



## **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 2021.

### **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 2021, the composition of the Audit Committee 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
Ms. Rocío Hortigüela Esturillo	Member	Independent	15-11-2019	15.11.2019
Ms. Teresa Quirós Álvarez	Member	Independent	29-06-2021	27-07-2021

Subsequently, and prior to delivery of this report, the director Mr. Antonio Francico Jiménez Alarcón has been appointed member of the Audit Committee.

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 26 May 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 expressly 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, and that the control and risk management model is based on different risk levels; (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 policy defined by the Board of Directors.

In any event, the risks referred to in the preceding paragraph include both financial and non-financial risks (with the latter comprising operational, technological, legal, social, environmental, political and reputational risks, as well as those related to corruption).

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 in charge of ensuring the proper functioning of information and internal control systems, while functionally reporting to the non-executive Chairperson of the Board or to the Audit Committee. The person in charge of this unit, with responsibility for internal audit functions, will submit his/her annual work plan to the Audit Committee for approval purposes, 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. The internal annual audit plan must include reputational risks.
7. In connection with information and internal control systems: (i) oversee the preparation process and monitor the integrity of the financial and non-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, while ensuring that the monitoring of risks comprises both financial and non-financial risks (with the latter including operational, technological, legal, social, environmental, political and reputational risks, as well as those related to corruption ); (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 by them 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 the following 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 such reports and proposals within its scope of competence as 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 to these Regulations.
  15. Report in any event on the business relationships established by the Company or its subsidiaries with their parent company or the latter's subsidiaries, while ensuring that those relationships are publicly disclosed, at least, in the Corporate Governance Annual Report.
  16. Ensure that all internal control policies and systems are effectively implemented.
  17. Oversee the implementation of the general policy concerning the disclosure of economic and financial, non-financial and corporate information, as well as the communication with shareholders and investors, voting advisors and other stakeholders. In addition, the manner in which the Company engages and communicates with small and medium shareholders is monitored as well.
  18. Submit to the Board of Directors such additional issues it may deem expedient within its scope of competence.

On 26 May 2021, the Board agreed to modify the Board of Directors' Regulations with the purpose of adapting the same to the provisions of Act 5/2021, of 12 April, amending Spain's Joint Stock Companies (Consolidated) Act, as approved by Royal Legislative Decree 1/2010, of 2 July, and other financial regulations, promoting the long-term involvement of shareholders in listed companies. More specifically, this modification implied adding a new section 18 (with the preceding section being renumbered as 19) with the following content:

- "18. Report on the related-party transactions that must be approved by the general meeting or the board of directors, while overseeing the internal procedure set up by the Company in respect of those whose approval has been delegated."

Chapter VI of this Report describes the most significant activities carried out by the Committee throughout financial year 2021, 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 23 December 2020, this Committee held the following meetings in financial year 2021:

- 22 January 2021
- 17 February 2021
- 22 February 2021
- 8 April 2021
- 7 May 2021
- 20 July 2021
- 16 September 2021
- 10 November 2021

The meetings are planned by the Chairwoman of the Audit Committee in accordance with an agenda agreed upon during the final 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 four 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, without exception.

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.). All the meetings were also attended, to review relevant matters, Grenergy's head of consolidation and internal auditor, as well as the Company's Financial Director; the head of the compliance unit attended two meetings, the managing director attended one, while some of them were attended by managers from the investor relations department and from the ESG department.

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 2021 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 2020 in respect of GREENERGY and companies in its consolidated group, all aspects concerning the preparation process and the accounting principles applied;
- In connection with quarterly financial reports (first and third quarters) and bi-annual reports (first half-year) for financial year 2021 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 debt 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 2020 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 both the auditing of GREENERGY's and its group of companies' individual annual accounts and consolidated annual accounts for financial year ended 31 December 2020, and the limited review of consolidated financial statements of GREENERGY's Group of Companies for the

first half-year of 2021. In addition, it planned audit work in respect of individual and consolidated annual accounts for financial year ended 31 December 2021.

*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 31 December 2021 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 2021.

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

The Committee has ensured the auditor's Independence and has authorised the provision of services other than audit work in accordance with the legal framework established.

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

In accordance with the provisions of subsection 4 of section 529.14 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 2020 regarding its statement of independence, the Committee, at its meeting held on 22 February 2021, 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 2020, as well as the corresponding fees.

*5.- 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 2021:

- Monitored the work carried out by external advisors to improve the internal control system regarding financial information, which resulted in the approval of the new internal control framework over financial reporting and the proposal for ratification by the Board of Directors.
- Updated the risk map concerning GREENERGY and its group of companies, as presented to the Board of Directors for discussion and approval purposes.
- Reviewed the Company's tax-related strategies.

- The Audit Committee promoted the hiring of an internal auditor with experience in this function.

#### **Compliance.**

In respect of this matter, the Audit Committee performed the following tasks in 2021:

- 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 the review of the Company's recruitment conditions.
- Monitored the complaints raised within the GREENERGY Group.
- Promoted the hiring of an external advisor to assess the current Compliance model and bring improvements thereto.

#### **In connection with the 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 22 February, reviewed and unanimously agreed to give a favourable opinion on the Annual Corporate Governance report for financial year 2020. In addition, it reviewed the reporting requirement established by the *Comisión Nacional del Mercado de Valores* in connection with the annual corporate governance report for financial year 2019.

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

#### **Functions concerning ESG**

In connection with ESG, the Audit Committee monitored, until it was delivered with its favourable opinion, for approval by the Board, GREENERGY's ESG report for financial year 2020.

#### **Other issues of interest reviewed 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 2021:

- Determination of the level of compliance with the Business Plan in fixing the compensation payable to executive directors and top managers
- Supervision of the Company's information disclosed in connection with the issuance of promissory notes registered with the Alternative Fixed-Income Market (MARF).
- Preparation of the report on the functioning of the Audit Committee during financial year 2020.

- Approval of the Audit Committee's agenda for financial year 2021.

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

The functioning of the Audit Committee was assessed within the framework of the assessment of the functioning of the Board of Directors, the Committees, the Chairperson, the Coordinator Director and the Secretary by an external expert: Parangón Partners.

The aforesaid assessment concerned the 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.

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 529.14 of the Joint Stock Companies (Consolidated) Act, after the communication made by the external auditor in connection with the auditing of individual and consolidated annual accounts for financial year ended 31 December 2020 regarding its statement of independence, the Committee, at its meeting held on 22 February 2021, 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 2020, 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 2021 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 2022, 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 2021.

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

This report was delivered and approved by the Audit Committee on 26 January 2022 and approved by GREENERGY's Board of Directors on 21 February 2022.