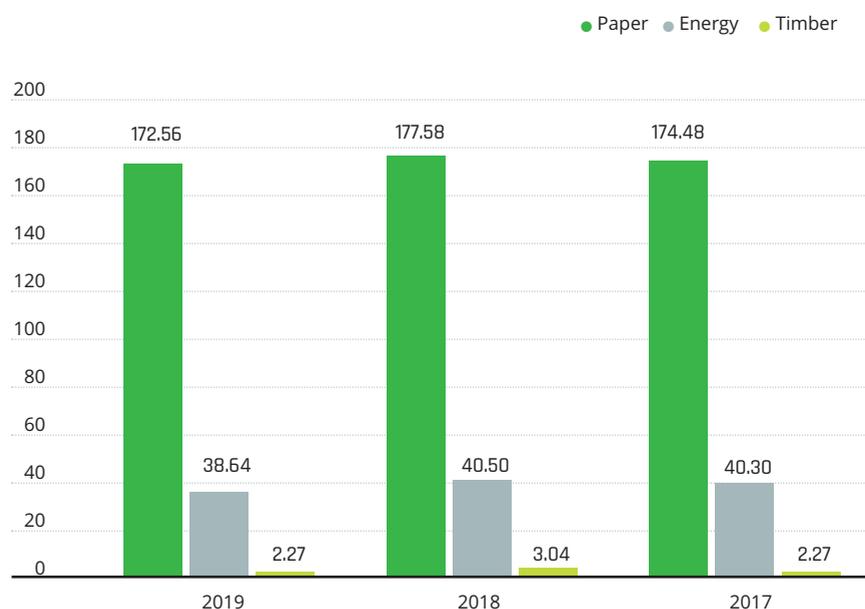
## 7.3.1 Revenue

Iberpapel Group's most significant revenue items

In millions of euros	2019	2018	Change 2018-2019	2017
Revenue	213.47	221.07	(3.44)%	217.05
Paper sales	172.56	177.58	(2.83)%	174.48
Electricity sales	38.64	40.45	(4.47)%	40.30
Timber sales	2.27	3.04	(25.34)%	2.27
Other income	4.87	4.78	1.88%	3.70
<b>Revenue (Net amount + Other income)</b>	<b>218.34</b>	<b>225.85</b>	<b>(3.32)%</b>	<b>220.75</b>

### SALES OF THE MAIN PRODUCTS (MILLION EURO)

Firstly, the fall in paper sales is explained by the reduction in physical units sold in relation to 2018. But the average paper selling price rose slightly. Secondly, "Electricity sales" billings decreased on the same period of the previous year due both to lower production caused by the strike days and to the decline in remuneration. Finally, the most significant fall in 2019 on the previous years, in percentage terms, is associated with timber sales. This year, the Group's South American forestry companies sold timber totalling €2.27 million.



### OTHER INCOME

Besides the revenue obtained from paper, electricity and timber sales, the Group received income from other activities and sources:

In millions of euros	2019	2018	Change 2018-2019	2017
Lease income	0.52	0.52	-	0.99
Sundry service income	0.24	0.24	-	0.82
Grants released to income for the year	3.25	1.68	93.45%	1.19
Other income	0.86	2.34	(63.25)%	0.70
<b>Total other income</b>	<b>4.87</b>	<b>4.78</b>	<b>1.88%</b>	<b>3.70</b>



In 2019, expenditure on raw materials and consumables was in line with previous years. Gas and electricity supply costs fell by 6.24% on 2018, due partly to the price cuts, mainly affecting electricity (above 15%).

## 7.3.2 Expenses

### OPERATING EXPENSES

#### • Raw materials and consumables

Raw materials and consumables rose by 0.16% on 2018 to reach €88.37 million in 2019 (as compared with €88.23 million in 2018). The purchase prices of eucalyptus timber, the main raw material, have risen in recent years. However, the market began to show signs of normalisation at the end of 2019.

Raw materials and consumables:

**€88.37 million**

(+0.16% vs. 2018)



#### • Staff costs

The average headcount in 2019 was 294, including senior management (year-end figures). In 2018, there were 291 employees. So staff costs rose 5.25% on the previous year to reach €20.30 million (as compared with €19.29 million in 2018).

Staff costs:

**€20.37 million**

(+5.25% vs. 2018)



### OTHER EXPENSES

Expenditure on gas and electricity decreased to €43.73 million in 2019 (€46.64 million in 2018). Other taxes, including electricity tax, fell to €2.59 million (€4.36 million in 2018). Electricity tax was suspended temporarily from October 2018 to March 2019.

Finally, CO<sub>2</sub> allowances consumed during the year totalled €5.05 million (as compared with €2.66 million in 2018). This increase is explained by the sudden rise in the price of CO<sub>2</sub> allowances from €7.78 in 2018 to €24.98 in 2019.

Supplies (gas and electricity):

**€43.73 million**

(-6.24% vs. 2018)



Other taxes:

**€2.59 million**

(-40.6% vs. 2018)



CO<sub>2</sub> allowances consumed: :

**€5.05 million**

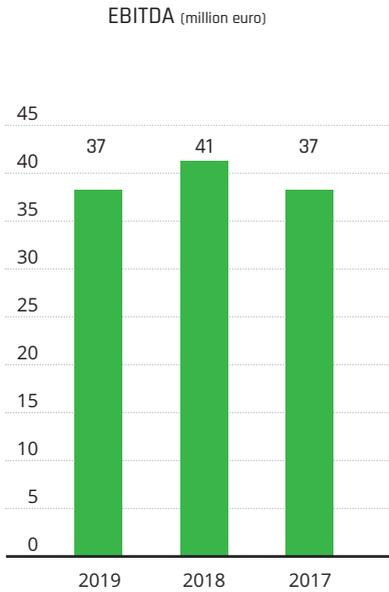
(+89.85% vs. 2018)



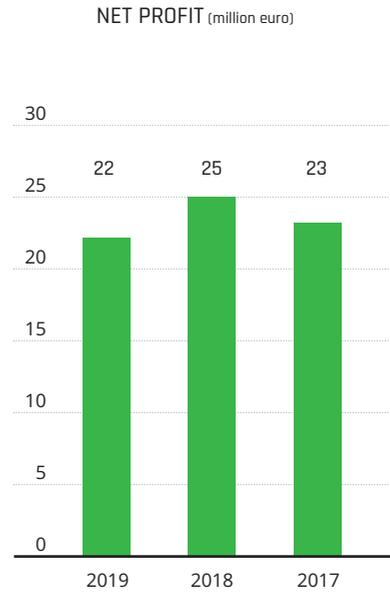
### 7.3.3 EBITDA and Net profit



EBITDA totalled €36.99 million in 2019, 9.57% less than in 2018 (€40.91 million).



Net profit totalled €21.68 million in 2019. This is 14% below the 2018 figure of €25.21 million.

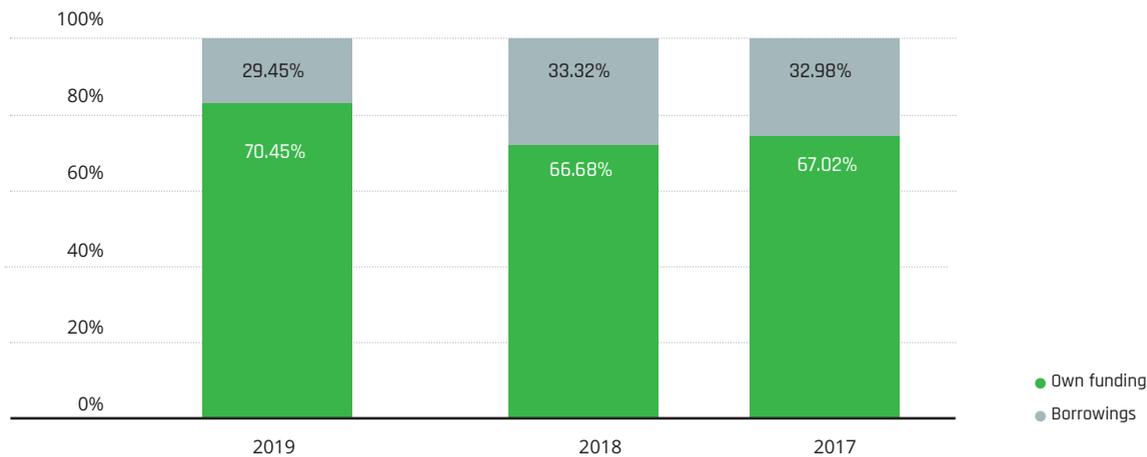


### Iberpapel's financial trends

Despite the fall in demand and sales, Iberpapel's shareholders' funds still accounted for 70.45% of total liabilities at year-end 2019, as compared with 63.68% in 2018.

There follows a breakdown of key figures to understand Iberpapel's balance sheet in 2019:

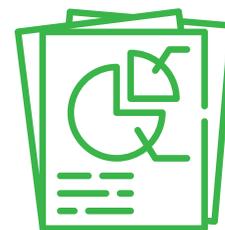
FINANCIAL STRUCTURE



Note: Data at 31 December each year

**BALANCE SHEET**

In millions of euros	2019	2018	2017
<b>TOTAL ASSETS</b>	<b>378.76</b>	<b>382.95</b>	<b>353.30</b>
Non-current assets	168.84	158.88	144.80
Current assets	209.92	224.06	208.50
<b>TOTAL EQUITY/LIABILITIES</b>	<b>378.76</b>	<b>382.95</b>	<b>353.30</b>
Capital and reserves	266.83	255.36	236.77
Non-current liabilities	53.49	74.50	78.20
Current liabilities	58.44	53.09	38.33



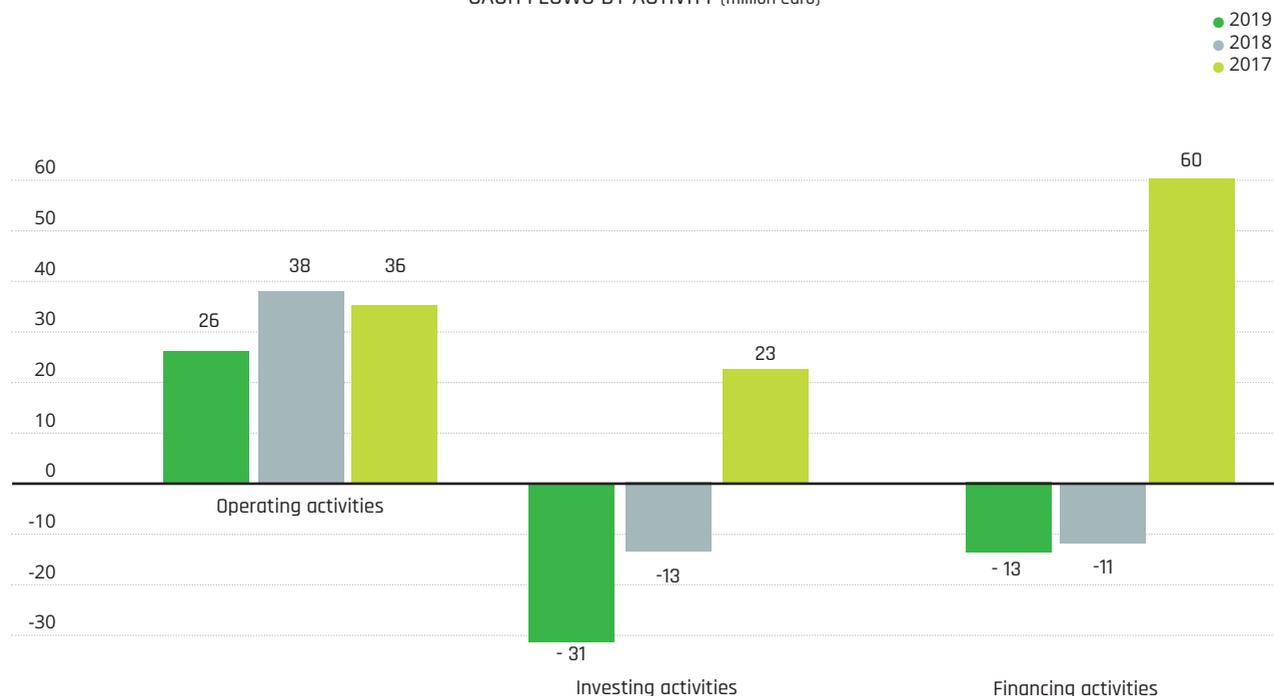
Note: Data at 31 December each fiscal year

**NET DEBT**

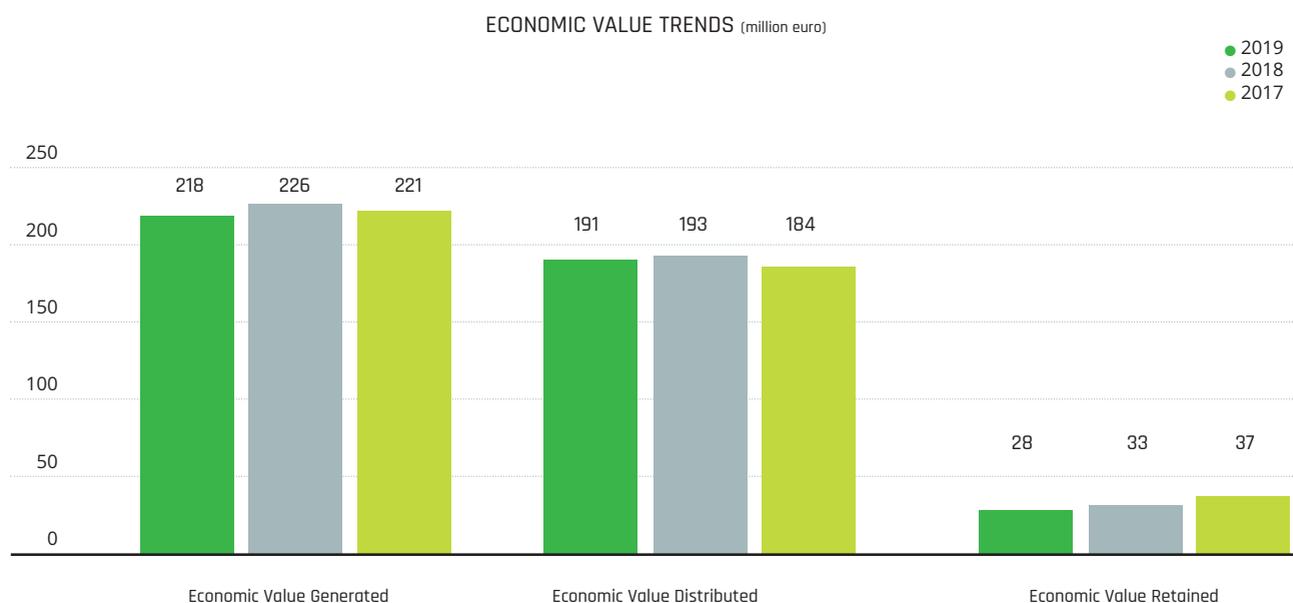
In millions of euros	2019	2018	2017
<b>Net debt</b>	<b>(78.77)</b>	<b>(91.69)</b>	<b>(79.13)</b>
Short- and long-term bank borrowings	68.23	73.43	74.07
(Less: Cash and cash equivalents)	(147.01)	(165.11)	(153.20)
Equity	266.83	255.36	236.77
Leverage ratio	(29.52)%	(35.90)%	(33.42)%

The Iberpapel Group has long-term credit lines and loans amounting to €171 million to fund the “Hernani Project” (€175 million in 2018).

Note: Data at 31 December each year

**CASH FLOWS BY ACTIVITY (million euro)**


The Iberpapel Group makes a valuable contribution to society through its activities. Economic value generated, distributed and retained during 2017, 2018 and 2019 is shown in the chart below:



The above-mentioned terms include the following items:

#### 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.

As support for the above information, we also show the itemised figures for the last three years for economic value generated, distributed and retained:

#### EVOLUTION OF ECONOMIC VALUE GENERATED (EVG) 2019-2017

In millions of euros	2019	2018	2017
Net sales	213.47	221.07	217.05
Other income	4.87	4.78	3.70
Financial income	-0.02	-0.08	0.13
Profit/(loss) on disposal of non-current assets		-	0.48
<b>ECONOMIC VALUE GENERATED</b>	<b>218.32</b>	<b>225.77</b>	<b>221.36</b>

#### EVOLUTION OF ECONOMIC VALUE DISTRIBUTED (EVD) 2019-2017

In millions of euros	2019	2018	2017
Raw materials and consumables	88.37	88.23	84.91
Other expenses	77.66	81.36	76.31
Wages and salaries	20.30	19.29	20.10
Income tax	4.45	4.04	3.02
<b>ECONOMIC VALUE DISTRIBUTED</b>	<b>190.78</b>	<b>192.92</b>	<b>184.34</b>

#### EVOLUTION OF ECONOMIC VALUE RETAINED (EVR) 2018-2016

In millions of euros	2019	2018	2017
<b>ECONOMIC VALUE RETAINED</b>	<b>27.56</b>	<b>33.01</b>	<b>37.02</b>

### 7.3.5 Main financial and management ratios

As a transparency measure and to facilitate the understanding and clarity of the financial information reported through an analysis of our results, financial situation and trends, Iberpapel's most relevant ratios are summarised as follows:

	2019	2018	2017
Return on Equity (%)	13.86	16.02	15.58
EBITDA return on equity (%)	8.13	9.87	9.68
Working capital (million euro)	151.48	170.98	170.16
General liquidity (x)	3.59	4.22	5.44
Net debt/Equity (%)	(29.52)	(35.90)	(33.42)
Net debt/EBITDA	(2.12)	(2.24)	(2.14)
Leverage ratio	(29.52)%	(35.90)%	(33.42)%

## 7.4 Stock price performance

### IBERPAPEL GROUP'S SHARE PRICE AND SHAREHOLDER DIVIDEND



The Iberpapel Group's stock ended 2019 22.73% down. This is following the 13.01% rise in 2018.

The Iberpapel Group's stock ended the year at €25.50, which is 22.73% down on the previous year. Its value reached a high of €33.60 in January, but the uncertainties generated by the China-USA trade negotiations and Brexit, as well as signs of a less dynamic economic

cycle in Europe, prevented our stock from reflecting the Group's excellent performance in 2019.

In this complicated environment, the main Spanish stock market indices still show positive cumulative yields at the end of the year. Iberpapel, following the 13.01% rise in

2018, did not perform well in the stock market, posting a cumulative fall of 22.73% in 2019.



● Iberpapel -22.73   ● Ibex 35 11.82   ● Ibex small cap 11.87

On 28 November 2019, the Company's Board of Directors resolved to pay a gross interim dividend of €0.40 per share out of 2019 pro-

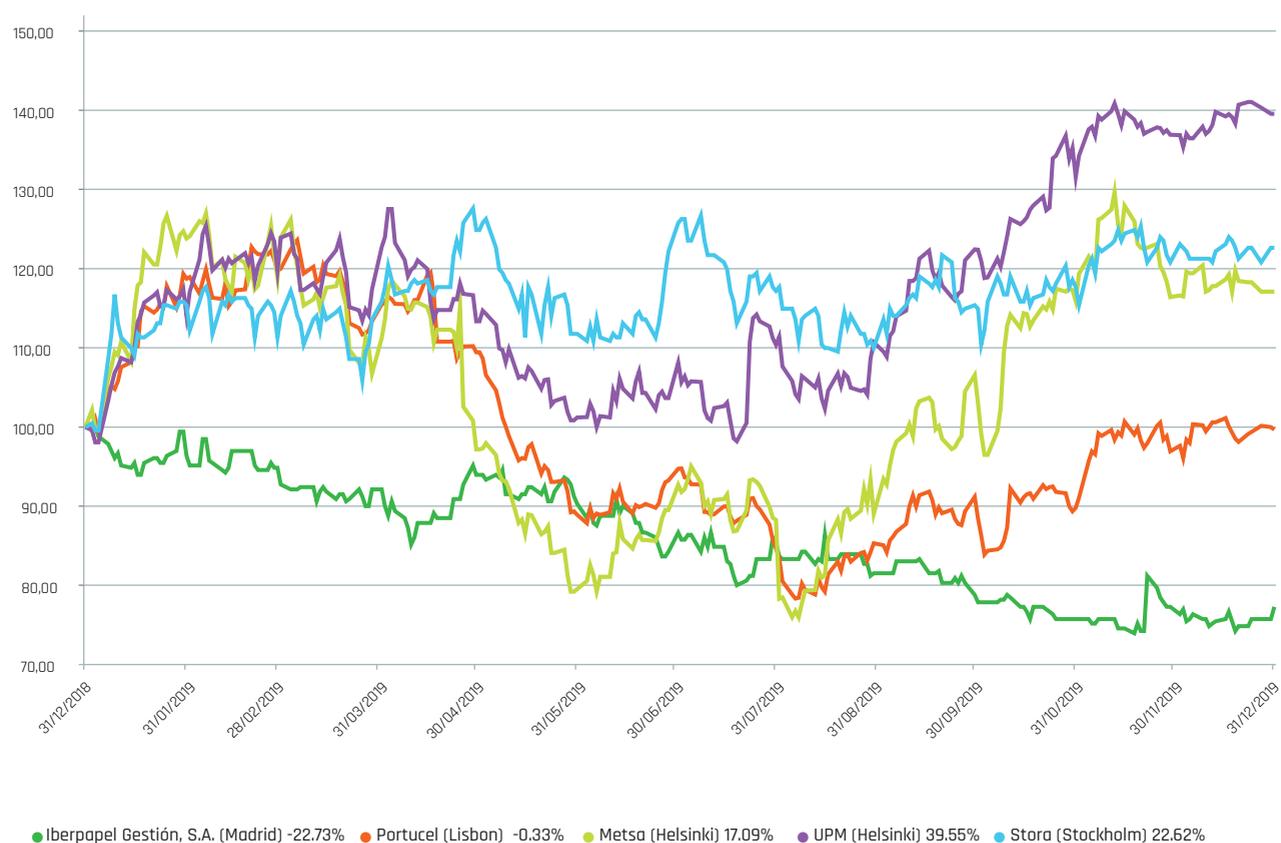
fits for a total of €4,368 thousand, which was paid on 20 December. The Board of Directors' proposals to the Annual General

Meeting will include the payment of a gross dividend of €0.15 per share. The dividend yield for the last year stands at 2.16%,

as compared with 2.12% in 2018.

## THE SHARE PRICE AS COMPARED WITH THE LEADING EUROPEAN INDUSTRY COMPANIES

As may be observed below, Iberpapel's stock market performance was irregular in 2019, just like other paper industry companies.



## MAIN STOCK DATA TRENDS (2017- 2019)

There follows a description of these three-year trends so our stakeholders can better understand our stock data:

	2019	2018	2017
Shares admitted to trading (€M)	6.62	6.62	6.56
No. of shares (x1000)	11,040	11,040	10,930
Capitalisation (€M)	281.52	364.31	319.17
Volume traded (thousands of shares)	1,354	1,060	2,961
Cash value traded (€M)	36.22	35.60	83.12
Closing price (€)	25.50	33.00	29.20
Maximum price (€)	33.60 (2-June)	39.30 (30-Jul)	31.88 (15-May)
Minimum price (€)	23.80 (18-Nov)	27.63 (2-Jan)	22.12 (3-Jan)

## SHAREHOLDER AND INVESTOR RELATIONS



Accessibility and transparency are key to all the Iberpapel Group's stakeholders, particularly our shareholders and investors.

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.

This is reflected in our corporate website <http://www.iberpapel.es>, which is continuously updated to include all the information necessary on the organisation, as well as quarterly and half-yearly results, price-sensitive information and any other information of interest.

Our Customer Relations Department is open to queries through the following communication channels:



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



# #08

## Appendices

## Appendix I: Events after the reporting date relating to COVID-19



The appearance of the SARS-Cov-2 Coronavirus, causing COVID-19 (Coronavirus Disease 2019), in China in December 2019 followed by the spread of the virus to a large number of countries resulted in the declaration of a pandemic by the World Health Organisation on 11 March 2020.

At the preparation date of this Annual Report, in April 2020, it was still premature to make a detailed assessment or quantify the potential economic, social or environmental impacts that COVID-19 has had and will have on the Iberpapel Group and its business context, in view of the unknown short-, medium- and long-term consequences.

Nonetheless, the Annual General Meeting was called off, as was the publication of this report. We have prepared this appendix to update the information set out in the chapters. Although it faithfully reflects our performance in 2019, in the interests of transparency we want to let our stakeholders know how the coronavirus has affected our Group's performance and the potential impacts in the future.

Iberpapel's management has conducted a preliminary evaluation of the current situation using the best information available.

The following aspects of the Group's performance, chapter by chapter, stand out as a result of our analysis:

### 3. OUR GROUP

All Iberpapel's activities, regardless of the division and their nature, have been treated as essential for the purposes of Royal Decree 463/2020 of 14 March declaring the state of emergency in Spain and have continued during the health crisis.

- **Market context:** The impact of COVID-19 on the market context has been updated in the "Our Group" chapter.
- **Our strategic vision and outlook:** Experts believe that the contraction of demand and fall in prices will continue in the coming months. So Group management is continuously monitoring the situation so as to overcome any financial or non-financial impacts.

**The Iberpapel Group has a solid financial position.**

- **Investment and innovation:** As regards investments and innovation, the declaration and subsequent extensions of the state of emergency due to the COVID-19 crisis forced us to delay the commissioning of the new **cellulose plant** and we therefore suspended the production stoppage in the Hernani plant until it is possible from a logistical, technical and healthcare viewpoint, which we hope will be in the third quarter of 2020.

### 4. OUR SOCIAL RESPONSIBILITY

For Iberpapel, it is essential to guarantee health and safety for all our stakeholders, from shareholders to employees and collaborators. We have therefore stepped up efforts in all areas relating to health and safety.

- **Responsibility to our people:** As indicated, Iberpapel has carried on operating, as an essential activity during the state of emergency. Our facilities have been operational during this economic and health crisis, though not at full capacity.

We have taken various hygiene, health and organisational steps to assure the health and safety of all our personnel, safeguard workers and prevent the risk of contagion for our people and operations.

The Group has implemented measures to confront the crisis and the consequences, avoiding any impact on our business model and workforce, where possible.

- **Responsibility to our customers:** The recognition of our industry as an essential economic activity has allowed us to guarantee the supply of paper and energy products to all our customers, always in the safest way possible for them and for our employees.

All customer services and after-sale services have been fully operational during the health crisis caused by the coronavirus and the state of emergency decreed by the Government so as to minimise the impact on all our stakeholders.

• **Responsibility to our suppliers:** At Iberpapel we have developed and implemented the necessary supply chain measures to protect supplier health and safety while following the Spanish Government's instructions. We have worked hard with all our suppliers, advising them and applying the measures defined in our protocols to their processes.

So far, no extraordinary measure has been applied to assure supply safety.

## 5. OUR ENVIRONMENTAL RESPONSIBILITY

We monitor the fulfilment of all our environmental objectives very closely, continuing the usual actions set out in our Environmental Management System in relation to the treatment, recovery, reuse and/or disposal of waste, as well as the policies and actions to combat climate change and all kinds of pollution.

## 6. OUR CORPORATE GOVERNANCE

Following the declaration of a state of emergency by Spain's Council of Ministers, Iberpapel informed the CNMV of the deferral of the Annual General Meeting until conditions allowed it to be held, so as to assure the safety and health of all our shareholders, employees and collaborators.

Iberpapel's Board of Directors agreed on 16 March to cancel the Annual General Meeting and therefore to defer all proposals on the agenda, including the approval of the dividend charged to 2019 profits.

This General Meeting, which was due to be held in San Sebastián on 22 April 2020 on first call and 23 April 2020 on second call, was deferred until health conditions allowed it, a new meeting having since been called for 22 June on first call and 23 June on second call.

## 7. OUR RESULTS

The results for the first three months of the year are influenced by an unprecedented health and economic crisis caused by the COVID-19 pandemic. The complex context in which we are operating has had a considerable impact on our plants and on demand for our products, with repercussions on our results.

Despite the interruption of nearly all economic activities, Iberpapel's business has continued in a complicated arena. The outcome has been a fall in physical units sold (-15%) due to the clear contraction of demand. Revenue from electricity sales also declined by 21% in the first quarter due to the sharp fall in selling prices in the wholesale sector (pool).

As regards our financial statements, the Iberpapel Group's revenue reached €49.91 million in the first quarter of 2020, which is 21.89% lower than the same period of the previous year.

The Group's EBITDA amounted to €6.73 million, 29% less than the first quarter of 2018, while net profit totalled €3.31 million, 39% down.

### Results for the first quarter of 2020 and trends

In millions of euros	2020 1Q	2019 1Q
Revenue	49.91	63.90
EBITDA	6.73	9.52
Profit after tax	3.31	5.43

This market pressure was transferred to the value of Iberpapel's stock, which closed the first quarter (31 March 2020) at a price of €18.50, entailing a 27.45% decline in value with respect to year-end 2019.

Despite the fall in the first quarter, when the stock bottomed out at 17.55€, the share price is now rising. At the date of this report, the stock's value has returned to a similar level to the 2019 year end.

## Appendix II: Regarding this report

### A. Methodology

> [102-10, 102-42; 102-43; 102-51; 102-52]

#### REPORTING SCOPE

This Annual Report provides clear, concise and relevant information on our performance in sustainability matters identified as the most relevant both to Iberpapel and to our stakeholders. We report our management results and our Corporate Social Responsibility and Corporate Governance initiatives each year.

This report addresses the activities of our three divisions (forestry, industrial and commercial) in all the countries in which we operated (Spain, Argentina and Uruguay) and where we conducted commercial activities (Europe, Africa and South America) in 2019. The latest report published was the 2018 Annual Report. All the documents refers to the Group as a whole, unless otherwise stated, in which case the activities or divisions in question are indicated.

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

Prior-year data are furnished for clarity.

#### PREPARATION OF THE ANNUAL REPORT

Since 2011, Iberpapel 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 applying the GRI Standards "Essential Criteria" option and Recommendation 55 of the Spanish National Security Market Commission (CNMV)'s Code of Good Governance in Listed Companies.

The contents are supplemented by the following public information for 2019:

- Consolidated Annual Accounts of the Iberpapel Group, including the Consolidated Management Report.
- Annual Corporate Governance Report, Annual Report on Directors' Remuneration and Committee Annual Reports.
- Other contents of interest that may be found in our corporate website:

<http://www.iberpapel.es>

The materiality analysis carried out in the previous year has been reviewed and updated this year. The main information sources consulted are listed below:

#### EXTERNAL AGENTS

- 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 trends.

#### INTERNAL AGENTS

- 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

We also reviewed the identity of our main stakeholders during the year. Our principal stakeholders are those with which we have a direct or indirect relationship; they influence our success and are 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 material aspects identified and their relationship with the associated GRI standards:

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	The Iberpapel Group identifies and has an ongoing dialogue with all stakeholders (see Chapter 4.2). So 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 us to discover matters that our stakeholders consider to be relevant for inclusion in this report.	
	Sustainability context	We are 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	We have 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	We have 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 the main stakeholders can obtain more insight into the Company's performance and milestones.		

This Annual Report also follows the three precepts 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. Relevance and materiality in the 2019 Annual Report

> [102-44; 102-46; 102-47; 102-53]

### RELEVANT MATTERS

The 2019 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.

During the process, we have analysed the matters of most relevance to external and internal agents from an environmental, social and governance (ESG) perspective. This consisted of scoring the relevance of each matter (on a scale of 1-100), based on comments received from the agents analysed and the relative significance of the measures taken and observed (externally and internally). It is all reflected in a two-axis matrix in which the matters with the highest scores are seen to be the "most relevant".

In this report, 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 listed below:



#### ECONOMIC DIMENSION

1. Economic performance
2. Business strategy
3. Information transparency
4. Sustainable R&D (products and services)
5. Business risks and opportunities
6. Technological innovation (facilities and equipment)
7. Regulatory compliance
8. Service/product quality
9. Codes of conduct
10. Customer trust and satisfaction
11. Digitalisation and information security
12. Organisational structure



#### ENVIRONMENTAL DIMENSION

13. Sustainable forest management
14. Climate change, carbon footprint and other atmospheric emissions
15. Environmental Management Systems
16. Rational use of natural resources
17. Water use and conservation
18. Energy transition (use of renewables, cogeneration, clean fuels and energy saving)
19. Supplier selection criteria
20. Environmental awareness-building
21. Biodiversity
22. Circular economy, waste and effluent management
23. Sustainable logistics and transport

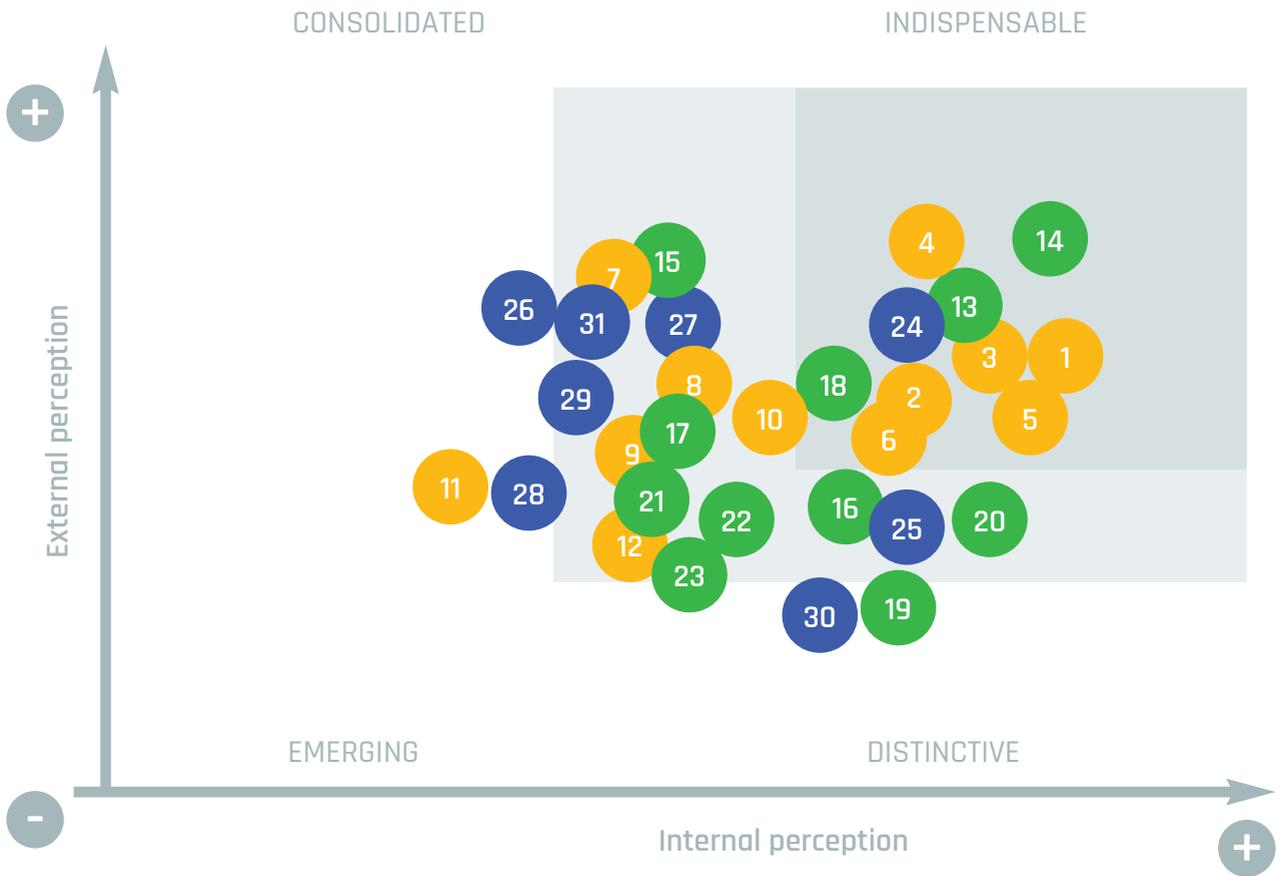


#### SOCIAL DIMENSION

24. Safety and Occupational Risk Prevention
25. Active dialogue and collaborative relationships with stakeholders
26. Professional training and development
27. Diversity, inclusion, integration and equal conditions
28. Talent attraction and retention
29. Local community development (direct, indirect and induced local job creation; value creation, etc.)
30. Life/work balance and other fringe benefits
31. Working conditions and human rights

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

- Economic and operational dimension
- Environmental dimension
- Social dimension



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

There follows a description of the material aspects identified and their relationship with the associated GRI standards:

STAKEHOLDERS	MATERIAL ASPECTS	GRI TOPIC	GRI CONTENT
Customers and Investors	<b>Information transparency:</b> transparency commitment with stakeholders in the short and long term.	<b>General content:</b> Stakeholder engagement	102-40; 102-41; 102-42; 102-43; 102-44
Investors	<b>Business strategy and organisational structure / Business risks and opportunities:</b> communication of the Company's strategy, risks and opportunities.	<b>General content:</b> Strategy	102-14; 102-15
Investors	<b>Economic performance:</b> solvency, robustness and sound economic performance.	<b>Thematic content:</b> Economic performance	103-1; 103-2; 103-3; 201-1; 201-4
Customers, Investors, Society, Environment	<b>Technological improvement and sustainable R&amp;D:</b> projects and initiatives, improvement of facilities, improvement of production processes and search for new products.	<b>Thematic content:</b> Indirect economic impacts	103-1; 103-2; 103-3; 203-1
Regulators, Society, Investors	<b>Regulatory compliance:</b> ongoing legislation supervision and monitoring mechanisms and compliance with applicable laws.	<b>Thematic content:</b> Environmental compliance and socio-economic compliance	103-1; 103-2; 103-3; 205-2; 205-3; 206-1; 307-1; 416-2; 417-2; 417-3; 418-1; 419-1
Employees, Customers, Suppliers	<b>Codes of Conduct:</b> Code of Conduct and Whistleblower Channel.	<b>General content:</b> Ethics and integrity	102-16; 102-17
Customers, Environment, Society	<b>Sustainable forest management, environmental management systems, rational use of natural resources and environmental awareness:</b> sustainability of raw materials (e.g. sustainable forest management, reforestation policies, chains of custody).	<b>Thematic content:</b> Materials	103-1; 103-2; 103-3; 301-1
Suppliers, Customers	<b>Supplier selection criteria:</b> timber supplies from certified, innovative and distinctive suppliers.	<b>Thematic content:</b> Environmental assessment of suppliers	103-1; 103-2; 103-3; 204-1; 103-1; 103-2; 103-3; 308-1; 103-1; 103-2; 103-3; 414-1
Environment, Regulators, Customers, Society	<b>Climate change and carbon footprint:</b> reduction in carbon emissions, Clean Development Mechanism (CDM) derived from the Kyoto Protocol and implementation of Best Available Technologies (BAT).	<b>Thematic content:</b> Emissions	103-1; 103-2; 103-3; 305-1; 305-2; 305-7
Environment, Regulators, Customers, Society	<b>Energy transition / Climate change / Clean fuels:</b> energy efficiency and climate change, cogeneration and biomass energy recovery.	<b>Thematic content:</b> Energy	103-1; 103-2; 103-3; 302-1; 302-3
Environment, Customers, Society	<b>Water use and conservation:</b> water management.	<b>Thematic content:</b> Water	103-1; 103-2; 103-3; 303-1
Environment, Customers, Society	<b>Circular economy, waste and effluent management:</b> odour treatment and elimination systems, waste management and water treatment and purification.	<b>Thematic content:</b> Effluents and waste	103-1; 103-2; 103-3; 306-1; 306-2
Environment, Society	<b>Biodiversity and sustainable forest management:</b> initiatives to protect biodiversity.	<b>Thematic content:</b> Biodiversity	103-1; 103-2; 103-3; 304-1; 304-2; 304-3

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

STAKEHOLDERS	MATERIAL ASPECTS	GRI TOPIC	GRI CONTENT
Customers, Suppliers	<b>Service/product quality and Customer trust and satisfaction:</b> product certification.	<b>Thematic content:</b> Marketing and labelling	103-1; 103-2; 103-3; 417-1; 417-2; 417-3
Customers, Employees	<b>Safety and Occupational Risk Prevention (ORP):</b> safety and ORP in production, storage processes, etc.	<b>Thematic content:</b> Occupational health and safety Customer health and safety	103-1; 103-2; 103-3; 403-1; 403-2; 403-3; 403-4 103-1; 103-2; 103-3; 416-1
Society	<b>Local community development:</b> local development and support for business fabric.	<b>Thematic content:</b> Local communities	103-1; 103-2; 103-3; 203-2 103-1; 103-2; 103-3; 413-1
Customers, Investors, Suppliers, Society, Environment, Regulators	<b>Active dialogue and collaborative relationships with stakeholders:</b> ongoing dialogue with internal and external stakeholders.	<b>Thematic content:</b> Stakeholder engagement	102-40; 102-41; 102-42; 102-43; 102-44
Employees	<b>Talent attraction and retention, Professional training and development, Life-work balance and other fringe benefits:</b> workforce	<b>Thematic content:</b> Employment	103-1; 103-2; 103-3; 401-1; 401-2; 103-1; 103-2; 103-3; 404-1; 404-2
Employees, Society	<b>Diversity, inclusion, integration and equal conditions:</b> equal opportunities for employees and non-discrimination.	<b>Thematic content:</b> Non-discrimination <b>Thematic content:</b> Diversity and equal opportunities	103-1; 103-2; 103-3; 406-1 103-1; 103-2; 103-3; 405-1; 405-2
Employees, Society	<b>Work conditions / Life-work balance and other fringe benefits:</b> collective bargaining agreement.	<b>Thematic content:</b> Freedom of association and collective bargaining	103-1; 103-2; 103-3; 407-1

### SIGNIFICANT CHANGES ON THE PREVIOUS YEAR

During the current 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:

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&gt; [102-55]

## Appendix III: GRI content list



GRI standard	General basic content	Direct reference or response	Scope	Description	Link to SDGs
<b>GENERAL DISCLOSURES (GRI 102: GENERAL DISCLOSURES 2016)</b>					
<b>GRI 101: FOUNDATION 2016</b>					
<b>GRI 102: GENERAL DISCLOSURES 2016</b>					
<b>Organizational profile</b>					
	102-1	Iberpapel Gestión, S.A	Group	Name of the organization	
	102-2	3.5. The Iberpapel Group's business (p. 22)	Group	Activities, brands, products and services	
	102-3	Av. Sancho El Sabio, 2 - 1º 20010 San Sebastián. (España)	Group	Location of headquarters	
	102-4	3.5. The Iberpapel Group's business (p. 22)	Group	Location of operations	
	102-5	Anexo IV (p. 167)	Group	Ownership and legal form	
	102-6	3.5. The Iberpapel Group's business (p. 22)	Group	Markets served	
	102-7	Iberpapel's highlights (p. 07)	Group	Scale of the organization	
	102-8	4.3. Responsibility to our people: Our people management (p. 51-53)	Group	Information on employees and other workers	SDG 8
	102-9	4.5 Responsibility to our suppliers (p. 69)	Group	Supply chain	
	102-10	Significant changes. Appendix II (p. 155)	Group	Significant changes to the organization and its supply chain	
	102-11	The Iberpapel Group applies the precautionary principle in all its activities, continuously striving to minimise environmental impacts.	Group	Precautionary Principle or approach	
	102-12	4.6 Responsibility to our local community: Involvement in forums and associations (p. 77)	Group	External initiatives	SDG 17
	102-13	4.6 Responsibility to our local community: Involvement in forums and associations (p. 77)	Group	Membership of associations	SDG 17

For the Materiality Disclosures Services, GRI Services has checked that the GRI content index is clear and that references to Contents 102-40 to 102-49 correspond to the sections stated in the report.

GRI standard	General basic content	Direct reference or response	Scope	Description	Link to SDGs
<b>Strategy</b>					
	102-14	Chairman's Letter (p. 02-03)	Group	Statement from the Chairman	
	102-15	6.7 Integrated risk management p. 128-132	Group	Key impacts, risks, and opportunities	
<b>Ethics and integrity</b>					
	102-16	6.6 Ethical framework and regulatory compliance (p. 125-127)	Group	Values, principles, standards, and norms of behaviour	SDG 16
	102-17	6.6 Ethical framework and regulatory compliance (p. 125-127)	Group	Mechanisms for advice and concerns about ethics	SDG 16
<b>Governance</b>					
	102-18	6.5 The Iberpapel Group's Corporate Governance System (p. 115)	Group	Governance structure	
	102-19	3.3 Our strategic vision and outlook 6.5 The Iberpapel Group's Corporate Governance System (p. 23, 117-122)	Group	Delegating authority	
	102-20	3.3 Our strategic vision and outlook (p. 23)	Group	Executive-level responsibility for economic, environmental, and social topics	
	102-22	6.5 The Iberpapel Group's Corporate Governance System (p. 118-120, 122)	Group	Composition of the highest governance body and its committees	SDG 5
	102-23	6.5 The Iberpapel Group's Corporate Governance System (p. 118)	Group	Information on whether the chair of the highest governance body also holds an executive post	
	102-24	6.5 The Iberpapel Group's Corporate Governance System (p. 119-120)	Group	Nominating and selecting the highest governance body	SDG 5
	102-25	6.4 Principles for socially responsible governance 6.6 Ethical framework and regulatory compliance (p. 114-115, 126)	Group	Conflicts of interest	SDG 16
	102-26	3.3 Our strategic vision and outlook 6.5 The Iberpapel Group's Corporate Governance System Annual Corporate Governance Report (p. 19-23, 117-119)	Group	Role of highest governance body in setting purpose, values, and strategy	
	102-27	Annual Corporate Governance Report (p. 42) <a href="http://www.iberpapel.es/archivos/accionista_e_inversores/gobierno_corporativo/Informe-Anual-2019.pdf">http://www.iberpapel.es/archivos/accionista_e_inversores/gobierno_corporativo/Informe-Anual-2019.pdf</a>	Group	Collective knowledge of highest governance body	
	102-28	6.5 The Iberpapel Group's Corporate Governance System (p. 119-120)	Group	Evaluating the highest governance body's performance	

GRI standard	General basic content	Direct reference or response	Scope	Description	Link to SDGs
<b>Governance</b>					
	102-29	6.7 Integrated risk management (p. 128-132)	Group	Identifying and managing economic, environmental, and social impacts	SDG 16
	102-30	6.7 Integrated risk management (p. 128-132)	Group	Effectiveness of risk management processes	
	102-31	6.7 Integrated risk management (p. 128-132)	Group	Review of economic, environmental, and social topics	
	102-32	3.3 Our strategic vision and outlook 6.5 The Iberpapel Group's Corporate Governance System (p. 23.122)	Group	Highest governance body's role in sustainability reporting	
	102-35	6.4 Principles for socially responsible governance (p. 123-124)	Group	Remuneration policies	
	102-36	6.5 The Iberpapel Group's Corporate Governance System (p. 123-124)	Group	Process for determining remuneration	
<b>Stakeholder engagement</b>					
	102-40	4.2. Stakeholder dialogue commitment (p. 46)	Group	List of stakeholder group	
	102-41	4.3 Responsibility to our people Our people management. (p. 54)	Group	Collective bargaining agreements	SDG 8
	102-42	Stakeholders. Appendix II (p. 150)	Group	Identifying and selecting stakeholders	
	102-43	4.2. Stakeholder dialogue commitment (p. 46-48)	Group	Approach to stakeholder engagement	SDG 16
	102-44	Dialogue with the main stakeholders. Appendix II. B (p. 46-48, 154-155)	Group	Key topics and concerns raised	
<b>Reporting practice</b>					
	102-45	2019 Consolidated Annual Accounts. Appendix I. Subsidiaries included in the consolidation scope <a href="http://www.cnmv.es/AUDITA/2019/18327.pdf">http://www.cnmv.es/AUDITA/2019/18327.pdf</a>	Group	Entities included in the consolidated financial statements	
	102-46	Appendix II. B (p. 152-155)	Group	Defining report content and topic boundaries	
	102-47	Appendix II. B (p. 152-155)	Group	List of material topics	
	102-48	No information from prior-year reports has been restated this year.	Group	Restatements of information	
	102-49	There have been no changes to the scope or boundary of any content with respect to prior years.	Group	Changes in reporting	
	102-50	This Annual Report relates to the Iberpapel Group's 2019 activities.	Group	Reporting period	

GRI standard	General basic content	Direct reference or response	Scope	Description	Link to SDGs
<b>Stakeholder engagement</b>					
	102-51	Appendix II (p. 150)	Group	Date of most recent report	
	102-52	Appendix II (p. 150)	Group	Reporting cycle	
	102-53	Contact details. Appendix II (p. 155)	Group	Contact point for questions regarding the report	
	102-54	This report has been drawn up in accordance with GRI Standards "Essential Criteria" option.	Group	GRI Standards option	
	102-55	Appendix III (p. 156-166)	Group	GRI content list	
	102-56	This Annual Report has not been verified by an independent external party.	Group	External assurance	
GRI standard	Specific basic content	Direct reference or response	Scope	Description	Link to SDGs
<b>Economic performance</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	7.3 Management results (p. 142)	Group	The management approach and its components	
	103-3	7.3 Management results (p. 142)	Group	Evaluation of the management approach	
GRI 201: Economic performance 2016	201-1	7.3 Management results (p. 142)	Group	Direct economic value generated and distributed	
	201-4	The Iberpapel Group's 2019 Consolidated Annual Accounts. Notes to the financial statements: Note 18. Borrowings and government grants <a href="http://www.cnmv.es/AUDITA/2019/18327.pdf">http://www.cnmv.es/AUDITA/2019/18327.pdf</a>	Group	Financial assistance received from government	
<b>Indirect economic impacts</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	4.6 Responsibility to our local community: Socioeconomic contribution to local development (p. 75)	Group	The management approach and its components	
	103-3	4.6 Responsibility to our local community: Socioeconomic contribution to local development (p. 75)	Group	Evaluation of the management approach	
GRI 203: Indirect economic impacts 2016	203-1	3.4 Investment and innovation in the Iberpapel Group (p. 24)	Group	Infrastructure investments and services supported	SDG 9
	203-2	4.6 Responsibility to our local community: Socioeconomic contribution to local development (p. 75)	Group	Significant indirect economic impacts	SDG 11
<b>Procurement practices</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	4.5 Responsibility to our suppliers: Responsibility to our suppliers (p. 70)	Group	The management approach and its components	
	103-3	4.5 Responsibility to our suppliers: Responsibility to our suppliers (p. 70)	Group	Evaluation of the management approach	

GRI standard	Specific basic content	Direct reference or response	Scope	Description	Link to SDGs
<b>Procurement practices</b>					
GRI 204: Procurement practices 2016	204-1	4.5 Responsibility to our suppliers: Main impacts on the community through our supply chain (p. 73)	Group	Proportion of spending on local suppliers	
<b>Anti-corruption</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	6.6 Ethical framework and regulatory compliance (p. 125-127)	Group	The management approach and its components	
	103-3	6.6 Ethical framework and regulatory compliance (p. 125-127)	Group	Evaluation of the management approach	
GRI 205: Anti-corruption 2016	205-2	6.4 Principles for socially responsible governance 6.6 Ethical framework and regulatory compliance (p. 114-115, 125-127)	Group	Communication and training about anti-corruption policies and procedures	
	205-3	No incidents of corruption have been detected.	Group	Confirmed incidents of corruption and actions taken	
<b>Anti-competitive behaviour</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	6.6 Ethical framework and regulatory compliance (p. 125-127)	Group	The management approach and its components	
	103-3	6.6 Ethical framework and regulatory compliance (p. 125-127)	Group	Evaluation of the management approach	
GRI 206: Anti-competitive behaviour 2016	206-1	The Iberpapel has received no claims for anti-competitive behaviour.	Group	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	
<b>Materials</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	5.2 Environmental responsibility: Consumption of raw materials and by-products (p. 88-89)	Group	The management approach and its components	
	103-3	5.2 Environmental responsibility: Consumption of raw materials and by-products (p. 88-89)	Group	Evaluation of the management approach	SDG 12
GRI 301: Materials 2016	301-1	5.2 Environmental responsibility: Consumption of raw materials and by-products (p. 89)	Group	Materials used by weight or volume	
<b>Energy</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	5.2 Environmental responsibility: Energy and climate change (p. 93-96, 102)	Group	The management approach and its components	
	103-3	5.2 Environmental responsibility: Energy and climate change (p. 93-96, 102)	Group	Evaluation of the management approach	

GRI standard	Specific basic content	Direct reference or response	Scope	Description	Link to SDGs
<b>Energy</b>					
GRI 302: Energy 2016	302-1	5.2 Environmental responsibility: Energy and climate change (p. 96)	PGZ	Energy consumption within the organization	SDG 7
	302-3	5.2 Environmental responsibility: Energy and climate change (p. 83)	PGZ	Energy intensity	SDG 7
<b>Water</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	5.2 Environmental responsibility: Liquid effluents and water use (p. 104-105)	Group	The management approach and its components	
	103-3	5.2 Environmental responsibility: Liquid effluents and water use (p. 104-105)	Group	Evaluation of the management approach	
GRI 303: Water 2016	303-1	5.2 Environmental responsibility: Liquid effluents and water use (p. 104)	PGZ	Water withdrawal by source	SDG 6
<b>Biodiversity</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	5.2 Environmental responsibility: Protection of biodiversity (p. 105-106)	Group	The management approach and its components	
	103-3	5.2 Environmental responsibility: Biodiversity protection (p. 105-106)	Group	Evaluation of the management approach	
GRI 304: Biodiversity 2016	304-1	5.2 Environmental responsibility: Biodiversity protection (p. 105)	Group	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	SDG 15
	304-2	5.2 Environmental responsibility: Biodiversity protection (p. 105-106)	Group	Significant impacts of activities, products, and services on biodiversity	SDG 15
	304-3	5.2 Environmental responsibility: Biodiversity protection (p. 105-106)	Group	Habitats protected or restored	SDG 15
<b>Emissions</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	5.2 Environmental responsibility: Energy and climate change (p. 93-94, 97-101)	Group	The management approach and its components	
	103-3	5.2 Environmental responsibility: Energy and climate change (p. 93-94, 97-101)	Group	Evaluation of the management approach	
GRI 305: Emissions 2016	305-1	5.2 Environmental responsibility: Energy and climate change (p. 97)	PGZ	Direct (Scope 1) GHG emissions	SDG 13
	305-2	5.2 Environmental responsibility: Energy and climate change (p. 97)	PGZ	Energy indirect (Scope 2) GHG emissions	SDG 13
	305-7	5.2 Environmental responsibility: Energy and climate change (p. 100-101)	PGZ	Nitrogen oxides (NOX), sulphur oxides (SOX) and other significant air emissions	SDG 13

GRI standard	Specific basic content	Direct reference or response	Scope	Description	Link to SDGs
<b>Effluents and waste</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	5.2 Environmental responsibility: Waste management and circular economy (p. 103-104)	Group	The management approach and its components	
	103-3	5.2 Environmental responsibility: Waste management and circular economy (p. 103-104)	Group	Evaluation of the management approach	
GRI 306: Effluents and waste 2016	306-1	5.2 Environmental responsibility: Liquid effluents and water use (p. 105)	PGZ	Water discharge by quality and destination	SDG 6
	306-2	5.2 Environmental responsibility: Waste management and circular economy (p. 104)	PGZ	Waste by type and disposal method	SDG 12
<b>Environmental compliance</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	5.1. Responsibility towards the environment (p. 81-82)	Group	The management approach and its components	
	103-3	5.1. Responsibility towards the environment (p. 81-82)	Group	Evaluation of the management approach	
GRI 307: Environmental compliance 2016	307-1*	No file or penalty has been imposed on the Iberpapel Group.	Group	Non-compliance with environmental laws and regulations	SDG 16
<b>Environmental assessment of suppliers</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	4.5 Responsibility to our suppliers: Summary of the raw material supplier assessment and control process (p. 72)	Group	The management approach and its components	
	103-3	4.5 Responsibility to our suppliers: Summary of the raw material supplier assessment and control process (p. 72)	Group	Evaluation of the management approach	
GRI 308: Supplier environmental assessment 2016	308-1	4.5 Responsibility to our suppliers: Summary of the raw material supplier assessment and control process (p. 72)	Group	New suppliers that were screened using environmental criteria	
<b>Employment</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	4.3 Responsibility to our people Talent attraction and retention (p. 58-60)	Group	The management approach and its components	
	103-3	4.3 Responsibility to our people Talent attraction and retention (p. 58-60)	Group	Evaluation of the management approach	

GRI standard	Specific basic content	Direct reference or response	Scope	Description	Link to SDGs
<b>Employment</b>					
GRI 401: Employment 2016	401-1	4.3 Responsibility to our people Talent attraction and retention (p. 60)	Group	New employee hires and employee turnover	SDG 8
	401-2	4.3 Responsibility to our people Talent attraction and retention (p. 59)	Group	Benefits provided to full-time employees that are not provided to temporary or part-time employees	SDG 8
<b>Health and safety in the workplace</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	4.3 Responsibility to our people Health, safety and occupational risk prevention (p. 54-57)	Group	The management approach and its components	
	103-3	4.3 Responsibility to our people Health, safety and occupational risk prevention (p. 54-57)	Group	Evaluation of the management approach	
GRI 403: Occupational health and safety 2016	403-1	4.3 Responsibility to our people Health, safety and occupational risk prevention (p. 55)	Group	Workers representation in formal joint management-worker health and safety committees	SDG 3, SDG 8
	403-2	4.3 Responsibility to our people Health, safety and occupational risk prevention (p. 56-57)	PGZ	Types of injury and rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities	SDG 3, SDG 8
	403-3	4.3 Responsibility to our people Health, safety and occupational risk prevention (p. 56)	Group	Workers with high incidence or high risk of diseases related to their occupation	SDG 3, SDG 8
	403-4	4.3 Responsibility to our people Health, safety and occupational risk prevention (p. 55)	Group	Health and safety topics covered in formal agreements with trade unions	SDG 3, SDG 8
<b>Training and education</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	4.3 Responsibility to our people Talent attraction and retention (p. 58-60)	Group	The management approach and its components	
	103-3	4.3 Responsibility to our people Talent attraction and retention (p. 58-60)	Group	Evaluation of the management approach	
GRI 404: Training and education 2016	404-1	4.3 Responsibility to our people Talent attraction and retention (p. 58)	PGZ	Average hours of training per year per employee	SDG 4
	404-2	4.3 Responsibility to our people Talent attraction and retention (p. 58)	Group	Programs for upgrading employee skills and transition assistance programs	SDG 4

GRI standard	Specific basic content	Direct reference or response	Scope	Description	Link to SDGs
<b>Diversity and equal opportunities</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	4.3 Responsibility to our people Commitment to diversity, inclusion, integration and equal opportunities (p. 61-62)	Group	The management approach and its components	
	103-3	4.3 Responsibility to our people Commitment to diversity, inclusion, integration and equal opportunities (p. 61-62)	Group	Evaluation of the management approach	
GRI 405: Diversity and equal opportunity 2016	405-1	4.3 Responsibility to our people Our people management (p. 51, 62)	Group	Diversity of governance bodies and employees	SDG 5, SDG 10
<b>Non-discrimination</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	4.3 Responsibility to our people Commitment to diversity, inclusion, integration and equal opportunities (p. 61-62)	Group	The management approach and its components	
	103-3	4.3 Responsibility to our people Commitment to diversity, inclusion, integration and equal opportunities (p. 61-62)	Group	Evaluation of the management approach	
GRI 406: Non-discrimination 2016	406-1	There were no cases of discrimination in the Iberpapel Group in 2019.	Group	Incidents of discrimination and corrective actions taken	SDG 5, SDG 10
<b>Freedom of association and collective bargaining</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	4.3 Responsibility to our people Our people management (p. 50-51)	Group	The management approach and its components	
	103-3	4.3 Responsibility to our people Our people management (p. 50-51)	Group	Evaluation of the management approach	
GRI 407: Freedom of association and collective bargaining 2016	407-1	4.3 Responsibility to our people Our people management (p. 51)	Group	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	SDG 8
<b>Local communities</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	4.6 Responsibility to our local community: Social action initiatives (p. 76)	Group	The management approach and its components	
	103-3	4.6 Responsibility to our local community: Social action initiatives (p. 76)	Group	Evaluation of the management approach	
GRI 413: Local communities 2016	413-1	4.6 Responsibility to our local community: Social action initiatives (p. 76)	Group	Operations with local community engagement, impact assessments, and development programs	SDG 1

GRI standard	Specific basic content	Direct reference or response	Scope	Description	Link to SDGs
<b>Supplier social assessment</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	4.5 Responsibility to our suppliers: Summary of the raw material supplier assessment and control process (p. 72)	Group	The management approach and its components	
	103-3	4.5 Responsibility to our suppliers: Summary of the raw material supplier assessment and control process (p. 72)	Group	Evaluation of the management approach	
GRI 414: Supplier social assessment 2016	414-1	4.5 Responsibility to our suppliers: Summary of the raw material supplier assessment and control process (p. 72)	Group	New suppliers that were screened using social criteria	
<b>Customer health and safety</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	4.4 Responsibility to our customers: Customer satisfaction and trust (p. 64-65)	Group	The management approach and its components	
	103-3	4.4 Responsibility to our customers: Customer satisfaction and trust (p. 64-65)	Group	Evaluation of the management approach	
GRI 416: Customer health and safety 2016	416-1	4.4 Responsibility to our customers: Customer satisfaction and trust (p. 64-65)	Group	Assessment of the health and safety impacts of product and service categories	SDG 3
	416-2	No incident has been detected due to the infringement of health and safety regulations.	Group	Incidents of non-compliance concerning the health and safety impacts of products and services	SDG 3
<b>Marketing and labelling</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	4.4 Responsibility to our customers: Responsibility to our customers (p. 66-67)	Group	The management approach and its components	
	103-3	4.4 Responsibility to our customers: Responsibility to our customers (p. 66-67)	Group	Evaluation of the management approach	
GRI 417: Marketing and labeling 2016	417-1	4.4 Responsibility to our customers: Customer channels and communication (p. 67)	Group	Requirements for product and service information and labeling	SDG 12
	417-2	There has been no infringement of regulations or of the voluntary codes related to product and service labelling.	Group	Incidents of non-compliance concerning product and service information and labeling	SDG 16
	417-3	There has been no infringement related to marketing communications.	Group	Incidents of non-compliance concerning marketing communications	Group

GRI standard	Specific basic content	Direct reference or response	Scope	Description	Link to SDGs
<b>Customer privacy</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	6.6 Ethical framework and regulatory compliance (p. 125-127)	Group	The management approach and its components	
	103-3	6.6 Ethical framework and regulatory compliance (p. 125-127)	Group	Evaluation of the management approach	
GRI 418: Customer privacy 2016	418-1	The Iberpapel Group has received no complaints for breaches of privacy or loss of customer data	Group	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Group
<b>Socioeconomic compliance</b>					
GRI 103: Management approach 2016	103-1	Appendix II. B Appendix II. B (p. 154-155)	Group	Explanation of the material topic and its boundary	
	103-2	6.6 Ethical framework and regulatory compliance (p. 125-127)	Group	The management approach and its components	
	103-3	6.6 Ethical framework and regulatory compliance (p. 125-127)	Group	Evaluation of the management approach	Group
GRI 419: Socioeconomic compliance 2016	419-1*	No file or penalty has been imposed on the Iberpapel Group.	Group	Non-compliance with laws and regulations in the social and economic area	

\* Significant and binding fines or penalties (in contentious proceedings) (above €50,000) derived from sanctions or infringements (excluding administrative and tax proceedings) in which there is no opportunity to appeal and which are directly attributable to conducts or acts by companies or employees of the Iberpapel Group prior to 31 December 2019.

## Appendix IV: 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

Tel.: 0054 344 742 1751 | Fax: 0054 344 742 1127

#### FORESTAL SANTA MARÍA, S.A.

Reforestation and forestry

C/ General Urquiza, 137

3280 Colón - Entre Ríos. ARGENTINA

Tel.: 0054 344 742 1751 | Fax: 0054 344 742 1127

#### FORESTAL LOMA ALTA, S.A.

Reforestation and forestry

C/ General Urquiza, 137

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Tel.: 0054 344 742 1751 | Fax: 0054 344 742 1127

#### FORESTAL LOS GURISES ENTRERRIANOS, S. A.

Reforestation and forestry

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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

Camino Bajo de la Petiza

4675 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

C/ Velázquez, 105

28006, Madrid. SPAIN

Tel.: 91 564 87 16 | Fax: 91 564 97 16

#### MOLINER, DOMÍNGUEZ Y CÍA, S.A.U.

Paper wholesaler

C/ Francesc Layret, 52 portal 3 - planta 1

08912 Badalona, Barcelona. SPAIN

Tel.: 93 462 04 47 | Fax: 93 462 04 36

#### CENTRAL DE SUMINISTROS DE ARTES GRÁFICAS PAPEL, S.A.U.

Paper wholesaler

C/ Velázquez, 105 - 28006, Madrid. SPAIN

Tel.: 91 564 11 66 | Fax: 91 564 97 16

#### IBERBARNA PAPEL, S.A.U.

Paper wholesaler

C/ Francesc Layret, 52 portal 3 - planta 1

08912 Badalona, Barcelona. SPAIN

Tel.: 93 462 04 47 | Fax: 93 462 04 36

#### ZICUPAP, S.A.U.

Export promotion

Avda. Sancho el Sabio, 2 -1

20010 San Sebastián, Guipúzcoa. SPAIN

Tel.: 943 46 26 00 | Fax: 943 46 36 81

#### COPAIMEX, S.A.U.

Export promotion

Avda. Sancho el Sabio, 2 -1

20010 San Sebastián, Guipúzcoa. SPAIN

Tel.: 943 46 26 00 | Fax: 943 46 36 81

#### IBERPAPEL ONLINE, S.L.U.

B2B paper marketing

Avda. Sancho el Sabio, 2 -1

20010, San Sebastián, Guipúzcoa. SPAIN

Tel.: 943 46 26 00 | Fax: 943 46 36 81

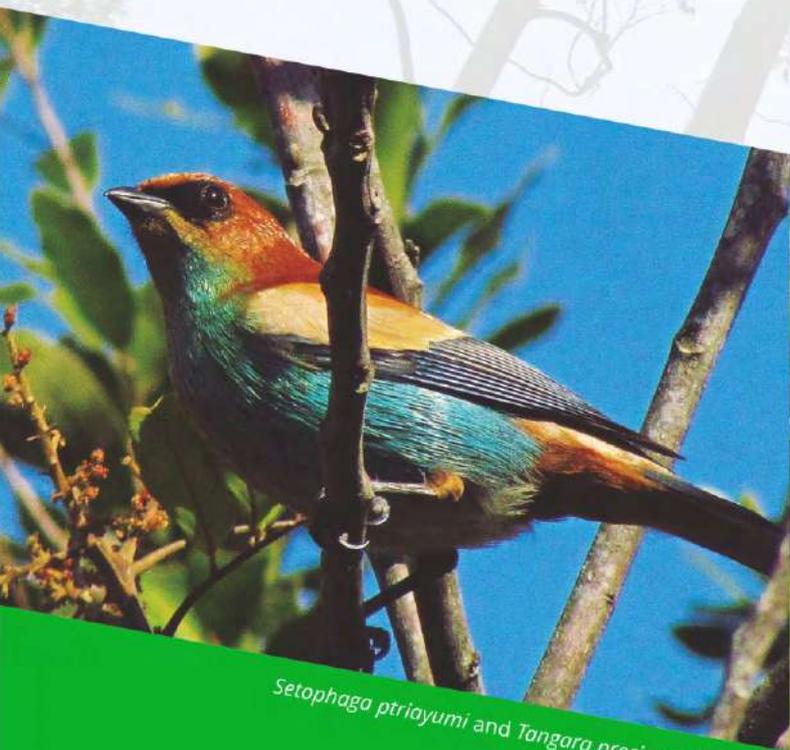
Published by: Iberpapel Gestión, S.A.

D.L.: D-00454-2020

Printed on PEFC-certified paper

Graphic design and layout: [www.jastenfrojen.com](http://www.jastenfrojen.com)

Photography: Unsplash [P.1 Kishore Ragav Ganesh Kumar | P.7 Kazuend | P.134 francesco-gallarotti] | 123RF [P.78 y 85:naropana]  
The Iberpapel Group [P.10, 24, 25, 31, 40, 50, 57, 63, 65, 68, 69, 76, 99, 102, 105, 106, 108, 109, 110, 133, 170] | P.18, P. 145 Freepik  
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*Setophaga ptriayumi* and *Tangara preciosa*, bird species in the Sophie Point property (Uruguay)

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