REPORT DELIVERED BY GRENERGY RENOVABLES, S.A.'S BOARD OF DIRECTORS TO SUPPORT THE MODIFICATION OF THE BY-LAWS REFERRED TO IN ITEM 5 OF THE AGENDA OF THE ORDINARY GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON FIRST CALL ON 29 JUNE 2021

1.- Purpose of this report.

This report has been drawn up by the Board of Directors of Grenergy Renovables, S.A. (hereinafter, the "**Company"** or "**Grenergy"**) in compliance with the provisions of section 286 of the Joint Stock Companies (Consolidated) Act (*Texto Refundido de la Joint Stock Companies Act*), as approved by Royal Legislative Decree 1/2010, of 2 July (the **"Joint Stock Companies Act"**), according to which the directors of the Company have to deliver a written report justifying the proposal to modify the By-Laws, to be submitted, under item 5 of the agenda, to the approval of the Ordinary General Meeting to be held on first call on 29 June 2021.

2.- Method for drawing up this proposal and report.

The By-Laws contain the Company's rules of organisation, while establishing and specifying the rights and obligations of shareholders as permitted by mandatory law. This is why they are important to shareholders, and any modification thereof has to be justified by the Board of Directors, by means of this report.

The modification proposed by the Board of Directors entails the partial modification of the By-Laws, as it only affects one article thereof, while the inclusion of another two is proposed. However, the improvements proposed are important and should be explained.

In accordance with section 197 bis of the Joint Stock Companies Act, the modification of each article must be put to the vote separately.

3.- Detailed justification of the modifications proposed.

As indicated above, the proposal concerns the amendment of one article of the By-Laws, but also the inclusion of another two. What follows is an explanation of the reasons for the proposed modification or inclusion in respect of each article. As regards the article to be amended (more specifically, article 26 "Delegation of powers"), a comparison has been made with respect to the current drafting of this article, so that the provisions that are being modified may be easily identified.

4.1. Inclusion of article 9.bis ("Loyalty-based additional double vote").

The new article to be added would be drafted as follows:

> ***"Article 9.bis. Loyalty-based additional double vote.***
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> *1.- A loyalty-based double vote is established in respect of the shares, in accordance with the provisions of the Joint Stock Companies Act.*
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> *A double vote is therefore granted to each share held by the same shareholder for two consecutive, uninterrupted years as from the date of registration thereof in the special ledger created for this purpose in accordance with the Joint Stock Companies Act.*
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> *2.- The shares with loyalty-based double vote rights shall not form a separate class of shares within the meaning set forth in section 94 of the Joint Stock Companies Act.*
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> *3.- Loyalty-based double votes shall be taken into account in determining the quorum of meetings of shareholders and in calculating the voting majorities required to pass resolutions.*
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> *The attendees list shall specify, next to the type or representation of each shareholder, the number of shares by the relevant shareholder and the number of votes allocated thereto.*
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> *4.- Loyalty-based votes shall be taken into account in connection with the obligation to report significant stakes and the regulation on public offerings for the purchase of equity.*
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> *5.- Loyalty-based double voting rights shall be forfeited in the event of direct or indirect assignment or transfer by the shareholder of the shares, or part of the shares, that granted double voting rights, even if the assignment or transfer is made without consideration, and from the date of said assignment or transfer, except in cases where this double vote may be beneficial for the purchaser.*
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> *6.- The provisions of the Joint Stock Companies Act shall apply to all matters not covered by this article in connection with loyalty-based double voting rights."*

The article whose inclusion is proposed aims at establishing double voting rights at Meetings for shares held by one same holder for an interrupted period of two years. In other words, this is what is generally known as a "loyalty share" or "loyalty voting shares".

This is an innovative provision that has been added to Spanish law by Act 5/2021, of 12 April, amending the Joint Stock Companies (Consolidated) Act, as approved by Royal Legislative Decree 1/2010, of 2 July, and other financial rules, encouraging the long-term involvement of shareholders in listed companies.

Even though loyalty shares are not contemplated by all member States of the European Union, it has been recognised by some important States, such as France, Italy, the Netherlands and some Scandinavian countries.

Within the framework of comparative law, the Spanish lawmaker has finally decided to establish loyalty shares, given that, as specified in the explanatory memorandum of this Act, "this mechanism may be used to encourage shareholders to maintain their investment in the company in the long term, and to reduce short-term pressures on the management of companies".

To sum up, the purpose sought is to encourage a long-term strategy for companies to support their solid, sustainable growth in the long run, while reducing the short-term pressure to which they are often subject. Undoubtedly, this the reason that lies behind the introduction of this mechanism at Grenergy.

However, the Board of Directors, before proposing this measure, has assessed the potential impacts thereof on the Company's business scope and corporate governance, given its shareholding structure and the specific characteristics of the Company at this moment in time. What follows is an explanation of the main arguments, but we have also taken into account certain negative effects that could result therefrom, and which are also explained.

The main reasons that support the proposal are related to the current condition of the Company and its shareholding structure. Grenergy is a company that is now experiencing rapid growth, with significant increases in its net turnover, EBITDA and profits year after year. These growths are founded on a corporate strategy the Company has implemented since its incorporation, a strategy designed and supported by its majority shareholder. In addition, the business the Company carries out is highly demanding in terms of capital requirements, as the Company has to support its growth with major investments. This makes it advisable for the Company to be capable of conducting capital increase operations or other corporate transactions supporting its growth, while maintaining all the positive aspects that have contributed to that growth. The Board of Directors therefore considers that the adoption of loyalty shares will favour these corporate operations and will contribute to greater willingness on the part of the majority shareholder as regards equity dilution, while maintaining its current growth trend. This is the main reason why companies are increasingly adopting this loyalty voting mechanism in countries where this instrument has been legally admitted, with generally satisfactory results.

Having said this, the Board of Directors has also taken into account some negative effects that may result from its adoption, basically the perpetuation of the majority shareholder's influence on the Company. However, this effect can also be counterbalanced by several factors, as explained below:

- Firstly, the loyalty share mechanism, as currently configured by law, inures to the benefit of all shareholders. Any shareholder may exercise this right and therefore counterbalance this influence.

- Secondly, the Act favours the possibility of limiting this mechanism in time, as it sets forth that it has to be renewed every five years, although holders of loyalty shares are entitled to use the same when voting in respect of this extension, but also by establishing the obligation to renew the mechanism again after ten years, this time without taking loyalty shares into account when voting. In both cases, a reinforced majority is required.

- Thirdly, the disadvantages of said influence on the part of majority shareholders can always be downplayed by improving Corporate Governance. In this respect, major steps forward have been takin in recent years in terms of Corporate Governance. For instance, despite the fact that the Company´s controlling shareholder owns 59.83% of the share capital, if the proposed appointments of directors are approved by the Meeting, its representation within the Board will be diluted to half of Board members, with the other half consisting of independent directors. Besides, the procedures for approving related-party transactions with the controlling shareholder and its subsidiaries, as provided for in the Board of Directors' Regulations, are significantly stricter that those set forth by law, as they prevent the directors related to that shareholder to take part in that vote and require a favourable report from the audit committee to be approved. The Board of Directors intends to continue implementing new measures to improve Corporate Governance in the next few years, and in any event before loyalty shares take any effect.

Finally, the Board of Directors has also taken into account the timing of adoption of this measure. Currently, as the majority shareholder owns more than 50% of the share capital, the framework in which the Company carries out its activities is no different from the framework that could result from the existence of loyalty shares, and this proposal actually aims at favouring the future dilution of the majority shareholder. Therefore, this is not about majorities that are potentially insufficient.

Consequently, after assessing both the advantages and the disadvantages of loyalty shares, the Board of Directors considers that adoption thereof will be beneficial to the Company, given the growth trend it is currently experiencing, as these loyalty shares will encourage corporate operations that will strengthen its equity and the progressive dilution of the majority shareholder, while maintaining the strategic direction that has always guided the Company. In addition, there are measures that could minimise the potential negative effects of their adoption.

Furthermore, loyalty shares may only be adopted if they are provided for in the By-Laws. To this end, the General Meeting may only adopt this new provision with the favourable vote of, at least, 60% of the share capital present or represented at the Meeting if said Meeting is attended by shareholders representing at least 50% of the subscribed share capital with voting rights, or the favourable vote of 65% of the capital present or represented at the Meeting if said Meeting is attended by shareholders representing at least 25% of the share capital, which shall be required in any event, without reaching 50%.

However, this loyalty-based vote has not been legally provided for the entire term of the Company. Instead, it has to be renewed every five years, under the majority rules specified above. However, holders of loyalty shares are entitled to use these shares when voting in respect of this renewal, but another vote is also required after ten years, this time without taking into account the effect of loyalty shares when voting.

The proposed article basically reflects the legal regime established for this new provision, i.e., the establishment of double voting rights for shares held by the same holder for an uninterrupted period of two consecutive years. This right may only by granted to shareholders who request their registration in a special book, and therefore this two-year period shall run as from the date of this registration. We have decided not to further extend this shareholding period, even though the Act allows companies to do so. Shares with loyalty-based double voting rights shall not form a separate class of shares within the meaning of section 94 of the Joint Stock Companies Act. Double vote shall be taken into account when determining the quorum required at Meetings of Shareholders and calculating the voting majorities required to pass resolutions.

In addition, certain provisions are set forth in connection with the preparation of the attendees list as a result of these double voting rights and of the need to take into account this double vote when reporting significant stakes, as required by law, and the regulations concerning public offerings for acquisition of securities.

Finally, in accordance with the Act, double voting rights shall be forfeited in the event of assignment or transfer of the shares, except in cases where continuous holding of the shares is permitted by the Act.

By way of closing provision, it is stated that the Joint Stock Companies Act will apply to all matters not covered by this article in connection with loyalty-based double voting rights.

<u>4.3. Inclusion of a new article 20.bis (remote attendance to General Meeting by electronic or web-based means. Holding of Meetings by web-based means exclusively).</u>

The inclusion of a new article 20 bis is proposed, with the following drafting:

> *"**Article 20 bis. Remote attendance by electronic or web-based means. Holding of the General Meeting by web-based means exclusively.***
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> *1.- Remote attendance to the General Meeting of Shareholders by simultaneous, web-based means, and remote voting while such Meeting is being may be admitted if permitted by the General Meeting of Shareholders' Regulations, subject to the requirements established therein, and if agreed by the Board of Directors for each Meeting.*
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> *In this event, the General Meeting of Shareholders' Regulations may entitle the Board of Directors to determine when, having regard to the current state of the art, the relevant security and simplicity conditions will make it possible to permit, with all due guarantees, remote attendance to the General Meeting of Shareholders by simultaneous web-based means and remote voting while the Meeting is being held. In addition, the General Meeting of Shareholders' Regulations may grant to the Board of Directors the power to decide, in accordance with law, the By-Laws and the General Meeting of Shareholders' Regulations, all procedural aspects relating thereto, including, among other questions, how long a shareholder must be connected in advance to be considered present at the Meeting, the procedure and applicable rules to allow remote attendees to exercise their shareholder rights, any identification requirements for distant attendees and the influence thereon on the system for preparing the attendees list.*
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> *2.- In turn, the General Meeting may be called so that it is held by web-based means exclusively, and therefore without the physical presence of shareholders, their proxies and, if applicable, the members of the Board, if permitted by applicable regulations.*
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> *General Meetings held by web-based means only shall comply with all legal provisions and with the By-Laws, and also with the provisions on the conduct of Meetings contained in the General Meeting's Regulations. In any event, this type of Meetings may only be held if the identity and the entitlement of all shareholders and their proxies are duly guaranteed, and all attendees may effectively participate in the Meeting by any of the distance communication means admitted in the notice of Meeting, both to exercise in real time their rights to speak and to be informed and their proposal and voting rights, and to hear the comments of other attendees through the means indicated above, having regard to the state of the art and the circumstances of the Company, always in accordance with applicable regulations.*

Article 20.bis regulates two issues that are closely related:

1.- Its paragraph 1 contemplates the possibility, if established in the General Meeting's Regulations (whose modification is also being proposed at this Meeting) and agreed by the Board of Directors for each Meeting, of remotely attending Meetings through electronic or web-based means.

The provision of this paragraph 1 is in line with the option provided by section 182 of the Joint Stock Companies Act, according to which, if this is provided for in the By-Laws, General Meetings may be remotely attended by using web-based means that must adequately guarantee the identification of every individual, if so established by the Board of Directors in the notice of Meeting. The Board of Directors deems it advisable to add this new possibility to the governance rules that were already being implemented by Grenergy, including remote voting or representation, whether by postal or electronic means, prior to the holding of the General Meeting, mainly because of recent circumstances resulting from the sanitary crisis caused by COVID-19, which might lead the Company to provide for this type of attendance again in the future. Under the proposed modification, the implementation and development of remote attendance will be established through the General Meeting of Shareholders' Regulations, whose modification is also proposed under item 6.2. of the agenda, in respect of which a report supporting the proposal has also been made available to shareholders.

2.- Its paragraph 2 provides for the possibility, if agreed by the Board of Directors, of holding Meetings by web-based means only. This provision is now provided for in Act 5/2021, of 12 April, amending the Joint Stock Companies (Consolidated) Act, as approved by Royal Legislative Decree 1/2010, of 2 July, and other financial rules, encouraging long-term involvement of shareholders in listed companies. This act has included this new section 182 bis, pursuant to which the By-Laws may authorise directors to convene general meetings so that they are held without the physical attendance of shareholders or their representatives.

The new paragraph otherwise states that General Meetings to be held by web-based means only must comply with all legal provisions applicable and with the By-Laws, and that conduct thereof must comply with the provisions of the General Meeting's Regulations. In any event, this type of Meetings may only be held if the identity and the entitlement of all shareholders and their proxies are duly guaranteed, and all attendees may effectively participate in the Meeting by any of the distance communication means admitted in the notice of Meeting, both to exercise in real time their rights to speak and to be informed and their proposal and voting rights, and to hear the comments of other attendees through the means indicated above, having regard to the state of the art and the circumstances of the Company, always in accordance with applicable regulations.

To be approved, this modification, in accordance with section 182.bis of the Joint Stock Companies Act, shall require the favourable vote of two thirds of the share capital personally present or represented at the Meeting.

4.4. Modification of article 26 of the By-Laws ("Delegation of powers").

Current drafting		Proposed drafting
CHAPTER III **CORPORATE BODIES** **…** **SECTION 2** **THE BOARD OF DIRECTORS**		**CHAPTER III** **CORPORATE BODIES** **…** **SECTION 2** **THE BOARD OF DIRECTORS**
Article 26.- Delegation of powers.		**Article 26.- Delegation of powers.**
1.- The Board of Directors may designate from among its members an Executive Committee or one or several Managing Directors, specifying the persons who will fulfil such positions and their procedure of action, with the option to delegate to them, wholly or partially, temporarily or permanently, any competence except those that may not be legally delegated. 2.- To be valid, the permanent delegation of any power of the Board of Directors to one Executive Committee or to one or several Managing Directors, and the appointment of the directors who will fulfil these positions, shall require the favourable vote of two thirds of the members of the Board and shall not be effective until the relevant resolutions are filed with the Register of Companies. 3.- In any event, the Board of Directors shall designate an Audit Committee and an Appointments and Remuneration Committee."		1.- The Board of Directors may designate from among its members an Executive Committee or one or several Managing Directors, specifying the persons who will fulfil such positions and their procedure of action, with the option to delegate to them, wholly or partially, temporarily or permanently, any competence except those that may not be legally delegated. 2.- To be valid, the permanent delegation of any power of the Board of Directors to one Executive Committee or to one or several Managing Directors, and the appointment of the directors who will fulfil these positions, shall require the favourable vote of two thirds of the members of the Board and shall not be effective until the relevant resolutions are filed with the Register of Companies. If powers are permanently delegated to an Executive Committee, at least two of its members shall be non-executive directors, with one of them being an independent director. The Secretary of the Executive Committee shall be that of the Board of Directors. 3.- In any event, the Board of Directors shall designate an Audit Committee and an Appointments and Remuneration Committee."

The purpose of the proposed modification is merely to include a provision in the By-Laws to the effect that, should powers be permanently delegated to an Executive Committee, two of its members shall be non-executive directors, with at least one of them being an independent director.

This modification is in line with one recommendation from the Code of Good Governance that was added thereto when it was amended by the *Comisión Nacional del Mercado de Valores* in June 2020. The Company has the intention of adapting to the recommendations included in the Code of Good Governance, and this modification is therefore proposed in accordance with this intention. This new provision of the By-Laws is therefore proposed, in line with the provisions concerning the Audit Committee and the Appointments and Remuneration Committee, with respect to the provisions of the By-Laws that deal with the composition thereof.

26 May 2021