



## **REPORT ON THE FUNCTIONING OF THE AUDIT COMMITTEE OF GREENERGY RENOVABLES S.A.'S BOARD OF DIRECTORS**

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### **I.- INTRODUCTION**

In accordance with the provisions of Recommendation 6 of the Code of Good Governance for Listed Companies, of section 79 of the Technical Guide of the *Comisión Nacional del Mercado de Valores* regarding Audit Committees of Public-Interest Entities, and of article 30 of the Board of Director's Regulations approved by GREENERGY RENOVABLES S.A. (hereinafter, GREENERGY or the Company), this Report on the Functioning of the Audit Committee has been drawn in respect of financial year 2020.

### **II.- REGULATION OF THE COMMITTEE.**

The current Audit Committee was set up by means of a resolution approved by the Board of Directors on 15 November 2019, prior to the date on which GREENERGY became a listed company, in December 2019. Previously, and since 2016, there had been an Audit, Control, Appointments and Remuneration Committee, which combined the functions of an Audit Committee and those of an Appointments and Remuneration Committee.

GREENERGY's Audit Committee is governed by the provisions of article 27 of the Company's By-Laws and of article 30 of the Board of Directors' Regulations.

GREENERGY's corporate rules, including those referred to in the preceding paragraph, are published on the Company's corporate website, and may be accessed through the following link: <https://greenergy.eu/normas-corporativas/>

### **III.- COMPOSITION OF THE AUDIT COMMITTEE.**

Pursuant to article 27 of the By-Laws, the Audit Committee consists of three directors appointed by the Board of Directors, and all of them must be non-executive directors. The Chairperson of the Committee must be an independent director. At least one of the members of the Committee must be appointed having regard to his/her knowledge and experience in the field of accounting, audit or both and, in general terms, the members of the Audit Committee must have technical knowledge in connection with the Company's business activities. Article 30 of the Board of Directors' Regulations fixes at five the maximum number of members of the Committee and establishes that a majority of them must be independent.

As of 31 December 2020, the composition of the Audit Committee (which has not been modified since then and up to the date of this report ) is as follows:

Director	Category	Type of director	Date of first appointment as director	Date of appointment as member of the Committee
Ms. Ana Peralta Moreno	Chairperson	Independent	27-06-2016	15.11.2019
Mr. Nicolás Bergareche Mendoza	Member	Independent	27-06-2016	15.11.2019
Ms. Rocío Hortigüela Esturillo	Member	Independent	15-11-2019	15.11.2019

The professional profiles of these directors may be accessed on the corporate website, through the following link: <https://grenergy.eu/organos-de-gobierno/>

The Secretary of the Audit Committee is Mr. Florentino Vicancos Gasset, who is also the Advisory Secretary of GREENERGY's Board of Directors.

#### **IV. FUNCTIONS AND TASKS PERFORMED BY THE COMMITTEE.**

The functions and responsibilities entrusted to the Audit Committee are set forth by article 30 of the Board of Directors' Regulations. Without prejudice to any other task that may be entrusted to the Committee by the Board of Directors, the Board of Directors' Regulations, as they were drafted until 15 December 2020, date on which they were amended, entrusted the following functions to the Committee:

1. To inform the General Meeting of Shareholders of any issues raised by shareholders in connection with such matters as fall within the Committee's scope of competence, particularly of the outcome of the audit, by explaining how the audit contributed to the integrity of financial information, as well as the functions performed by the Committee during this process.
2. To monitor the efficiency of the Company's internal control procedures, internal audit and risk management systems, as well as to discuss with the auditor any significant weaknesses of the internal control system detected while conducting the audit, without ever impairing its independence. To this end, it may submit recommendations or proposals to the Board of Directors.
3. To submit to the Board, for approval purposes, a report on the control and risk management policy.
4. To directly oversee the internal control and risk management function performed by an internal authority or department of the Company, to which the following functions will be entrusted: (i) to ensure that all control and risk management systems operate properly and, more particularly, that all significant risks affecting the Company are adequately identified, managed and quantified; (ii) to actively participate in designing the risk strategy and making major decisions regarding the management thereof; and (iii) to ensure that control and risk management systems adequately mitigate the risks within the framework of the policies defined by the Board of Directors.

5. To monitor the process implemented in preparing and presenting financial information and the management report, including, when appropriate, any mandatory non-financial information, and to submit recommendations or proposals to the Board of Directors, with the aim of safeguarding the integrity thereof.
6. To oversee, should the Board of Directors decide to set it up, the unit performing internal audit functions and ensure the proper functioning of information and internal control systems, while functionally reporting to the non-executive Chairperson of the Board or of the Audit Committee. The person in charge of this unit, with responsibility for internal audit functions, will submit his/her annual work Schedule to the Audit Committee and will directly inform the latter of any incidents observed while performing his/her tasks, with the obligation to submit an activity report at the end of each financial year.
7. In connection with information and internal control systems: (i) oversee the preparation process and monitor the integrity of the financial information regarding the Company and, if appropriate, its Group, by reviewing compliance with legal requirements, the proper delimitation of the scope of consolidation and the right application of accounting criteria; (ii) ensure the independence and efficiency of the internal audit function, while proposing, if deemed expedient, the selection, appointment, re-election and removal the person in charge of internal audit, and propose the Budget for this department, approve the orientation of its work plans, while ensuring that its activity is mainly focused on the Company's major risks, receive periodic information on its activities and ensure that top managers take into account the conclusions and recommendation stated in its reports; and (iii) set up and monitor a mechanism allowing employees to report, on a confidential basis and, if possible and deemed appropriate, anonymously ,any irregularities observed within the Company that might have significant consequences, mainly of financial or accounting nature.
8. Become a communication channel between the Board of Directors and the external auditor of the Company, assessing the results of each audit, with these additional responsibilities in respect of the external auditor: (i) to submit to the Board of Directors any proposals concerning the selection, appointment, re-election and replacement of the auditor, taking all responsibility for the selection process in accordance with applicable regulations, as well as for recruitment conditions; (ii) to regularly collect from the auditor relevant information on the audit plan and the implementation thereof; (iii) and to ensure the independence of the external auditor while performing its duties.

In addition, the Audit Committee is responsible for: (i) in the event of resignation of the external auditor, examining the reasons therefor; (ii) ensuring that the remuneration payable to the external auditor for its work does not impair its integrity or Independence; (iii) ensuring that the Company reports to the *Comisión Nacional del Mercado de Valores* (CNMV), as a relevant fact, the appointment of a new auditor, with a statement on the potential existence of disagreements with the outgoing auditor and, in the event of disagreements, the reasons therefor; and (iv) ensuring that the Company and the external auditor comply with the regulations in force concerning provision of services other than auditing, with the limits to the concentration of the auditor's tasks and, more generally, with any other rules on the independence of auditors.

9. Set up relevant relationships with the external auditor to receive information on any issues that may pose a threat to its independence, for review by the Committee, and any other matters related to the conduct of the account auditing process and, where appropriate, the authorisation for services other than those that are restricted, according to applicable regulations regarding the independence regime, as well as any other communications provided for in accounting or auditing rules and regulations. In any event, the Committee must receive from external auditors, on a yearly basis, their statement of independence with respect to the Company or any companies directly or indirectly related thereto, as well as detailed, specific information on any ancillary services provided and the corresponding fees collected from these companies by the external auditor or any companies related to the latter, in accordance with the regulations concerning the account auditing activity.
10. On a yearly basis, prior to delivery of the audit report, issue a report containing an opinion about whether or not the independence of the account auditors or audit companies is impaired. This report must contain, in any event, a reasoned assessment of the provision of each of the ancillary services referred to in the preceding paragraph, individually considered and examined as a whole, other than those related to legal audit and in connection with the regime of independence or with the regulations concerning the account auditing activity.
11. On a preliminary basis, inform the Board of Directors of any matters established by law, the By-Laws and the Regulations, including the following:
  - a) The financial information the Company is required to make public on a regular basis;
  - b) The creation or acquisition of stakes in special-purpose entities or in companies having their registered office in countries or territories considered as tax havens; and
  - c) Transactions with related parties.
12. Ensure compliance with the rules contained in codes of internal conduct and with the corporate social responsibility policy.

To this end, the Audit Committee will have the following minimum duties: (i) monitoring compliance with codes of internal conduct; (ii) assessing all aspects related to the non-financial risks of the Company, including operating, technological, legal, social, environmental, political and reputational risks; and (iii) coordinating the process for reporting non-financial and diversity information, in accordance with applicable regulations and generally accepted international standards.
13. Analyse and submit a report to the Board of Directors regarding economic conditions and accounting impact and, more specifically, the exchange ratio proposed and any operations involving structural and corporate changes the Company might be planning to implement.

14. Deliver reports and proposals within its scope of competence that may be requested by the Board of Directors or its Chairperson, and those it may find expedient to deliver in performing its duties more effectively, mainly reports on proposed modifications of these Regulations.
15. Submit to the Board of Directors such additional issues it may deem expedient within its scope of competence.

On 15 December 2020, the Board agreed to modify the Board of Directors' Regulations with the purpose of adapting the same to the new Code of Good Government, as amended by the CNMV in June 2020. More specifically, the Board:

- i. Modified Function 4 to specify that, in connection with control and risk management systems, they should be based on different levels of risk, and that those risks must be both financial and non-financial (with non-financial risks including operating, technological, legal, social, environmental, political and reputational risks, and those related to corruption issues).
- ii. Modified Function 6 to specify that the annual internal audit plan would have to be submitted for approval to the Committee, and that reputational risks should be taken into account.
- iii. Modified Function 7 to specify that it is for the Audit Committee to oversee not only financial, but also non-financial information, and that the information concerning the risks should cover those specified in paragraph i above.
- iv. The following functions are included:
  - a. To provide information in connection with the business relationships established by the Company or its subsidiaries with its dominant (or parent) company or its subsidiaries, while ensuring that the latter are publicly informed of any relevant issues, or at least through the Annu Corporate Governance Report.
  - b. To ensure that internal control policies and systems are being effectively implemented.
  - c. To oversee the application of general policies concerning the communication of economic or financial, non-financial and corporate information, as well as communications with shareholders and investors, vote advisers and other stakeholders. In addition, the manner in which the Company communicates and entertains relationships with small and middle-sized shareholders is also monitored.

Chapter VI of this Report describes the most significant activities carried out by the Committee throughout financial year 2020, within the framework of the functions and tasks referred to above.

## **V. MEETINGS HELD BY THE COMMITTEE AND ATTENDEES.**

In accordance with the agenda it finally approved on 24 March 2020, this Committee held the following meetings in financial year 2020:

- 17 January 2020
- 21 February 2020
- 26 February 2020
- 24 March 2020
- 14 May 2020
- 16 June 2020
- 22 July 2020
- 25 September 2020
- 10 November 2020
- 23 December 2020

The meetings are planned by the Chairwoman of the Audit Committee in accordance with an agenda agreed upon during the first quarter of the year by all directors, having regard to the planning of the Board of Directors, the presentation of results and other relevant issues that affect the Company's functioning.

On average, the approximate length of the meetings was between two and three hours each, with each of the members of the Committee being required to devote a number of hours to reviewing and analysing the issues to be dealt with.

Attendance control is carried out at the beginning of every meeting, and attendees are specified in the relevant minutes. All the members of the Committee have always attended its meetings, with the only exception of the meeting held on 21 February 2020, where one of its members was absent, but was represented by another director. In addition, four out of ten of these meetings were also attended, upon request, by the partner and the company in charge of external audit (Ernst & Young S.L.). In addition, all the meetings were attended, to review relevant matters, Grenergy's head of consolation and internal auditor, while the Company's Financial Director attended nine meetings, the head of the compliance unit attended three, the managing director attended one, while some of them were attended by managers from human resources and relationships with investors departments and by the head of the services division.

At all the meetings of the Audit Committee, the different questions submitted to its consideration and, as the case may be, decision, are thoroughly examined.

The discussions of the Committee, as well as its resolutions and decisions, are duly recorded in the minutes for each meeting.

In addition, as regards the rules governing the constitution and the adoption of resolutions within the Audit Committee, the Committee may adopt valid resolutions if its meeting is attended, in person or by means of a representative, by at least half of its members, and its resolutions are adopted by majority of votes. In the event of a tie, the Chairperson holds the casting vote.

Finally, as indicated above, the relationships between the Audit Committee and the Board of Directors of the Company are based on the principle of full transparency. In this respect, the Chairwoman of the Committee informs the Board of Directors, at each of their meetings, of the main matters dealt with and on the activities and works performed by the Committee, while proposing to the Board of Directors of the Company, whenever required, the adoption of any relevant resolutions.

## **VI. SIGNIFICANT ACTIVITIES PERFORMED BY THE COMMITTEE.**

At its meetings, the Audit Committee deals with issues related to legal requirements and the recommendations contained in the Code of Good Governance, but also with matters deemed of interest and falling within its scope of competence. The main activities carried out by the Committee throughout financial year 2020 in respect of GREENERGY are summarised below:

### **Financial and Non-Financial information.**

#### *1.- Review of the Company's annual accounts and periodical financial reports.*

The Audit Committee has reviewed and examined the process of preparation of the Company's financial reports. More specifically, the Committee reviewed and discussed the following aspects:

- In connection with individual annual accounts, consolidated annual accounts and management reports for financial year 2019 in respect of GREENERGY and companies in its consolidated group, all aspects concerning the preparation process in respect of the accounting principles applied;
- In connection with quarterly financial reports (first and third quarters) and bi-annual reports (first half-year) for financial year 2020 in respect of the GREENERGY group, the Committee performed its duties as required.

#### *2.- Other financial and non-financial matters.*

- Asset impairment analysis, through the relevant impairment test.
- Monitoring of the indebtedness ratio in complying with the covenants resulting from any issue of corporate debentures of the Company.
- Monitoring of the Company's movements in purchasing treasury stock.
- Monitoring of the situation of GREENERGY's special-purpose entities.

### **In connection with related-party transactions**

The Committee reviewed related-party transactions for financial year ended 31 December 2019 and submitted the corresponding report to the General Meeting.

## **External auditor.**

### *1.- In connection with financial statements.*

The Audit Committee monitored auditing work and received the conclusions concerning the same, as regards the auditing of GREENERGY's and its group of companies' individual annual accounts and consolidated annual accounts for financial year ended 31 December 2019. It also monitored the limited review of consolidated financial statements of GREENERGY's Group of Companies for the first half-year of 2020. In addition, it planned audit work in respect of individual and consolidated annual accounts for financial year ended 31 December 2020.

### *2.- External auditor fees.*

The Committee was informed of the fees paid to the auditor for its auditing work in respect of annual accounts for financial year ended 32 December 2019 and for its limited review report concerning the consolidated financial statements of GREENERGY's Group of Companies in respect of the first half-year of 2020.

### *3.- Authorisation in respect of other services provided by the auditor other than audit work.*

The Committee has given its authorisation to contract with the Auditor for ancillary services other than audit work. More specifically, the Auditor provided advisory services in connection with the preparation of the Company's first ESG report and with the update of the executive report delivered in 2019 by the external auditor in Colombia, regarding tax-related regulations in this country.

### *4.- Report on the independence of the external auditor.*

In accordance with the provisions of subsection 4 of section 529.4 of the Joint Stock Companies (Consolidated) Act, after the communication of the external auditor in connection with the auditing of individual and consolidated annual accounts for financial year ended 31 December 2019 regarding its statement of independence, the Committee, at its meeting held on 26 February 2020, delivered its report on the independence of said external auditor, highlighting, among other things, the services provided by Ernst & Young S.L. and its related companies to the Company and its related companies, directly or indirectly, in addition to actual auditing services, during the period covered by the annual accounts for financial year ended 31 December 2019, as well as the corresponding fees.

### *5.- Recommendations by the external auditor.*

The Audit Committee has received the auditor's recommendations regarding the annual accounts, in respect both of the auditing work for GREENERGY's and its Group of Companies' individual and consolidated annual accounts for financial year ended 31 December 2019, and of the limited review of the consolidated financial statements of GREENERGY's Group of Companies for the first half-year of 2020, and has taken measures to ensure compliance therewith.

#### *6.- Assessment of the external auditor's performance.*

In accordance with the provisions of Section 71 of the Technical Guide 3/2017 of the *Comisión Nacional del Mercado de Valores* on Audit Committees of Public-Interest Entities, the Audit Committee analysed the results obtained when assessing the performance of the external auditor, Ernst & Young S.L., and how the latter has contributed to the quality of auditing and to the integrity of financial information.

#### **Internal audit, Risk management and Internal control.**

In respect of this matter, the Audit Committee performed the following tasks in 2020:

- Reviewed the internal control system concerning financial information and encouraged the contracting of specific work with external advisors in order to improve the internal control system for financial information.
- Promoted the approval of the risk map affecting GREENERGY and its Group of Companies.
- Reviewed the Company's tax-related strategies.

#### **Compliance.**

In respect of this matter, the Audit Committee performed the following tasks in 2020:

- Periodically received information on the work carried out by the Compliance Unit.
- Reviewed the crime prevention system and the response system in respect thereof.
- Promoted training for the heads of compliance.
- Promoted the implementation of the Company's recruitment conditions.
- Monitored the complaints raised within the GREENERGY Group.

#### **In connection with supervision of corporate governance rules.**

As part of the supervision functions entrusted to the Committee in respect of compliance with corporate governance rules, the Audit Committee, at its meeting held on 26 February, reviewed and unanimously agreed to give a favourable opinion on the Annual Corporate Governance report for financial year 2019.

In addition, it reviewed the information displayed on the Company's website.

It monitored, until it was delivered with its favourable opinion, for approval by the Board, GREENERGY's ESG Policy.

### **Other issues of interest analysed by the Audit and Control Committee.**

Within the framework of its duties, the Audit Committee performed the following tasks on other issues of interest during financial year 2020:

- Determination of the level of compliance with the Business Plan in fixing the compensation payable to executive directors and top managers.
- Preparation of the report on the functioning of the Audit Committee during financial year 2019.
- Self-assessment of the functioning of the Audit Committee itself, by approving the corresponding report with the relevant improvement plan.
- Approval of the Audit Committee's agenda for financial year 2021.

### **VII. ASSESSMENT OF THE COMMITTEE'S FUNCTIONING AND PERFORMANCE.**

In the last four months of 2020, the Audit Committee carried out an assessment of its own functioning, number, frequency and length of its meetings, relationship and communication with the external auditor, participation of its members, composition, documentation and treatment given to some of the issues falling within its scope of competence.

It may be inferred from this assessment that the Committee is adequately set up and operates smoothly, while correctly performing the duties it is responsible for. However, even if the results of the assessment were generally satisfactory, the following areas for improvement identified:

- Continued efforts will be made to ensure that all the documents concerning each meeting are delivered within the timelines established.
- To establish, among the conditions required when selecting the next director to be appointed, that he/she must have specific knowledge in accounting and audit matters.
- It is necessary to continue promoting actions leading towards the efficient implementation of the Internal Control System for Financial Information, of a compliance culture and of the ESG policy.

The Board has been informed by the Committee of the results of this assessment.

### **VIII. INFORMATION ON THE OPINION OF THE COMMITTEE REGARDING THE INDEPENDENCE OF THE ACCOUNT AUDITOR.**

As already stated above, in accordance with the provisions of subsection 4 of section 529.4 of the Joint Stock Companies (Consolidated) Act, after the communication of the external auditor in connection with the auditing of individual and consolidated annual accounts for financial year ended 31 December 2019 regarding its statement of independence, the Committee, at its meeting held on 26 February 2020, delivered its report on the independence of said external auditor, highlighting, among other things, the services provided by Ernst & Young S.L. and its

related companies to the Company and its related companies, directly or indirectly, in addition to actual auditing services, during the period covered by the annual accounts for financial year ended 31 December 2019, as well as the corresponding fees.

#### **IX. INFORMATION ON THE PRACTICAL GUIDES ON AUDIT COMMITTEES FOLLOWED BY THE COMMITTEE.**

GREENERGY's Audit Committee follows the Technical Guide on Audit Committees of Public-Interest Entities, as approved by the *Comisión Nacional del Mercado de Valores* (CNMV) on 27 June 2017.

#### **X. CONCLUSIONS.**

As highlighted above, throughout 2020 the Audit Committee reviewed and analysed the main issues and questions falling within its scope of competence, while periodically informing the Company's Board of the most significant matters considered.

For financial year 2021, the Audit Committee intends to continue reviewing and monitoring the situation of all matters falling within its scope of competence, in accordance with its meeting agenda, as approved in late 2020.

#### **XI. DATE OF DELIVERY AND APPROVAL OF THE REPORT.**

This report was delivered and approved by the Audit Committee on 22 January 2021 and approved by GREENERGY's Board of Directors on 29 January 2021.