



## **REPORT ON THE FUNCTIONING OF GREENERGY RENOVABLES S.A.'S APPOINTMENTS AND REMUNERATION COMMITTEE IN FINANCIAL YEAR 2019**

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During financial year 2019, there was a significant change in the functions and the composition of the Appointments and Remuneration Committee of the Greenergy Renovables S.A. group.

Greenergy Renovables, S.A. became a listed company on 16 December 2019. Up to that date, its shares were traded on the Alternative Stock Exchange – Expanding Companies segment. As the Company was not required to have two different committees, one for Audit and Control and another one for Appointments and Remunerations, as this requirement only applies to listed companies, Greenergy Renovables S.A. had one single committee, called Audit, Control, Appointments and Remuneration Committee, which was in place until 15 November 2019. As from this date, when the Company started the procedure to have its shares admitted for trading on the Stock Exchange, the Board of Directors set up two separate committees: the Audit Committee and the Appointments and Remuneration Committee.

Therefore, this report concerns the activities of the Audit, Control, Appointments and Remuneration Committee as regards appointments and remunerations up to 15 November 2019, and the activities of the new Appointments and Remuneration Committee after that date.

### **COMPOSITION**

The Audit, Control, Appointments and Remuneration Committee of the Greenergy group was set up by resolution of the Company's Board of Directors of 26 July 2016 and consisted of three members:

- Ms. Ana Peralta Moreno, independent, Chairwoman of the Committee.
- Daruan Group Holding S.L. represented by Mr. Antonio Francisco Jiménez Alarcón, shareholding director, member of the Committee.
- Mr. Nicolás Bergareche Mendoza, independent director, member and Secretary of the Committee.

Since 15 November 2019, when the Audit, Control, Appointments and Remuneration Committee was divided into two committees, the Appointments and Remuneration Committee has been made up of the following members:

- Ms. Rocío Hortigüela, independent director, Chairwoman of the Committee
- Mr. Nicolás Bergareche, independent director, member
- Ms. Ana Peralta, independent director, member

The Secretary of the new Appointments and Remuneration Committee is Mr. Florentino Vicancos Gasset, who is also a member and the Secretary of the Board of Directors.

Overall, the members of the Appointments and Remuneration Committee have the relevant technical knowledge, the professional experience and the dedication required to perform their duties.

## **DUTIES AND FUNCTIONING**

The Audit, Control, Appointments and Remuneration Committee, which was in place until 15 November 2019, was governed by the operating rules approved by the Board of Directors at its meeting held on 3 November 2016. Its overall goal was to give advice to the Board of Directors and to watch over any issues concerning audit functions, corporate governance and internal control systems and risks, the preparation of financial information and communication thereof to third parties, appointments of directors and members of the management team and remuneration policies.

Since 15 November 2019, the Appointments and Remuneration Committee has been governed by the Regulations of Greenergy Renovables, S.A.'s Board of Directors, as approved on that date and, more specifically, by sections 29 and 31 of Chapter Two, on Board Committees.

To sum up, notwithstanding all the functions assigned to the Appointments and Remuneration Committee by virtue of law or the By-laws, its main responsibilities are specified below:

1. In connection with the composition of the Board of Directors and the appointment of directors:
  - a. To evaluate the abilities, knowledge and experience required from members of the Board, as well as the adequate composition of the Board and of Board committees.
  - b. To propose to the Board of Directors a policy for selecting directors with a diversity approach, and ensure that the policy is complied with.
  - c. To submit to the Board of Directors all proposals for the appointment, re-election or removal of independent directors, and inform the Board about any proposals for the appointment, re-election or removal of the remaining directors.
2. To propose to the Board of Directors the policy concerning the compensation payable to the Company's directors and top managers, and ensure that the remuneration policy established by the Company is complied with.
3. To organise and coordinate the regular assessment of the Board.
4. To monitor compliance with corporate governance rules, while periodically assessing the appropriateness of the Company's corporate governance system.

## **ACTIVITIES OF THE COMMITTEE DURING FINANCIAL YEAR 2019**

What follows is a summary of the activities carried out by the Audit, Control, Appointments and Remuneration Committee in terms of appointments and remunerations, and of the Appointments and Remuneration Committee (after 15 November 2019) for financial year 2019.

The Audit, Control, Appointments and Remuneration Committee held a total number of 6 meetings throughout financial year 2019.

The Appointments and Remuneration Committee held two meetings in financial year 2019.

## **Main activities of the Appointments and Remuneration Committee in financial year 2019**

### 1.- In connection with the composition of the board and the appointment of directors

After the review carried out in late 2018 to determine the adaptations that had to be put into place in terms of corporate governance, among other fields, for the company to become listed, the Committee proposed to the Board of Directors a number of changes in the composition of the Board of Directors and its committees and the appointment of a new independent director.

The Committee analysed the abilities, the experience and the knowledge required from Board members as a whole, having regard to situation of the Board at that time and its foreseeable future evolution, as well as the relevant considerations in terms of diversity. In this respect, it was deemed expedient for the new director to have relevant experience in the energy sector, and also to appoint a female director, so as to increase diversity within the Board.

The Committee led the process to find and select candidates to fill the new vacancy. The ideal appointee had to match the required profile and also meet such criteria established in terms of good repute, independence of judgement and dedication as any independent director should fulfil. This process, which involved contacting a number of professionals from the energy sector and seeking the assistance of a human resources consultant, ended with the appointment of Ms. Rocío Hortigüela as independent director of Grenergy Renovables, S.A..

In addition, the Committee reviewed the ideal composition of Board committees, including both the Audit Committee and the Appointments and Remuneration Committee, and proposed to the Board the name of the directors that should take part therein, as well as the duties they should perform as members thereof.

The Committee further informed the Board about the re-election of the directors whose term of office expired in 2019, in order to submit to the General Meeting of Shareholders the relevant re-election proposal.

The Committee proposed to the Board of Directors the director selection procedure that is currently in force.

### 2.- In connection with the remuneration policy for directors and top managers

In financial year 2019, the Committee reviewed and approved the accrual and payment of the variable compensation of the Chief Executive Officer and the General Manager under the 2018 Business Plan.

The Committee reviewed the Company's organisational structure and the composition of its management team, as well as the rate of variable compensation that each director was entitled to at that time.

The Committee reviewed and proposed to the Board of Directors the current remuneration policy for Grenergy Renovables, S.A.'s directors, with the corresponding positive report. In addition, it reviewed the proper adaptation of directors' contracts to the Remuneration Policy.

It also analysed and discussed a draft remuneration policy applicable to top managers.

The Committee monitored compliance with the stock option plan available to the Company's top managers in 2019 and informed the Board about the new long-term incentive plan, the Company's Stock Option Plan for financial years 2019-2023.

As regards the activities carried out in 2019 in connection with the assessment of the Board and of the Company's corporate governance, they are described in the Audit Committee's report.

## **CONCLUSION**

The Committee understands that it has faithfully and duly fulfilled all obligations or recommendations imposed upon it or set forth by commercial law or by the Company's Code of Good Governance.