

## **REPORT ON THE FUNCTIONING OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF GREENERGY RENOVABLES S.A. FOR THE FINANCIAL YEAR 2022**

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### **I.- INTRODUCTION**

In accordance with the provisions of Recommendation 6 of the Good Governance Code of Listed Companies, section 79 of the Technical Guide of the National Securities Market Commission on Audit Committees of Public Interest Entities and article 30 of the Regulations of the Board of Directors of GREENERGY RENOVABLES S.A. (hereinafter GREENERGY or the Company), this report on the functioning of the Committee is prepared for the 2022 financial year.

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

The current Audit Committee was established by a decision of the Board of Directors dated 15 November 2019 prior to the Company's acquisition of listed company status in December 2019.

The GREENERGY Audit Committee is regulated in article 27 of the Company's Articles of Association and in article 30 of the Regulations of the Board of Directors.

GREENERGY's corporate rules, including the rules indicated in the previous paragraph, are published on the Company's corporate website at the following link: <https://greenergy.eu/normas-corporativas/>.

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

Pursuant to article 27 of the Articles of Association, the Audit Committee shall be composed of three directors appointed by the Board of Directors, all of whom must be non-executive directors. The Chairman of the Committee shall be an independent director. At least one of the members of the Committee shall be appointed with regard to his or her knowledge and experience in accounting and/or auditing and, as a whole, the members of the Audit Committee shall have the relevant expertise in relation to the sector of activity to which the Company belongs. Article 30 of the Board Regulations sets the maximum number of members of the Committee at five and provides that the majority of the members shall be independent.

The composition of the Audit Committee as at 31 December 2022 is as follows:

| Councillor                     | Cargo     | Typology    | Date from first appointed councillor as | Date of appointment as a member of the commission |
|--------------------------------|-----------|-------------|---|---|
| Ms Teresa Quirós Álvarez       | President | Independent | 29-06-2021                              | 27-07-2021  |
| Ms Ana Peralta Moreno          | Vocal     | Independent | 27-06-2016                              | 15.11.2019  |
| Ms Rocío Hortigüela Esturillo  | Vocal     | Independent | 15-11-2019                              | 15.11.2019  |
| Mr. Antonio F. Jiménez Alarcón | Vocal     | Sunday      | 15-11-2019                              | 26-11-2022  |

Ms. Teresa Quirós has been appointed as Chairman of the Audit Committee for the current financial year as from 1 September 2022.

Although Mr Antonio F. Jiménez Alarcón was first appointed as a director on 15 November 2019, Mr Antonio F. Jiménez Alarcón had previously been an individual representative of Daruan Group Holding S.L., a director of Grenergy Renovables S.A. since 19 May 2015.

The professional profiles of the above directors can be consulted on the corporate website at the following link: <https://grenergy.eu/organos-de-gobierno/>

The Secretary of the Audit Committee was until 16 November 2022 Mr Florentino Vivancos Gasset, as he is the Secretary of the Board of Directors of GREENERGY. On that date he was replaced by Ms. Lucía García Clavería, the new Secretary of the Board of Directors and, consequently, of the Audit Committee.

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

The responsibilities and functions assigned to the Audit Committee are established in article 30 of the Regulations of the Board of Directors. Without prejudice to any other duties that may be assigned to it by the Board of Directors, the Board Regulations in the version in force since 26 May 2021, the date on which they were amended, established the following duties of the Committee:

1. Report to the General Shareholders' Meeting on questions raised by shareholders in relation to matters within the Committee's competence, and in particular on the outcome of the audit, explaining how the audit has contributed to the integrity of the financial information and the role the Committee has played in this process.
2. Supervise the effectiveness of the Company's internal control, internal audit and risk management systems, as well as discuss with the auditor any significant weaknesses in the internal control system detected in the course of the audit, all without infringing its independence. To this end, it may submit recommendations or proposals to the Board of Directors.
3. Submit a report on the risk management and control policy to the Board for approval.

4. Directly supervise the internal risk control and management function exercised by an internal authority or department of the Company, which shall be expressly attributed the following functions: (i) to ensure the proper functioning of the risk control and management systems and, in particular, that all significant risks affecting the Company are identified, managed and adequately quantified and that the risk control and management model is based on different levels of risk; (ii) to participate actively in the preparation of the risk strategy and in significant decisions on its management; and (iii) to ensure that the risk control and management systems adequately mitigate risks within the framework of the policy defined by the Board of Directors. In any event, the risks referred to in the preceding paragraph shall be both financial and non-financial (including operational, technological, legal, social, environmental, political, reputational and corruption-related risks).
5. Supervise the process of preparation and presentation of the financial information and the management report, which shall include, where appropriate, the mandatory non-financial information, and submit recommendations or proposals to the Board of Directors, aimed at safeguarding its integrity.
6. Supervise, in the event that the Board of Directors decides to create such a unit, the unit that assumes the internal audit function to ensure the proper functioning of the information and internal control systems and that functionally reports to the non-executive Chairman of the Board or to the Audit Committee. The head of the unit responsible for the internal audit function shall submit to the Audit Committee for approval its annual work plan, inform it directly of any incidents arising during its implementation and submit an activities report to it at the end of each financial year. The annual internal audit plan shall cover reputational risks.
7. In relation to information systems and internal control: (i) supervise the process of preparation and the integrity of the financial and non-financial information relating to the Company and, where appropriate, its Group, reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria and that the information relating to risks includes both financial and non-financial risks (including operational, technological, legal, social, environmental, political, reputational and corruption-related risks); (ii) to ensure the independence and effectiveness of the internal audit function, proposing, if deemed appropriate, the selection, appointment, re-election and removal of the head of the internal audit service, as well as proposing the budget of the internal audit service, approving its orientation and work plans, ensuring that its activity is mainly focused on the Company's relevant risks, receiving regular information on its activities and verifying that senior management takes into account the conclusions and recommendations of its reports; and (iii) establish and supervise a mechanism to enable employees to report confidentially and, if possible and appropriate, anonymously, potentially significant irregularities, especially financial and accounting irregularities, that they notice within the company.

8. Serve as a channel of communication between the Board of Directors and the Company's external auditor, evaluating the results of each audit, and in relation to the external auditor: (i) submit to the Board of Directors proposals for the selection, appointment, re-election and replacement of the auditor, taking responsibility for the selection process in accordance with current legislation, as well as the terms of his engagement; (ii) regularly obtain information from the auditor on the audit plan and its execution; and (iii) preserve the independence of the external auditor in the performance of his duties.

The Audit Committee is also responsible for: (i) in the event of resignation of the external auditor, to examine the circumstances giving rise thereto; (ii) to ensure that the external auditor's remuneration for its work does not compromise its integrity or independence; (iii) to supervise that the Company notifies the National Securities Market Commission (CNMV) of the change of auditor as a significant event, accompanied by a statement on the possible existence of disagreements with the outgoing auditor and, if any, the content thereof; and (iv) ensure that the Company and the external auditor comply with current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other regulations on auditor independence.

9. Establish the appropriate relations with the external auditors in order to receive information on those matters that may threaten their independence, for examination by the Committee, and any other matters related to the process of auditing the accounts, and, where appropriate, authorisation of services other than those prohibited, in the terms contemplated in current legislation on the independence regime, as well as those other communications contemplated in legislation on auditing the accounts and in auditing standards. In any event, they must receive annually from the external auditors a declaration of their independence in relation to the Company or entities directly or indirectly related to it, as well as detailed and individualised information on additional services of any kind rendered and the corresponding fees received from these entities by the external auditor or entities related to it in accordance with the provisions of the regulations governing the auditing of accounts.
10. Annually issue, prior to the issuance of the audit report, a report expressing an opinion as to whether the independence of the auditors or audit firms is compromised. This report must contain, in any case, a reasoned assessment of the provision of each and every one of the additional services referred to in the previous point, individually considered and as a whole, other than the statutory audit and in relation to the independence regime or to the regulations governing the activity of auditing accounts.
11. To report, in advance, to the Board of Directors on all matters provided for in the Law, the Articles of Association and the Regulations and, in particular, on:
  - a) The financial information that the Company is required to make public from time to time;

- b) The creation or acquisition of interests in special purpose vehicles or entities domiciled in countries or territories that are considered tax havens; and
  - c) Related party transactions.
12. Supervise compliance with the rules of the internal codes of conduct and the corporate social responsibility policy.

For these purposes, the Audit Committee shall be specifically assigned the following minimum functions: (i) supervision of compliance with internal codes of conduct; (ii) assessment of all matters relating to the Company's non-financial risks, including operational, technological, legal, social, environmental, political and reputational risks; and (iii) coordination of the process of reporting non-financial and diversity information, in accordance with applicable regulations and international benchmark standards.

13. Analyse and issue a report to the Board of Directors on the economic conditions and accounting impact and, in particular, on the proposed exchange ratio, of the structural and corporate modification operations that the Company plans to carry out.
14. To issue such reports and proposals on its sphere of competence as may be requested by the Board of Directors or its Chairman and such other reports and proposals as it deems appropriate for the better performance of its functions, in particular reports on proposals to amend these Regulations.
15. In any case, report on the business relationships established by the company or its subsidiaries with its parent company or its subsidiaries and ensure that these are publicly disclosed, at least in the Annual Corporate Governance Report.
16. Ensure that internal control policies and systems are effectively implemented.
17. Supervision of the application of the general policy regarding the communication of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders. The way in which the entity communicates and relates to small and medium-sized shareholders will also be monitored.
18. Report on related-party transactions to be approved by the general meeting or the board of directors and supervise the internal procedure established by the company for those whose approval has been delegated.
19. Propose to the Board of Directors any other matters it deems appropriate in matters within its sphere of competence.

Section VI of this Report describes the most significant activities carried out by the Committee during the 2022 financial year in relation to the functions and tasks described above.

#### **V. MEETINGS HELD BY THE COMMISSION AND ATTENDEES AT THE MEETINGS.**

The Audit Committee held the following meetings during the financial year 2022, in accordance with the agenda that it finally approved on 23 November 2021:

- 26 January 2022
- 18 February 2022
- 21 February 2022
- 5 April 2022
- 21 April 2022
- 5 May 2022
- 24 June 2022
- 18 July 2022
- 20 September 2022
- 16 November 2022

The meetings are planned by the Chairman of the Audit Committee according to an agenda agreed in the last quarter of the previous year by all directors taking into account the planning of the board of directors, the presentation of the results and other relevant issues affecting the operation of the company.

The meetings have lasted between two and a half and four hours each on average, with members dedicating an adequate number of hours to the study and analysis of the issues to be discussed.

Attendance is checked at the beginning of each meeting and recorded in the relevant minutes. All meetings have always been attended by all members of the committee without exception.

The partner and the head of the external auditor (Ernst & Young S.L.) also attended the meetings whenever required, i.e. five of the ten meetings. The head of internal audit also attended all meetings throughout the meeting, and in some meetings in the required sections, the head of consolidation, the CFO, the head of legal advice, the head of the compliance unit, the head of human resources, the head of strategy and capital markets and the head of ESG. In addition, on the occasion of the review of the aspects relating to the capital increase approved by the company in June 2022, a representative of the independent expert appointed by the Madrid Mercantile Registry attended the meeting.

At all meetings of the Audit Committee, the various matters submitted for its deliberation and, if necessary, decision are dealt with in due depth.

The deliberations of the Committee, and the agreements and decisions adopted by it, are documented in the corresponding minutes of each meeting.

Furthermore, as regards the rules governing the constitution and adoption of resolutions of the Audit Committee, it is validly constituted with the attendance, directly or by proxy, of at least half of its members, and adopts resolutions by a majority of those present. In the event of a tie, the Chairperson shall have the casting vote.

Finally, as mentioned above, relations between the Audit Committee and the Board of Directors of the Company are based on the principle of full transparency. In this respect, the Chairman of the Committee reports to the Board of Directors, at each of its meetings, on the main matters dealt with and on the activities and work carried out by the Committee, and proposes to the Board of Directors of the Company, in those cases where this is required, the adoption of the relevant resolutions.

## **VI. SIGNIFICANT ACTIVITIES CARRIED OUT BY THE COMMISSION.**

At its meetings, the Audit Committee deals with issues arising from legal requirements and the recommendations of the Code of Good Governance as well as matters of interest to it that fall within its remit. The most significant activities carried out by the Committee during the financial year 2022 with respect to GREENERGY are detailed below.

### **Financial and non-financial information.**

#### *1.- Review of the Company's Annual Accounts and Periodic Financial Information.*

The Audit Committee examined and analysed the process of preparing the Company's financial information. Specifically, the Committee analysed and discussed the most relevant aspects:

- Referring to the Individual Annual Accounts, Consolidated Annual Accounts and Management Reports for the financial year 2021 of GREENERGY and the Companies of its Consolidated Group, knowing aspects of its preparation process and the accounting principles used;
- Referring to the GREENERGY Group's Quarterly (first and third quarter) and Half-Yearly (first half-year) Periodic Financial Information 2022, exercising its powers in this respect.

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

- Analysis of asset impairment through the impairment test.
- Monitoring of the debt ratio for the purposes of compliance with covenants arising from the Company's corporate bond issue.
- Monitoring of the Company's treasury stock movements.

- Monitoring of the situation of GREENERGY's special purpose vehicles.

### **In relation to related party transactions**

The Committee has reviewed the related party transactions for the year ended 31 December 2021 and has issued the corresponding report to the General Meeting.

### **External auditor.**

#### *1.- In relation to Financial Statements.*

The Audit Committee has followed the audit work and has received the conclusions on the same, both with regard to the audit of the Individual Annual Accounts and the Consolidated Annual Accounts of GREENERGY and its Group of Companies for the financial year ended 31 December 2021 and the limited review of the Consolidated Financial Statements of the GREENERGY Group of Companies relating to the first half of the financial year 2022. It has also planned the audit of the Individual and Consolidated Financial Statements for the year ended 31 December 2022.

#### *2.- Fees of the External Auditor.*

The Committee has been informed of the auditor's fees for the audit of the Annual Accounts for the year ended 31 December 2022 and of the limited review report on the Consolidated Financial Statements of the GREENERGY Group of Companies for the first half of the financial year 2022.

#### *3.- Authorisation of other non-audit work by the auditor.*

The Commission has ensured the independence of the auditor and has authorised non-audit work in accordance with the established legal framework.

#### *4.- Report on the Independence of the External Auditor.*

In compliance with the provisions of section 4 of article 529 quaterdecies of the Consolidated Text of the Capital Companies Act, following the communication of the External Auditor in relation to the audit of the Individual and Consolidated Annual Accounts for the year ~~ended~~ 31 December 2021 regarding his declaration of independence, the Committee, at its meeting held on 21 February 2022, issued its report on the independence of the said External Auditor, which includes, among other matters, the services provided by Ernst & Young.

S.L. and its related entities and its directly and indirectly related companies, in addition to its own audit services, during the period covered by the annual accounts for the year ended 31 December 2021, as well as the related fees.



*5.- Proposal for the renewal of the auditor.*

Given the expiry of the mandate of the Company's auditor in 2021, the Audit Committee proposed the re-election of the auditor for the audit of the annual and consolidated financial statements for the financial years 2022 and 2023.

*6.- Review and follow-up of the external auditor's recommendations.*

The Audit Committee has received, reviewed and analysed the recommendations made by the external auditor and monitored compliance with them.

*7.- Evaluation of the External Auditor's role.*

In accordance with the provisions of Section 71 of Technical Guide 3/2017 of the National Securities Market Commission on Audit Committees of Public Interest Entities, the Audit Committee analysed the results obtained in the evaluation process of the External Auditor, Ernst & Young S.L., and how it has contributed to the quality of the audit and the integrity of the financial information.

**Internal Audit, Risk Management and Internal Control.**

In this area, the Audit Committee has carried out the following actions during the financial year 2022:

- It has reviewed and reported favourably on the update of the risk management policy.
- It has reviewed the formulation of the risk appetite and the resulting update of the risk map affecting GREENERGY and its Group of Companies.
- It has approved and followed up the group's internal audit plan and the recommendations arising from the various audit assignments.
- It has taken note of modifications to the Internal Control over Financial Reporting Systems.
- It has reviewed the company's tax policy.

**Compliance.**

In this area, the Audit Committee carried out the following actions during the financial year 2022:

- It has been regularly informed of the work of the Compliance Unit.

- It has promoted the recruitment of a qualified compliance officer, as well as the hiring of an external advisor to assess the current compliance model and make improvements to it.
- It has reviewed and reported favourably on the adoption of a regulatory framework, the Code of Conduct and the Supplier Code of Conduct.
- It has promoted and followed up the review of specific areas of the company.
- It has been informed of the evaluation and review of the crime prevention system.
- It has followed up on complaints in the GREENERGY Group.

**In relation to the supervision of corporate governance rules.**

Within the framework of the functions attributed to it to supervise compliance with the rules of corporate governance, the Audit Committee at its meeting of 22 February reviewed and unanimously agreed to report favourably on the Annual Corporate Governance Report for the financial year 2021.

It has also promoted, reviewed and reported favourably on the adoption by the group of rules of conduct for the Securities Market, which have replaced the Internal Code of Conduct.

Finally, it has carried out a review of the information contained on the company's website.

**ESG-related functions**

In this area, the Audit Committee, together with the Appointments and Remuneration Committee, has followed up on the ESG report for the 2021 financial year until its formulation and favourable report for approval by the Board.

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

As part of its duties, the Audit Committee has taken the following actions on other matters of interest that occurred during the financial year 2022:

- Determination of the degree of compliance with the Business Plan for the purpose of determining the remuneration of executive directors and senior management.
- Monitoring of the Company's information disseminated on the occasion of the bond issue and the renewal of the promissory note issuance programme, both registered on the MARF.
- Supervision of the aspects and conditions of the capital increase approved by the Board of Directors on 26 June 2022 - Supervision of the aspects and conditions of the capital increase approved by the Board of Directors on 26 June 2022-.

- Preparation of the report on the functioning of the Audit Committee during the financial year 2022.
- Approval of the agenda of the Audit Committee for the financial year 2023.

## **VII. EVALUATION OF THE FUNCTIONING AND PERFORMANCE OF THE COMMISSION.**

The evaluation of the functioning of the Audit Committee was carried out within the framework of the evaluation of the functioning of the Board of Directors, the Committees, the Chairman, the Coordinating Director and the Secretary, and was conducted internally.

This assessment covered the functioning, number, frequency and duration of meetings, relationship and communication with the external auditor, participation of its members, composition, documentation and treatment of certain matters within its competence.

This evaluation shows that the committee is well composed and functions properly and that it fulfils the functions assigned to it.

The Council was briefed by the Commission on the results of the evaluation.

## **VIII. INFORMATION ON THE COMMITTEE'S OPINION ON THE INDEPENDENCE OF THE STATUTORY AUDITOR.**

As stated above, in compliance with the provisions of section 4 of article 529 quaterdecies of the Consolidated Text of the Spanish Companies Act, following the communication of the External Auditor in relation to the audit of the Individual and Consolidated Annual Accounts for the year ended 31 December 2021 regarding his declaration of independence, the Committee, at a meeting held on 21 February 2022, issued its report on the independence of the said External Auditor, which includes, among other matters, the services provided by Ernst & Young S.A., the services rendered by Ernst & Young S.A. and the services rendered by Ernst & Young S.A. in relation to the audit of the Individual and Consolidated Annual Accounts for the year ended 31 December 2021, the Committee issued its report on the independence of the said External Auditor. Young S.L. and its entities related to the Company and its directly and indirectly related companies, in addition to its own audit services, during the period covered by the annual accounts for the year ended 31 December 2021, as well as the corresponding fees.

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

GREENERGY's Audit Committee follows the Technical Guide on the Audit Committees of Public Interest Entities, approved by the National Market Commission (CNMV) on 27 June 2017.

## **X. CONCLUSIONS.**

As has been shown, throughout the 2022 financial year, the Audit Committee has analysed and examined the main issues and aspects within its competence, reporting periodically on the most relevant issues to the Company's Board of Directors.

For the financial year 2023, the Audit Committee plans to continue reviewing and monitoring the status of all matters within its remit, in accordance with its Agenda of meetings approved at the end of the financial year 2022.

## **XI. DATE OF FORMULATION AND ADOPTION OF THE REPORT.**

This report is issued and approved by the Audit Committee on 25 January 2023 and approved by the Board of Directors of GREENERGY on 31 January 2023.