**REPORT DELIVERED BY GRENERGY RENOVABLES, S.A.'S APPOINTMENTS AND REMUNERATION COMMITTEE IN CONNECTION WITH THE PROPOSAL TO MODIFY THE DIRECTORS'S COMPENSATION POLICY, AS REFERRED TO IN ITEM ELEVEN ON THE AGENDA FOR THE ORDINARY GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON FIRST CALL ON 11 MAY 2022**

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**1.- Purpose of this report.**

This report (the **"Report"**) contains the information, the justification and the opinion of the Appointments and Remuneration Committee (**"ARC"**) of Grenergy Renovables S.A. (hereinafter referred to as **"Grenergy"** or the **"Company"**), as submitted to the Board of Directors for subsequent submission, where appropriate, to the General Meeting of Shareholders, regarding the proposed directors' compensation policy for the three-year period between 2023 and 2025 2022 (the **"Compensation Policy"**).

Delivery of this report is a requirement set forth by section 529.19, paragraph 4, of Royal Legislative Decree 1/2010, of 2 July, approving Spain's Joint Stock Companies (Consolidated) Act ("LSC"), pursuant to which any proposal concerning the compensation policy must be supported by a specific report of the ARC. Both the compensation policy and this report must be made available to shareholders on the Company's website as from the date of the notice of General Meeting. Shareholders may also request the delivery or free shipping thereof.

The Board of Directors' Compensation Policy which is submitted for approval to the General Meeting to be held on first call on 11 May 2022 is attached hereto as **Schedule 1**.

**2.- Appropriateness of the proposal.**

Submission to the General Meeting by the Board of Directors of a Compensation Policy proposal for the three-year period between 2023 and 2025 is appropriate in complying with the legal requirement pursuant to which listed companies must implement a directors' compensation policy approved by the General Meeting, which shall be applicable for maximum period of three years and must comply with the compensation system set forth by the by-laws. Any compensation received by directors during the three financial years following that in which the compensation policy was approved must comply with said compensation policy.

**3.- Details of the policy and justification thereof.**

<u>3.1. Purpose and objective of the compensation policy.</u>

The Compensation Policy submitted intends to achieve the following objectives:

- The compensation paid to directors should be in reasonable proportion to the importance of the Company, its financial condition at any given time and the market standards of comparable companies, both domestically and internationally.

  This principle has led to an increase in the remuneration received by directors in their capacity as such with respect to the compensation established under the previous policy, as the previous remunerations were fixed for a Company with a lower market capitalization (EUR 303 million against the current EUR 800 million), revenues of EUR 55 million compared with the current a EUR 240 million and an EBIDTA of EUR 22 million against the current EUR 41 million. In addition, to fix these new compensation packages payable to directors in their capacity as such, the remuneration received by directors in companies with a similar market capitalisation and, additionally, in other companies in the same sector, was taken into account. It may therefore be considered that the market standards of comparable companies have been taken into account at all times. In any event, the compensations proposed have been taken from the lower part of the bracket determined by market standards.

- Promoting profitability for Grenergy and its shareholders and the long-term sustainability of the Company, while taking the necessary precautions to discourage excessive risk-taking and the reward of unfavourable outcomes.

  These principles are promoted by establishing criteria for fixing the variable pay of executive directors and of the directors of the Company as a whole. Accordingly:

  - The search for profitability in business is promoted by establishing the objective of obtaining a specific EBITDA in the Company.
  - Long-term sustainability is promoted by establishing the objective of reaching the outcomes set forth in the ESG criteria and a certain pipeline in the Company that takes short, medium and long-term evolutions into account.
  - Precautions are also encouraged to discourage excessive risk-taking, by fixing the objective of achieving a specific EBITDA-to-debt ratio.

- The compensations paid should be appropriate to attract and retain directors with the desired profile and to reward the dedication, qualification and responsibility required for the position, without compromising the independent judgement of directors.

  The increase in the directors' compensation brought about by this policy with respect to the previous compensation policy, prior to the modification whose approval is proposed at the same Meeting to which the Compensation Policy is submitted, is meant to achieve these objectives.

<u>3.2 Maximum amount.</u>

The maximum amount of the annual overall compensation payable to directors as a whole for the first year of implementation, including both executive and external directors, shall be EUR 600,000. This amount has been fixed having regard to the current number of directors (i.e., eight directors in total, including one executive director, four independent ones and three shareholding directors). If, during the term of this Compensation Policy, new directors are added to the Board, this amount could be increased by 50% if an executive director is appointed, or by 8% if an independent or shareholding director is appointed.

All the amounts specified in this policy are valid for the first year of application thereof, i.e., for 2023. However, these amounts will be adjusted on a yearly basis in accordance with the year-to-year variation of the retail price index, as from December 2022.

This Compensation Policy includes the maximum amount of the annual remuneration to be paid to directors as a whole in respect of each of their compensation items, with the sole exception of the remuneration paid through the executive directors' participation in the stock option plan, as the amount received thereunder depends on the evolution of the price of the shares, even if the configuration parameters of this Plan are actually predetermined. In any event, the allocation to the executive director of stock options shall require a specific resolution from the General Meeting of Shareholders.

### 3.3. General structure of the compensation system.

The policy makes a distinction between the compensation payable to executive directors and that payable to external or non-executive directors. Executive directors are only compensated for their executive duties, but not for their mere capacity as directors.

The compensation payable to executive directors, i.e., for the performance of their executive duties, shall consist of a fixed amount, a variable amount and participation in the Company's Stock Option Plan. Both the fixed and the variable amount shall be paid in cash. However, at the option of the executive director, an amount not exceeding 15% of this fixed compensation may be paid in kind, through the use of a car. The variable compensation, which shall not exceed 150% of the fixed compensation, shall be determined having regard to the achievement of two different types of objectives, based on the principle of obtaining a profitability that is consistent with the business, the long-term sustainability of the Company and the taking of the precautions required to discourage excessive risk-taking and the reward of unfavourable outcomes.

The compensation paid to external or non-executive directors shall be fixed and paid partly in cash and partly in shares in Grenergy. It is based on a basic cash amount for their duties as directors, and also includes supplements for being members of committees of the Board or chairpersons thereof, or for performing coordinator director duties. After year-end, the director shall receive, in addition to his/her cash compensation, a number of fully paid-up shares whose value shall be equal to a percentage (15%) of his/her compensation.

### 3.4. Breakdown of compensation items.

#### *3.4.1. Compensation payable to executive directors.*

The Board of Directors, acting on a report from the ARC, is competent to determine the specific compensation of directors for the performance of their executive duties, as well as the terms and conditions of their contracts with the Company, in accordance with the provisions of section 249.3 of the Joint Stock Companies' Act and the directors' Compensation Policy approved by the General Meeting.

The compensation payable to executive directors shall consist of a fixed amount, a variable amount and participation in the Stock Options Plan approved by the Board of Directors for directors, employees or collaborators of the Company.

(i) Fixed compensation. The maximum annual fixed compensation paid to a director for performing his/her executive duties shall be determined having regard to the compensation paid by comparable companies for similar positions. Both fixed and variable compensations are paid in cash. However, at the option of the executive director, an amount not exceeding 15% of this fixed compensation may be paid in kind, through the use of a car.

(ii) Variable compensation. The annual variable compensation paid to directors for performing their executive duties shall be a cash amount not exceeding 150% of their annual fixed gross salary, which shall be linked to the achievement of two types of objectives:

a) Corporate operational and financial objectives fixed by the Board of Directors in connection with the Business Plan, including the four following ones:

   (1) the EBITDA set forth in the business plan.
   (2) Compliance with debt ratios.
   (3) Compliance with the pipeline set forth in the business plan.
   (4) Compliance with the ESG action plan for that year.

b) Specific objectives for the executive director. The managing director position has no specific objectives attached, as the Company considers the objectives of this position correspond to those of the Company as a whole.

The specific variable compensation or the stock option consolidation shall be determined by the Board of Directors after drawing up the annual accounts for the financial year in respect of which such compensation is paid. Before such determination is made, the Audit Committee shall assess achievement of the objectives set forth in sections (ii) a) (1), (2) and (3) above, which apply both to the variable compensation and to the consolidation of the options granted, and the ARC shall assess achievement of the remaining objectives before issuing a favourable report to recognise the variable compensations and the consolidation of the relevant options. However, the Board of Directors may decide not to pay the variable compensation or the option consolidation, even if the objectives are achieved, in the following circumstances:

- If the Group's consolidated accounts show a loss or an unexpected reduction of profits,
- If the relevant Director infringes the Company's Code of Conduct,
- If the Director is subject to criminal charges or to investigation in criminal proceedings, or
- Situation of risk of insolvency for the Company.

(iii) Participation in the stock option plan. Executive directors may participate in the incentive plan (i.e., the stock option plan) approved by the Board of Directors for employees and collaborators of the Company. More specifically, they may be given the option to purchase, in accordance with rules of the stock option plan, a number of shares whose aggregate value does not exceed 300% of their fixed annual compensation at the time of granting the option.

In practice, the executive director shall be granted an option to purchase a specific number of shares. Every year, the beneficiary shall be entitled to consolidate up to 25% of the options granted. The consolidation shall be determined by the ARC having regard to the achievement by the beneficiary of the objectives fixed for accrual of the variable compensation.

The beneficiary may exercise the option on the consolidated shares between two and five years after the time of granting of the option. Consequently, the only period of retention of consolidated shares is one year after the first consolidation (25%), which takes place after the first year, as the beneficiary may only exercise the option over said consolidated options after expiry of a two-year period following the date of granting.

The option exercise price, to be fixed at the time of granting of the option by the Company, shall be comprised between the market price of the share at the close of the trading session preceding the date of granting and the average market share price during the ninety trading sessions preceding the date of granting of the option.

The option may only be exercised if the beneficiary remains in the Company. The stock option plan regulates the usual exceptions to this rule (dismissal, retirement, decease or incapacity of the beneficiary).

(iv) Terms of the contracts to be signed with executive directors. In no event shall these contracts stipulate any severance pay that exceeds the amount that would be payable to them had they been employed under an ordinary permanent contract, with a maximum of two years' compensation (without ever taking into account the executive director's participation in the stock option plan). In addition, any severance pay shall only be paid after the Company has been able to verify that the director has met all pre-determined performance criteria.

The contracts signed with executive directors shall be permanent and, in general, shall establish an exclusivity clause, without prejudice to any other activities authorised in the best interest of the Group or any other activities, such as the administration of their personal wealth or responsibilities in their own businesses, in family companies or in companies belonging to the Company's group, provided that such activities do not hinder compliance with the duty of care and loyalty that is inherent to their position or imply any kind of conflict with the Company. These contracts do not contain any post-contractual non-compete clause. However, this type of clause may be established if new executive directors are added to the Board, in which case the compensation paid in consideration of this clause shall be up to 75% of the fixed annual remuneration payable during the non-compete period.

The contracts signed with executive directors shall contain a clause allowing the Company to demand repayment of the variable items of the compensation where payment thereof was not consistent with the director's performance conditions or if such variable items were paid taking into account data whose inaccuracy was subsequently established (clawback clause) during the three-year period following recognition of the relevant variable compensation.

The contracts shall provide for a six months' prior notice both for termination of employment by the Executive Director and for termination of employment by the Company.

*3.4.2. Compensation payable to external or non-executive directors.*

The compensation payable to non-executive directors consists of a fixed annual sum made up of the following items:

(i) Cash amount. An annual cash amount to be established by the Board of Directors having regard to the functions and responsibilities given to each of the directors as members of the Board's committees, as chairpersons thereof or as coordinator directors. The following items are considered:

a) A maximum fixed gross annual cash amount of EUR 34,000 to each member of the Board of Directors who is a non-executive director.

b) An additional fixed annual amount is established for members of any Board of Directors' committees. A yearly amount of EUR 6,500 is payable to each member of a committee, with an additional amount of EUR 3,000 being payable to the chairpersons.

c) In addition, if a coordinator director is appointed, he/she shall be entitled to an additional compensation amounting to EUR 3,000.

(ii) Compensation in kind. This compensation takes the form of shares in the Company, by the delivery of the number of paid-up shares that may be purchased with an amount equal to 15% of the fixed cash compensation to be received by each director in respect of that financial year. The delivery shall take place in the month following financial year-end, and the price of the shares to be taken into account shall be the average price of the shares in the last 90 trading sessions of the financial year.

In any event, directors are required to retain the shares until they cease to act as such, unless they need to dispose thereof to pay the costs relating to their acquisition.

3.4.3. Provisions applicable to all directors.

(i) Compensation payable for secretarial functions within the Board of Directors. Any director who also acts as secretary of the Board (or the professional company of which he/she is part) shall be entitled to receive an annual amount of EUR 40,000 in consideration of said secretarial services. This annual amount will absorb the compensation he/she may receive as director up to a maximum sum of EUR 22,000. Both the compensation received by directors in their capacity as such and the sum received for their secretarial services are included in the maximum amount provided for in section 5.1 of the Compensation Policy.

(ii) Social security benefits. Directors shall not be beneficiaries of social security systems other than those to which they are entitled by law, with the Company or the director being required to pay the relevant contribution, as determined by law.

(iii) Liability insurance. The Company may take out directors' and officers' liability insurance, with a premium that may not exceed EUR 50,000.

3.4.4. Compensation policy applicable to new directors.

The provisions of this Compensation Policy shall apply to any directors that are appointed in the future, insofar as it continues to be in force.

**4.- Considerations regarding this Compensation Policy.**

The ARC finds that the Compensation Policy submitted, and for which approval of the Meeting is sought, complies with all requirements established by law and the By-laws, and with the Regulations of the Company's Board of Directors.

This Policy is in line with the long-term business strategy and with the interests and sustainability approach of the Company, firstly because of the moderate nature of the remunerations paid, in the lower part of the bracket of compensations paid in comparable companies, both in terms of market capitalisation and of the sector in which the Company operates; and secondly, because the Policy establishes, in respect of executive directors, a variable compensation and a compensation in the form of a stock option plan, with accrual criteria that include the fixing of objectives, such as the debt ratio – which are meant to discourage excessive risk-taking –, the existence of a specific pipeline – which also provides for long-term developments – and compliance with the ESG plan.

When it came to fixing the conditions of the compensation packages, the remuneration and employment conditions of the Company´s workers have been taken into account, as it has been decided that the remuneration payable to executive directors shall not exceed more than 6 times the average compensation paid to the personnel, and that payable to non-executive directors shall not exceed more than 1.5 times said average remuneration of the personnel.

The Compensation Policy provides information on any period of deferral and the possibility granted to the Company to demand repayment of the variable compensation (clawback clause), accrual periods and the periods during which the shares must be retained after consolidation, the term of the contracts or agreements with directors, any applicable prior notice periods, the main characteristics of any complementary pension or early retirement systems, the termination conditions and the payments related thereto.

It also explains the decision-making process that has been followed for determination, review and implementation thereof, including any measures aimed at avoiding or managing any interest conflicts and, where appropriate, the functions of the ARC and of any other committee that may have been involved in the process.

In addition, the ARC finds that the Compensation Policy serves the purposes or objectives set forth in section 3.1. of this report.

5 April 2022