

# 2019 SUSTAINABILITY REPORT



# CONTENTS

— 1	<b>Interview with the Executive Chairman</b>	<b>4</b>		
— 2	<b>About this report</b>	<b>8</b>		
— 3	<b>Key figures</b>	<b>9</b>		
— 4	<b>About Greenergy</b>	<b>11</b>		
— 5	<b>Material topics for Greenergy</b>	<b>15</b>		
— 6	<b>Governance</b>	<b>18</b>		
6.1	Governing bodies	19	9.2.2	Remuneration 52
6.1.1	General Meeting	19	9.2.3	Talent management and company benefits 52
6.1.2	Board of Directors	19	9.2.4	Training 53
6.1.3	Committees	21	9.2.5	Equality and diversity 53
6.1.4	Executive Committee	22	9.2.6	Geographic mobility 54
6.2	Body of corporate rules	24	9.2.7	Workplace health and safety 54
6.2.1	Sustainability Policy	24	9.2.8	Internal communication 55
6.2.2	Board Regulations	24	9.2.9	Corporate culture 55
6.2.3	Corporate Crime Prevention Protocol	24	9.3	<b>Greenergy and the environment 55</b>
6.2.4	Code of Conduct	25	9.3.1	Circular economy 57
— 7	<b>Business strategy and model</b>	<b>27</b>	9.3.2	Energy management 58
7.1	Business model	28	9.3.3	Greenhouse gas (GHG) emissions 58
7.2	Economic and sector environment	31	9.3.4	Biodiversity 60
7.3	Greenergy's strategy	35	9.4	<b>Greenergy and the community 61</b>
— 8	<b>Risk management</b>	<b>37</b>	9.4.1	Due diligence procedures 62
8.1	Corporate Risk Policy	38	9.4.2	Community work 63
8.2	Lines of defense	41	9.5	<b>Greenergy and the supply chain 65</b>
8.3	Project-specific environmental and social management systems	43	9.6	<b>Greenergy and the investor community 68</b>
— 9	<b>Impact measurement - metrics and targets</b>	<b>45</b>	— 10	<b>Appendix I: Key performance indicators 72</b>
9.1	Greenergy and human rights	48	10.1	Governance 72
9.2	Greenergy and its employees	50	10.2	Operations 72
9.2.1	Employees	51	10.3	Employees 72
			10.4	Environmental metrics 74
			10.5	Community 76
			10.6	Supply chain 77
			10.7	Investor community 77
			— 11	<b>Appendix II: List of key performance indicators and where to find them 78</b>

1

# INTERVIEW WITH THE EXECUTIVE CHAIRMAN



With a succinct yet successful history under its belt, Greenergy is pleased to present its first integrated report for the year ended December 31, 2019. The report, introduced by its CEO and Chairman, David Ruiz de Andrés, provides a comprehensive overview of the company, including a description of the milestones attained during the year and its challenges and prospects going forward, taking a holistic approach to its achievements and the areas where it aims to do better.

**Greenergy's short history is replete with milestones: which have made the biggest difference?**

Greenergy was created with the clear goal of becoming a vertically integrated producer of renewable energy. We started out with solar power,

moving on to combine it with wind power, which marked an important milestone in consolidating our business model.

The biggest highlight of 2019 was perhaps our IPO and our début green bond placement on Spain's alternative fixed-income market, raising 22 million euros. Investor confidence in our project, in our pipeline and in our solidity was manifest in the success of both securities placements. Although our shares had been traded on Spain's alternative stock exchange, the MAB, since 2015, our listing on the main market was the natural next step in our evolution as a company thanks to the success of our placements, we have now access to a much deeper pool of institutional investors.

**“Greenergy was created with the clear goal of becoming a vertically integrated producer of renewable energy”**

Although the purpose of this report is to give an account of the events of 2019, it would be remiss of me not to allude to the global pandemic's impact of

our business and the manner in which we have responded as a company. Business continuity, safeguarding the health and safety of our team and helping the communities where we have operations have guided our actions in the early months of 2020.

**How would you define a company that has multiplied its market value 12-fold in just four years?**

Indeed, during the years our shares were traded on the alternative stock exchange, our revaluation was extraordinary, a tremendous reward for the hard work put in by everyone here at Greenergy. However, the value created is all the more impressive considering the circumstances at the time: the gradual elimination in recent years of the subsidies paid for renewable generation in many geographies and the downtrend in production costs, which has had the effect of lowering the investment required per unit of renewable capacity. Today, it takes a lot less capex to build a given amount of capacity as five years ago. It is in that market context that Greenergy's valuation multiplied by the amount mentioned. In short, it would appear that the investor community is agreed that our business presents exponential growth potential and that is reward indeed.

That being said, I would stress the fact that Greenergy is a native renewable player: green, agile and synergistic. Moreover, Greenergy is strongly committed



## INTERVIEW WITH THE EXECUTIVE CHAIRMAN

to the top-down implementation of strategies for the sustainable management of our risks and impacts.

That commitment must necessarily trickle down from the most senior decision-makers to the rest of the company's functions.

At the organizational level, the Board of Directors is responsible for approving the company's Sustainability Policy; the Executive Committee is fully involved in designing and executing the Sustainability Action Plan; and the Sustainability Committee's mission will be to oversee delivery of the related targets.

### **What is Greenergy's biggest contribution to sustainable development?**

It would be easy to say that Greenergy is at the forefront of the effort to combat climate change as its business puts it in the midst of the clean energy transition. However that answer would be as biased as it is simplistic: here at Greenergy we understand that valuing projects via their IRR alone paints an incomplete picture. Rather we believe that the private sector is obliged to calculate its rates of social return by asking probing questions each time it develops a new project: how many people have benefitted from the activity carried on by Greenergy around them and in what way? We are targeting the

ability to quantify that community impact in the short term.

Elsewhere, in terms of our physical surroundings, we are pleased to note that we have a very small impact on the land and areas where we work. We have pledged to not build our facilities on land that requires a zoning change, not least of which land used for farming. We similarly avoid areas that are home to protected species or in which water resources are in any way compromised.

### **One of the UN's Sustainable Development Goals (SDGs) is the provision of access to affordable and clean energy. With expectations for the energy transition running so high, how would you rate Greenergy's position in Spain and internationally?**

The renewables sector has gone from being a niche play to a stock market darling for numerous analysts, prompting many utilities, encouraged by favorable regulations, to enter the market.

We have identified several key sector drivers: (i) competitiveness, which has registered exponential gains thanks to the substantial reduction in installation costs in just a few years; (ii) growing demand for electricity, which is being driven primarily by electrification of the economy (mainly the transport and manufacturing sectors); (iii) the fact that we are closing in on the continuous supply



**“Greenergy is strongly committed to the top-down implementation of strategies for the sustainable management of our risks and impacts”**



**“This accountability exercise is also address at our talent, the real engine driving our business. We are constantly on the lookout for new talent”**

frontier thanks to storage battery developments; and (iv) variable regulations from one region to the next. I am an advocate for making a stable regulatory environment a cornerstone of the global commitment to clean sources of energy, in turn a prerequisite for delivering the planet's environmental targets.

**Thanks to its vertical integration all along the renewable energy value chain, Greenergy engages with a broad spectrum of stakeholders, from various levels of government to industrial customers and its investors. To whom, then, is this report addressed?**

To answer that question properly I need to first explain why we are presenting our first integrated report. Towards the end of 2019 and in the early part of 2020 we detected the need to establish a solid internal framework to govern the non-financial aspects of our activities and count with a shared

roadmap that drives our management. Against that backdrop, the investment community has expressed interest in our business model, in how we manage our impact on the environment and community, how we engage with our communities, as well as other aspects not directly related with our statement of profit or loss. Elsewhere, the competent local authorities have set a series of requirements in exchange for accepting the developments. This accountability exercise is also address at our talent, the real engine driving our business. We are constantly on the lookout for new talent. We are aware that a responsible employer is more attractive to the best professionals. By drawing up this report we are demonstrating that we are one. We must not forget our customers, who make demands of us, as do our financiers. This report is also for them.

In short, our goal with this report is to address the expectations of all of our stakeholders (no matter the

nature of their relationship with Greenergy), to anticipate and answer their questions and to facilitate their due diligence work.

**Looking back, for example, to the Davos Forum of 2020, we are reminded that the work done by Greenergy as a renewable energy player is crucial to the future of our Planet. Tell us then where you think Greenergy is headed in the medium term?**

Thanks to the incomparable work done by the team at Greenergy, our Board's commitment and the support exhibited by our investors and shareholders, Greenergy is optimistic about its future. It is worth recalling, however, that our industry is subject to swift and dramatic change that makes is hard to design strategies or set targets over a time horizon of longer than five years. The environment can shift radically in that period of time and Greenergy's long-term strategic objective is precisely to stay ahead of the



curve, to remain an industry shaper, to drive change and not just react to it.

Our ambition, ultimately, is to widen our customer base by leveraging the ability to offer continuous supply. To do that we know that we need to build up our wind pipeline to complement our photovoltaic generation capacity and to make progress on storage solutions in parallel. Following that logic, as we become increasingly established as an energy provider, we will be able to keep more projects in our portfolio (i.e., our rotation will decline), while continuing to provide third parties the services for which we are known: development, construction and operation. All of which framed by all-encompassing responsible business management that covers our corporate governance, environmental management, employee, supplier and customer relations, and our community engagement effort.



**“Our ambition, ultimately, is to widen our customer base by leveraging the ability to offer continuous supply”**

A green-tinted photograph of people working at a desk. In the foreground, a person's hands are typing on a laptop. To the left, a pen holder contains several pens. In the background, another person is holding a tablet. The overall scene is a busy office environment.

2

ABOUT  
THIS REPORT



## 2 ABOUT THIS REPORT



This Sustainability Report was drawn up in keeping with the recommendations made by the **Task Force on Climate-related Financial Disclosures** (TCFD) and the contents of international sustainability reporting standards such as the Global Reporting Initiative (GRI Standards).

With this Sustainability Report, therefore, Greenergy aims to report on matters related with its governance,

the management of its non-financial risks, how it manages its impacts on the environment and society, how it helps uphold human rights and how it engages with other stakeholders of relevance to the company in the course of carrying out its business activities.

Greenergy's Sustainability Report includes information about the companies consolidated by Greenergy Renovables, S.A. in its financial statements. The

disclosures provided correspond to the year ended December 31, 2019 unless explicitly stated otherwise. The company is publishing this report for the first time 2020 and plans to publish it annually from now on.

For all enquiries about the methodology and contents of this report, please write to [info@greenergy.eu](mailto:info@greenergy.eu) or Greenergy Renovables, S.A., calle Rafael Botí, 26, 28023 (Madrid), which is where the company is headquartered.



**This Sustainability Report was drawn up in keeping with the recommendations made by the Task Force on Climate-related Financial Disclosures**

The background of the slide features a photograph of several hands in business attire reviewing documents. The documents contain various charts and graphs, including a bar chart and a line graph. The entire image is overlaid with a semi-transparent green filter. In the top right corner, there is a vertical light green bar containing the number '3'.

**3**

## KEY FIGURES

# 3 | KEY FIGURES

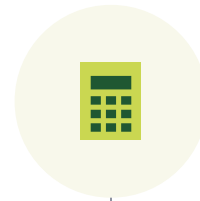


## BOARDS OF DIRECTORS

**33.3%** female representation

**50%** independent directors

**50%** women on Greenergy committees

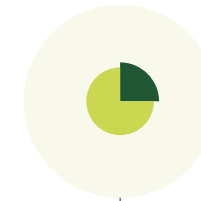


## FINANCIAL METRICS

**+11.44M€** total profit

**+90M€** economic value generated

**6.47M€** paid to governments



## BUSINESS METRICS\*

**+4.62 GW** pipeline

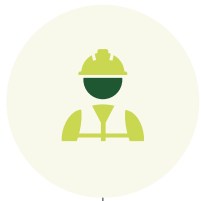
**2,316 MW** early stage

**89%** PV solar developments

\*Figures as of the 2Q2020 close



# 3 | KEY FIGURES



## EMPLOYEES

**142** employees at year-end 2019

**406 h** of employee training

**0** accidents in 2019



## SOCIETY

**84%** local employees

**+22,760€** earmarked to community work

**31%** local suppliers



## ENVIRONMENT

**691,501 tCO<sub>2</sub>eq** avoided due to projects in backlog and under construction

**0** red flags in environmental audits

**0** project delays due to community or ecological impacts

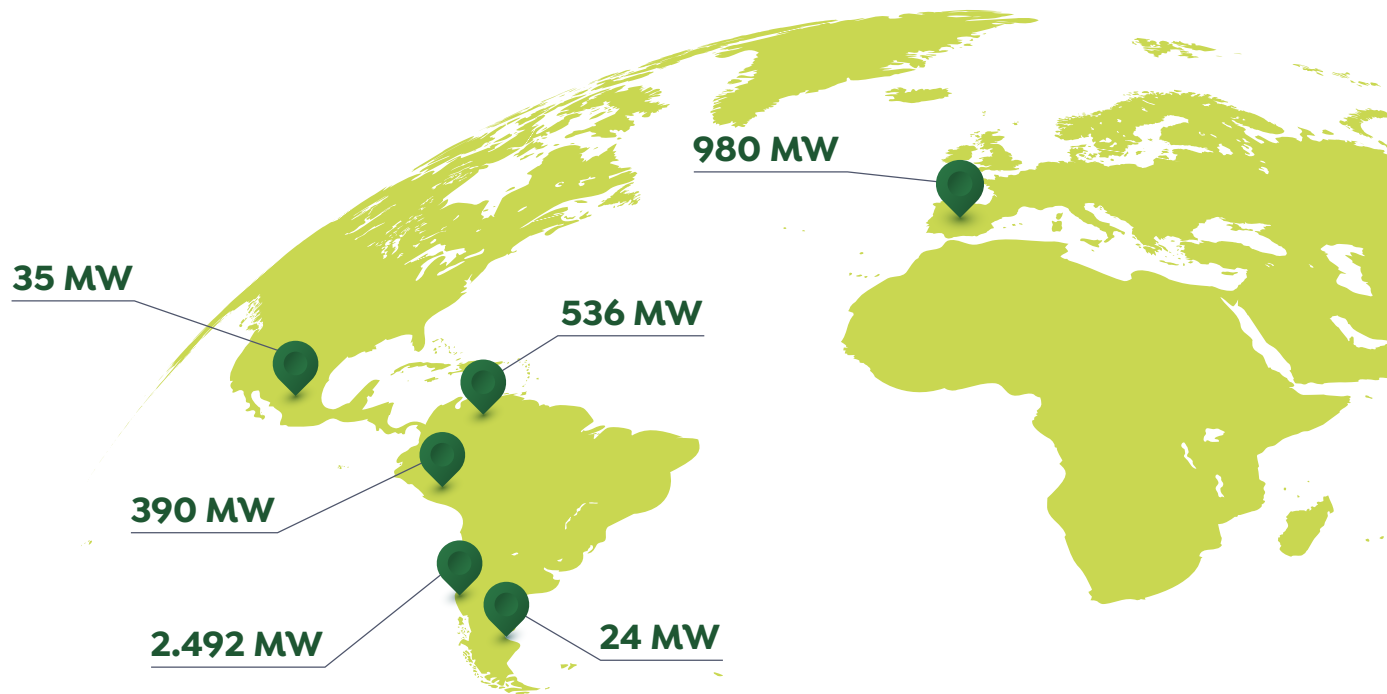
A large yellow sun is positioned in the upper center of the frame against a green-tinted sky. Below the sun, a field of wind turbines is visible, rendered in a darker green color. The overall scene is a stylized representation of renewable energy.

4

ABOUT  
GREENERGY

## 4 ABOUT GREENERGY

Grenergy Renovables, S.A. (hereinafter, Grenergy) is a Spanish company whose core business is the generation of photovoltaic (PV) solar and wind power and the storage of energy. It is headquartered in Madrid but its global footprint extends to five other countries, primarily Chile, Colombia and Peru.



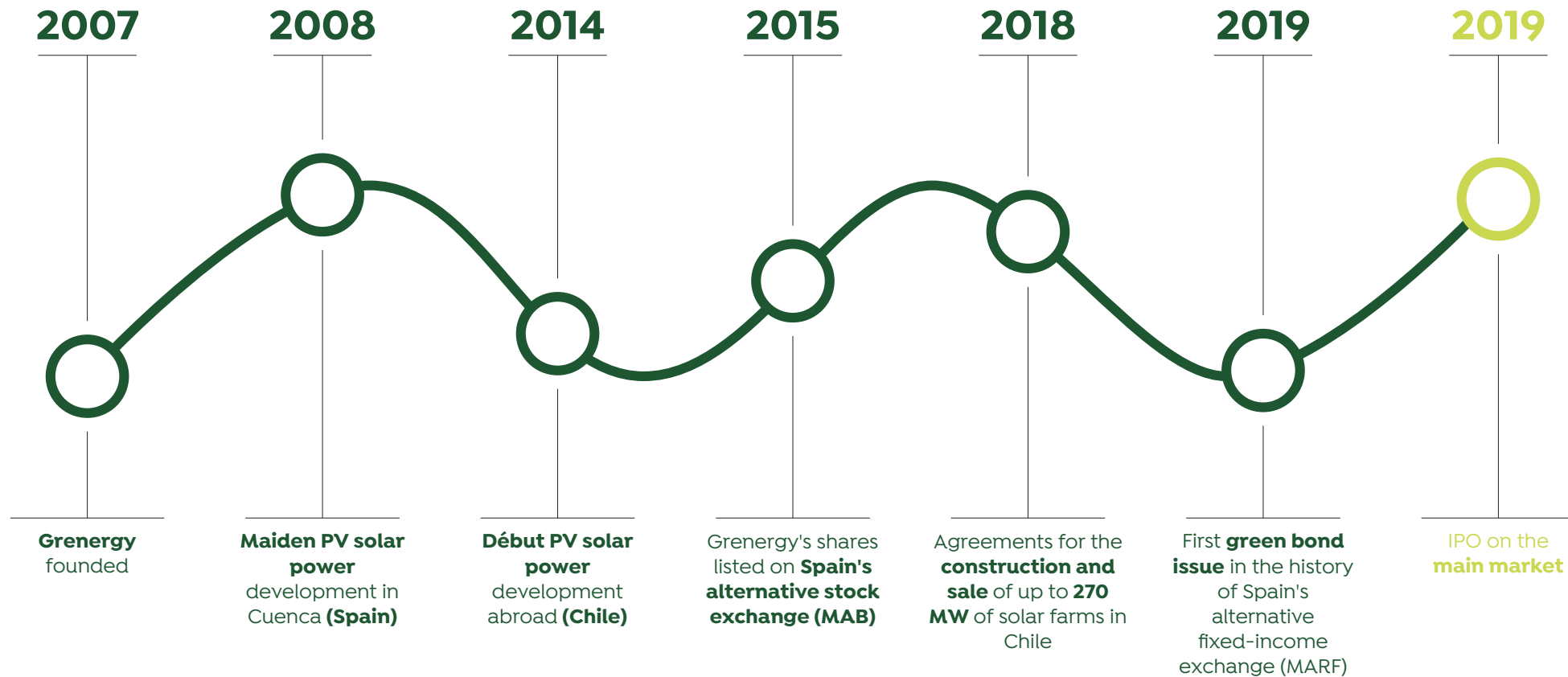
**Grenergy is a Spanish company whose core business is the generation renewable energy**



# 4 | ABOUT GREENERGY



Greenergy develops, financially structures, builds, runs and maintains power plants for its own operations (build to own, or B2O) and for sale to third parties (build to sell, or B2S).



# 4 ABOUT GREENERGY



Since it was created in 2007 it has diversified steadily, bringing the development and construction phases in-house, such that at June close Greenergy had built up a pipeline of around 4.62 GW. Over 87% of that pipeline consists of PV solar power and distributed generation. The pipeline breakdown by stage of development is as follows:



Greenergy is supported in this effort by a Board of Directors made up of six people. One-third of its directors are female and one half are independent. The Executive Committee is made up of five members (20% female).

In 2019, Greenergy made 89 new hires so that its headcount at year-end, across the six countries in which it has operations, stood at 142 professionals. At year-end, Greenergy's professionals had been at the firm for 1.4 years on average and 67% of them were on indefinite employment contracts. Last year, Greenergy's employees received 406 hours of training, mainly in the areas of compliance, languages, job-specific technical skills and management skills, such as project management and blockchain, all of which entailed an investment of 14,769 euros.

In order to minimize all of the risks that could materialize in the course of its activities, Greenergy

### GREENERGY'S STRENGTHS

- Diversification of revenue streams**
- Development of different technologies**
- International footprint**
- Exhaustive analysis of prospective projects**
- Excellent operational safety record**
- Responsible with the environment and people**

## 4 ABOUT GREENERGY

offers its direct employees and its suppliers the most stringent standards of workplace health and safety. There were no accidents at subcontractors in 2019.

On the environmental front, in the course of running its operations, in 2019, Greenergy consumed 93,168 liters of diesel and 10,548 liters of petrol as a result of

**Greenergy offers its direct employees and its suppliers the most stringent standards of workplace health and safety. There were no accidents at subcontractors in 2019**

vehicle usage; 12,271 liters of diesel as a result of fixed-combustion equipment usage; and 142.3 MWh of electricity at its facilities, all of which implied the emission of 479.6 tonnes of CO<sub>2</sub> equivalent in total. It also generated 4,849 tonnes of waste and used 3,413m<sup>3</sup> of water. As for its environmental management, Greenergy did not have to delay any of its projects in 2019 on account of ecological impacts at the related sites; nor were any red flags raised in the corresponding environmental assessment and certification processes. The company has three projects located in protected areas in Chile.

Greenergy shares its commitment to sustainable development with its suppliers and contractors by factoring criteria related with the reduction of environmental impacts and compliance with local health and safety regulations into its contracting procedures. In 2019, it purchased goods and services in the amount of 100 million euros, growth of approximately 96% from 51.25 million euros in 2018. Almost 85% of the total corresponded to materials, such as panels, structures and electrical equipment; another 10% went to builders; and roughly 5% went to professional services, mainly surveying, geotechnics and site security.

Greenergy believes it is important to make a contribution to local development, to which end it purchases services from firms from its local communities to the extent possible. Specifically, in 2019, over 31 million euros, equivalent to 31% of total

Profit (€ 000)	
Spain	572.48
Chile	13,375.58
Peru	(193.06)
Argentina	(2,121.65)
Colombia	17.87
Mexico	(214.90)
<b>Total</b>	<b>11,436.32</b>



## 4 ABOUT GREENERGY

purchases, went to local community suppliers via subcontracting arrangements. The company also prioritizes the protection of its local communities, one of its key stakeholder groups. In 2019, 84% of its employees were local and the company donated 22,765 euros to community projects. Last year the company met with community representatives on 65 occasions.

The upshot of that sustainable development effort was the generation of 84.5 million euros of revenue in 2019, growth of 83% from 2018 (46.3 million euros). Profits accordingly topped 11.4 million euros, year-on-year growth of over 19% (2018: 9.5 million euros).

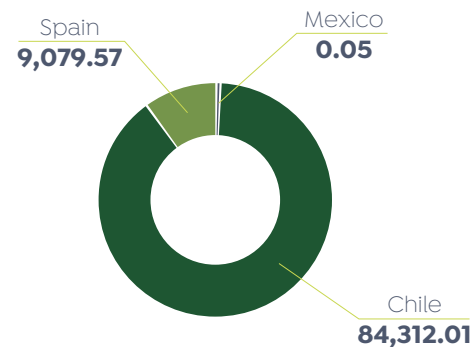
Underpinned by its business momentum, Greenergy generated 93.4 million euros of economic value in 2019, up 50% from 2018 (46.4 million euros). Seventy-seven per cent of the economic value generated by the company in 2019 stemmed from revenue.

Greenergy is keenly aware of the importance of contributing to social development and wealth creation in its business communities. One way of measuring its impact and the real value contributed by a company to society is through its cash flows and expenditures related with the

### Economic value generated (€ 000)

Revenue	72,289.63
Other Income	(21,101.99)
<b>Total</b>	<b>93,391.62</b>

### Economic value generated by country (€ m)



The upshot of that sustainable development effort was the generation of 84.5 million euros of revenue in 2019, growth of 83% from 2018

**Greenergy is keenly aware of the importance of contributing to social development and wealth creation in its business communities**

materials bought, facilities and services purchased, the wages and company benefits paid to employees, the dividends paid to the providers of equity, the interest paid to financiers, the taxes paid to the authorities and the investments made in the

communities in which the company develops its power plants, which are designed to address specific issues identified at each location. The economic value distributed by Greenergy in 2019 amounted to over 83 million euros (2018: 32.4 million euros).

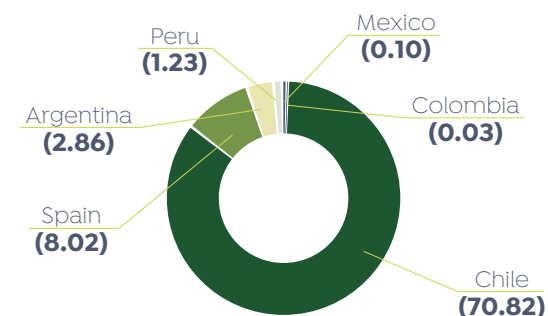
### Economic value distributed

(€ 000)

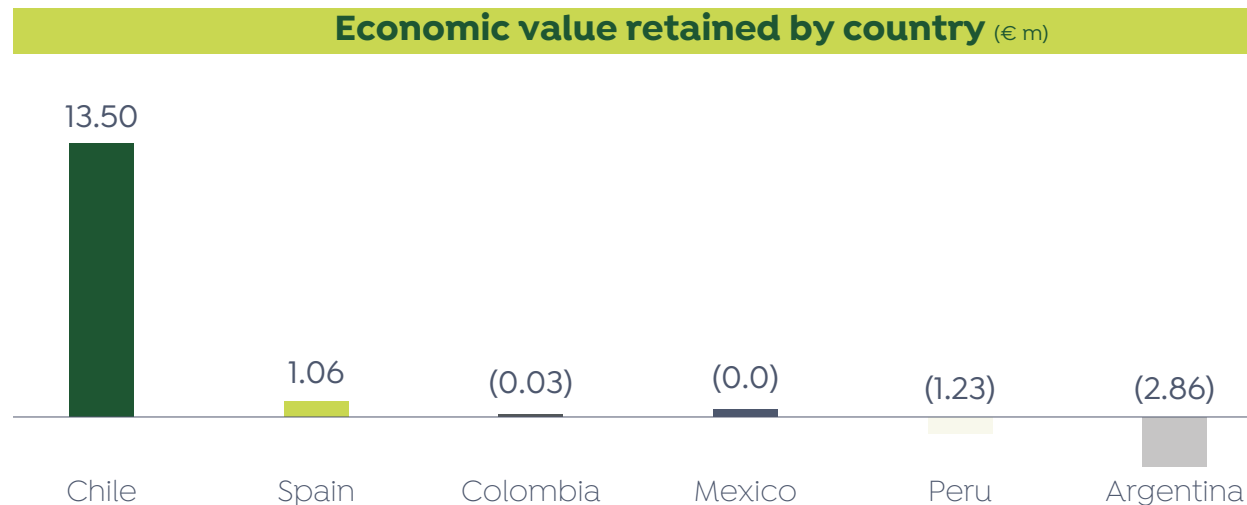
Operating expenses	(70,136.78)
Employeed benefits expended	(4,784.02)
Payments to capital providers	(1,651.83)
Payments to governments	(6,468.24)
Commmunity Investment	(22.67)
<b>Total</b>	<b>(83,063.53)</b>

### Economic value distributed by country

(€ m)



Economic value retained (€ 000)	
Economic value generated	93,391.62
Economic value distributed	(83,063.53)
<b>Total</b>	<b>10,328.10</b>



Greenergy collaborates with the various authorities in its business markets through the payment of taxes. The taxes it pays play an important role in the development of public social and education services and the redistribution of wealth. In 2019, Greenergy paid 1.1 million euros of income tax in total, up 58% from 2018 (0.7 million euros).

**Income tax (€ 000)**

Spain	Chile	Peru	Argentina	Colombia	Mexico	Total
316.74	635.73	169.92	-	-	-	<b>1,122.39</b>

5

MATERIAL TOPICS  
FOR GREENERGY





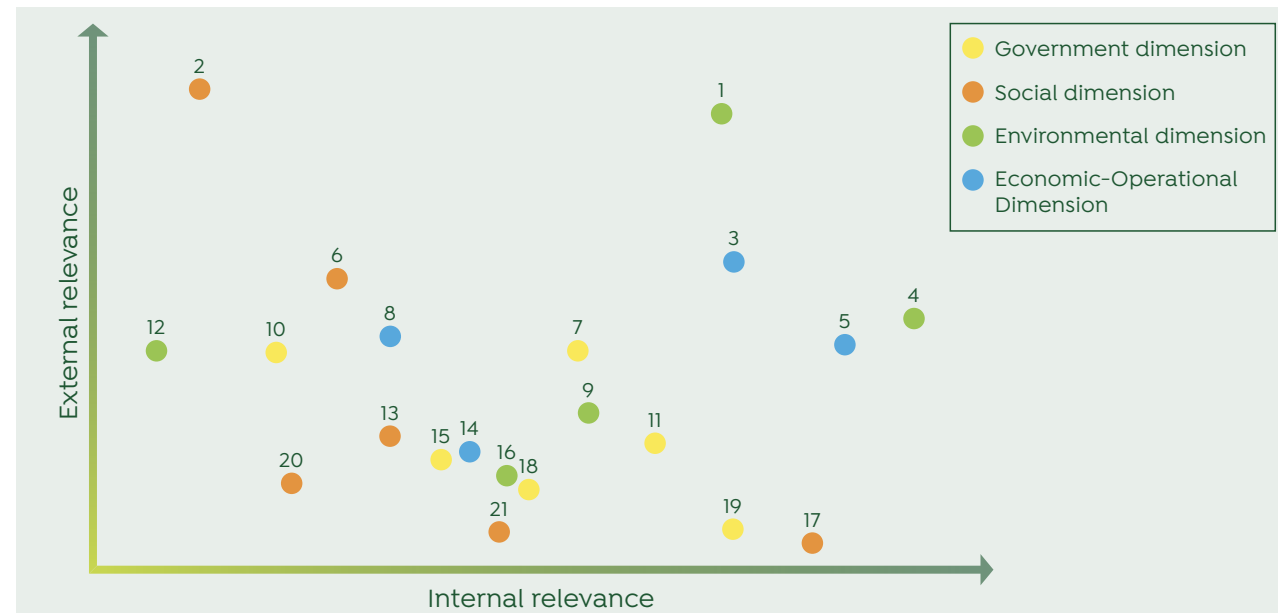
# 5 MATERIAL TOPICS FOR GREENERGY

During the first quarter of 2020, Greenergy conducted a materiality assessment, thanks to which it identified 21 topics of critical importance to the company and its stakeholders. This report is articulated around those material topics.

To carry out its materiality analysis, the company consulted external sources, including non-financial reporting standards, competitors, investment community leaders, thought leaders, as well as analyzing country and sector risk factors. That phase generated a list of 43 aspects of relevance to the industry, distributed between four areas of management: operations/earnings, environmental, social and governance. Having identified that broad list, the company sent out an internal survey, gathering feedback from the company's management,

management, 28 professionals in total, about their thoughts about the 43 aspects identified. The result of that survey was to prioritize 21 matters and structure them into the company's materiality matrix.

Of the 43 topics ordered by overall relevance (weighted average of the internal and external evaluation), 21 were ultimately deemed of critical importance to the company: six in the field of governance, six in the social arena, five in the environmental area and four related with the economic and operating dimension.



# 5 MATERIAL TOPICS FOR GREENERGY

	Material topic	Related contents	Key performance indicators
1	Climate change	6. Governance 7. Strategy and business model 9.3 Greenergy and the environment	Water consumption Waste generation/recovery Energy consumption Emissions generated/prevented
2	Local wealth creation: jobs, suppliers, economic development, land use	9.4 Greenergy and the community	% Local employees Purchases from local suppliers Sponsorship of local activities
3	Financial strength, profits, growth	7. Strategy and business model 9.6 Greenergy and the investor community	Revenue EBITDA Capex Earnings per share
4	Energy transition and regulatory developments	7. Strategy and business model 9.3 Greenergy and the environment	Installed capacity
5	Integration of renewable sources into the grid	7. Strategy and business model	Pipeline
6	Engagement with local communities	9.4 Greenergy and the community	No. of meetings with local community representatives
7	Transparency	6. Governance 9.6 Greenergy and the investor community	Annual sustainability report

● Government dimension  
 ● Social dimension  
 ● Environmental dimension  
 ● Economic-Operational Dimension

# 5 MATERIAL TOPICS FOR GREENERGY

	Material topic	Related contents	Key performance indicators
8	Green financing	9.6 Greenergy and the investor community	Indicators associated with the green bond issue (pipeline and emissions prevented)
9	Biodiversity protection	9.3 Greenergy and the environment	Project management in protected areas
10	Non-financial risk management systems	6. Governance 8. Risk management	Lines of defense
11	Integration of ESG aspects into strategy and decision-making	6. Governance 7. Strategy and business model	Progress on formulation of the sustainability roadmap
12	Circular economy and waste management	9.3 Greenergy and the environment	Water consumption Waste generation/recovery
13	Diversity and equality policies and commitments	9.2 Greenergy and its employees	% Women in management positions
14	Business context/Renewable energy	7. Strategy and business model	Installed capacity Pipeline
15	Financial and business risk management systems	6. Governance 8. Risk management	Corporate risk policy Lines of defense model
16	Environmental security	9.3 Greenergy and the environment	Environmental infractions

● Government dimension 
 ● Social dimension 
 ● Environmental dimension 
 ● Economic-Operational Dimension

# 5 MATERIAL TOPICS FOR GREENERGY

	Material topic	Related contents	Key performance indicators
17	Workplace health and safety	9.2 Greenergy and its employees	Workplace injuries Occupational diseases Rates of injury Injury severity rate
18	Relations with the public authorities	7. Strategy and business model	Taxes paid Grants received
19	Compliance (anti-corruption, anti-money laundering, etc.)	6. Governance	Number of claims received
20	Human capital development.	9.2 Greenergy and its employees	Training hours Investment in training
21	Supply chain control	9.5 Greenergy and the supply chain	Signatories of supplier code of ethics Accidents sustained by subcontracted workers

● Government dimension 
 ● Social dimension 
 ● Environmental dimension 
 ● Economic-Operational Dimension

Not only have the results of the materiality assessment been taken into account in articulating this report, they will also be used as input for the sustainability roadmap which Greenergy is in the midst of designing. The company plans to begin to implement the resulting initiatives in 2020.





# 6

## GOVERNANCE

**Climate change - Financial and operating risk management systems - Non-financial risk management systems - Integration of ESG aspects into strategy and decision-making - Transparency Compliance (anti-corruption, anti-money laundering, etc.)**

### TCFD recommendations:

#### Recommendation

Describe the Board's oversight of climate-related risks and opportunities

Describe management's role in assessing and managing risks and opportunities

#### How it is applied by Greenergy

Greenergy's Board of Directors assesses ESG risks through its Audit Committee which reports back to it periodically on matters of relevance

The Board is responsible for approving the company's corporate social responsibility policy

The finance department is drawing up risk maps under the supervision of the CFO so as to assign the management team responsible for each risk area

This chapter provides an overview of Greenergy's various governing bodies along with a description of their composition and responsibilities. It also describes the corporate rules and procedures that govern how the company operates and their scope of application.



GOVERNANCE

<b>33.3%</b> female representation	<b>50%</b> independent directors	<b>2</b> independent committees: audit committee and appointments and remuneration committee
<b>Corporate crime prevention protocol Code of Conduct</b>	<b>Board Regulations</b>	<b>Sustainability Policy</b>
	<b>2019</b>	<b>2020</b>

# 6 GOVERNANCE

## 6.1 GOVERNING BODIES

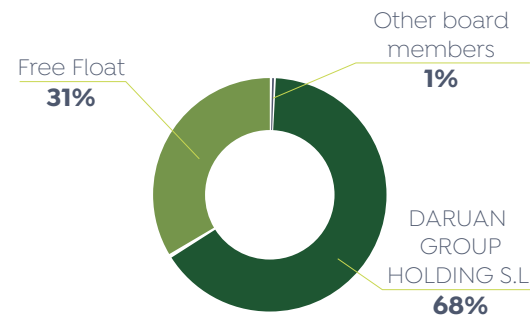
Grenergy has a number of governing bodies which it has adapted in the last year to reflect its listing on the main market. Below is a description of each body's duties and functions and how they contribute to delivery of the company's strategic targets, vision and approach to risk management and ESG matters.



### 6.1.1 General Meeting

At year-end 2019, Grenergy was majority owned by David Ruiz de Andrés, who owns 68% of the company's equity through Daruan Group Holding, S.L.:

#### Shareholder structure



In 2019, Grenergy called two general meetings, the first on June 17 and the second on November 15. The related information is available for consultation on the company's corporate website. One of the most important resolutions ratified at the last meeting was the appointment of Ms. María del Rocío Hortigüela Esturillo as independent director, thanks to which over one-third of the boardroom is female in 2020.

**In 2019, Grenergy called two general meetings, the first on June 17 and the second on November 15**



## 6.1.2 Board of Directors

Greenergy's Board of Directors is tasked with approving, executing and implementing as many acts and decisions as are needed to fulfil the corporate object contemplated in the company's [Statutes](#), in keeping with applicable company law.

More specifically, the Board is responsible for approving resolutions about all manner of matters

not reserved for shareholder vote by law or as per the company's Statutes. It has the highest powers to manage, direct, administer and represent the company, its main task being to oversee the company's ordinary management and approve all matters of particular relevance to the company, specifically including approval of the corporate social

responsibility policy and business strategy and of the enabling resources and structures.

As per Greenergy's Statutes, the Board of Directors must be made up of at least three and at most 12 members, to be elected by the company's shareholders. On November 15, 2019, the company's shareholders resolved to set the number of directors at six:

**BOARD OF DIRECTORS**

					
<b>David Ruiz de Andrés</b>	<b>Florentino Vivancos Gasset</b>	<b>Ana Peralta Moreno</b>	<b>María del Rocío Hortigüela Esturillo</b>	<b>Antonio Francisco Jiménez Alarcón</b>	<b>Nicolás Bergareche Mendoza</b>
Executive Chairman (Executive Director)	Board Secretary (Proprietary Director)	Member (Independent Director)	Member (Independent Director)	Member (Executive Director)	Member (Independent Director)
	● ●	● ●	● ●		● ●

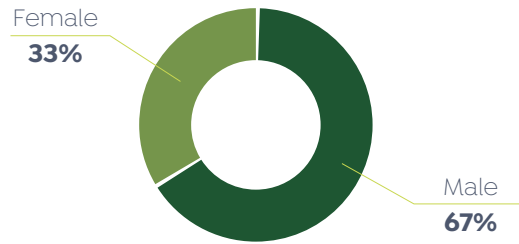
● Audit Committee

● Appointments and Remuneration Committee

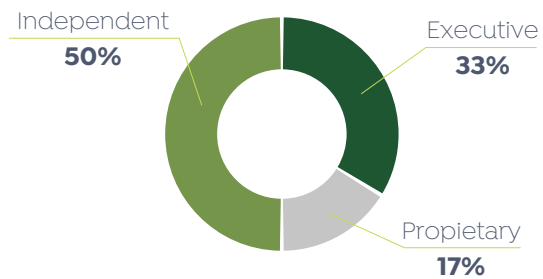


As for boardroom diversity, one-third of its membership is currently female. And independent directors account for half of the total:

### Director breakdown by gender



### Director breakdown by category



### 6.1.3 Committees

Greenergy is currently steered by two committees, the Audit Committee and the Appointments and Remuneration Committee.

#### Audit Committee

Set up by the Board of Directors, the Audit Committee is an internal advisory and reporting body, without executive duties but with the power to inform, advise

and propose within its purview. Its core mission is to supervise the effectiveness of the company's internal control system, the internal audit function, the risk management systems and the independence of the auditor, as well as overseeing the process of formulating and reporting the required financial and non-financial information.

Two male directors and two female directors sit on the Audit Committee:

AUDIT COMMITTEE

			
<b>Ana Peralta Moreno</b>	<b>Nicolás Bergareche Mendoza</b>	<b>Florentino Vivancos Gasset</b>	<b>María del Rocío Hortigüela Esturillo</b>
Committee Chairwoman (Independent Director)	Member (Independent Director)	Secretary (with say but no vote) (Proprietary Director)	Member (Independent Director)

### Appointments and Remuneration Committee

Similarly set up by the Board of Directors, the Appointments and Remuneration Committee is also an internal advisory and reporting body, without executive duties but with the power to inform, advise and propose within its purview. Its main duties are to select, appoint, re-elect and remove the company's senior officers; establish a targeted

level of representation for the gender in minority; propose, report to senior management duties; and ensure that any potential conflicts of interest do not jeopardize the independence of the external counsel provided to the Appointments and Remuneration Committee.

Two male directors and two female directors sit on the Appointments and Remuneration Committee:

Greenergy has a [Director Selection Policy](#) in which it sets down the criteria and procedure to be followed by the Board of Directors in selection processes related with the appointment or re-election of its members with the overriding goal of rendering the Board effective and professional while enhancing the quality of the company's management.

The company also has a [Director Remuneration Policy](#), the variable component of which specifically factors in matters related with compliance with the Code of Conduct; bonuses are foregone in the event of involvement in criminal cases. Greenergy recently approved its Officer Remuneration Policy, in which it ties the variable remuneration to CSR-related objectives.

## APPOINTMENTS AND REMUNERATION COMMITTEE



**María del Rocío  
Hortigüela Esturillo**

Committee Chairwoman  
(Independent Director)



**Nicolás  
Bergareche Mendoza**

Member  
(Independent Director)



**Florentino  
Vivancos Gasset**

Secretary (with say  
but no vote)  
(Proprietary Director)



**Ana  
Peralta Moreno**

Member  
(Independent Director)

## 6.1.4 Executive Committee

Greenergy's Executive Committee is structured so as to assign clear responsibility for each major area of work. Ultimately, the Executive Committee's job is to supervise and execute the organization's operating functions so as to deliver the company's financial and non-financial objectives.

## 6.2 BODY OF CORPORATE RULES

Greenergy has a body of corporate rules that govern how the company operates. Below is a description of each and the scope of the holistic and cross-cutting Sustainability Policy the company approved in

mid-2020 and that will be available on the corporate website.

### 6.2.1 Sustainability Policy

The Board of Directors of Greenergy has been legally vested with the non-delegable duty of determining the company's general policies and strategies. To that end, it is explicitly required to carry out its mission in

### EXECUTIVE COMMITTEE



**David Ruiz de Andrés**

CEO

The chief executive, in charge of the management and administration of Greenergy



**Mercedes Español Soriano**

Director of M&A and Business Development

Responsible for the purchase and sale of developments, mergers and the related due diligence



**Antonio Francisco Jiménez Alarcón**

CFO

Responsible for corporate accounting, bank financing, the audit and risk functions and tax at Greenergy



**Daniel Lozano Herrera**

Director of Investor Relations and Communication

Responsible for dealing with the investment community and for external communication



**Álvaro Ruiz Ruiz**

Director of Legal Services

Responsible for corporate and contractual legal matters

consonance with sustainable development principles, especially in the communities in which it operates, to which end approved the corporate Sustainability Policy in mid-2020.

The purpose of that policy is to define the company's priority lines of initiative in the sustainability arena so that its performance is underpinned by solid and long-lasting values. The document also sets down the rules governing how the policy is supervised with the aim of enhancing and articulating governance in this area and embedding it throughout the organization taking a top-down approach.

The Sustainability Policy applies to all Greenergy companies, including investees over which Greenergy has effective control, joint ventures and similar arrangements. In the case of investees over which Greenergy does not have effective control, it will encourage those companies to align themselves with the contents of the policy. By the same token, Greenergy will endeavor to get all of its stakeholders, particularly its suppliers, to align their conduct with the policy's goals.

The Sustainability Policy has preventive mechanisms by assigning people the duty of supervising the objectives set down, executing the associated action plans and managing the risks and impacts, to which end the company plans to set up a corporate Sustainability Committee which will be governed by its own set of rules and be made up of managers from the

various areas of the company with a vested interest in the matters covered by the policy.

## 6.2.2 Board Regulations

Greenergy's [Board Regulations](#) establish the internal rules governing how the Board of Directors functions. The Regulations explicitly set down the Board's desire to reconcile the company's interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment. They also make explicit reference to the Board's duty to approve the company's corporate social responsibility policy and to embed ESG matters across the organization taking a top-down approach.

The Regulations apply to the company's Board of Directors and to its steering committees, to their respective members and, insofar as affected by them, the company's senior officers.

## 6.2.3 Corporate Crime Prevention Protocol

[Greenergy's Corporate Crime Prevention Protocol](#), approved in 2017, establishes and regulates a System for Preventing and Responding to the Commission of Crimes within the organization through targeted supervision, oversight and controls, including risk

mitigation measures. The Protocol establishes three key objectives:

- Manifesting Greenergy's repudiation of the commission of any illicit, criminal or otherwise reprehensible act and its commitment to preventing such acts
- Preventing the commission of crimes by Greenergy and its employees
- Responding to conduct that is in any way improper and minimizing the potential consequences for third parties or the company

The Protocol applies to the members of the Board of Directors of Greenergy, the professionals who discharge management duties, the companies and organizations associated with Greenergy, all employees and managers and all of the company's subcontractors and service providers.

This Prevention and Response System is governed by clear principles - integrity, coordination, transparency, lawfulness, ethical conduct, sufficiency of resources, self-control and proactiveness - and is applied, developed and assessed by the Audit Committee and the Compliance Unit.

The first part of the Prevention and Response System is to develop a Crime Prevention Policy laying down the criteria for identifying and updating the classes of



# 6 GOVERNANCE

conduct that imply the risk of a crime being committed at Grenergy. This Policy also includes a catalogue of forbidden conduct. The System includes a Response Policy that lays out the steps to be taken to determine whether a crime has been committed, to safeguard any evidence there may be and mitigate, to the extent possible, the damage that may have been caused. The Policy also establishes the channels for reporting potentially illicit conduct, the procedure for investigating and remedying any such conduct and the associated disciplinary regime.

All changes, updates or improvements (at the suggestion and proposal of the Compliance Unit or pursuant to outside reports) to the Protocol must be submitted to the Board of Directors by the Audit Committee.

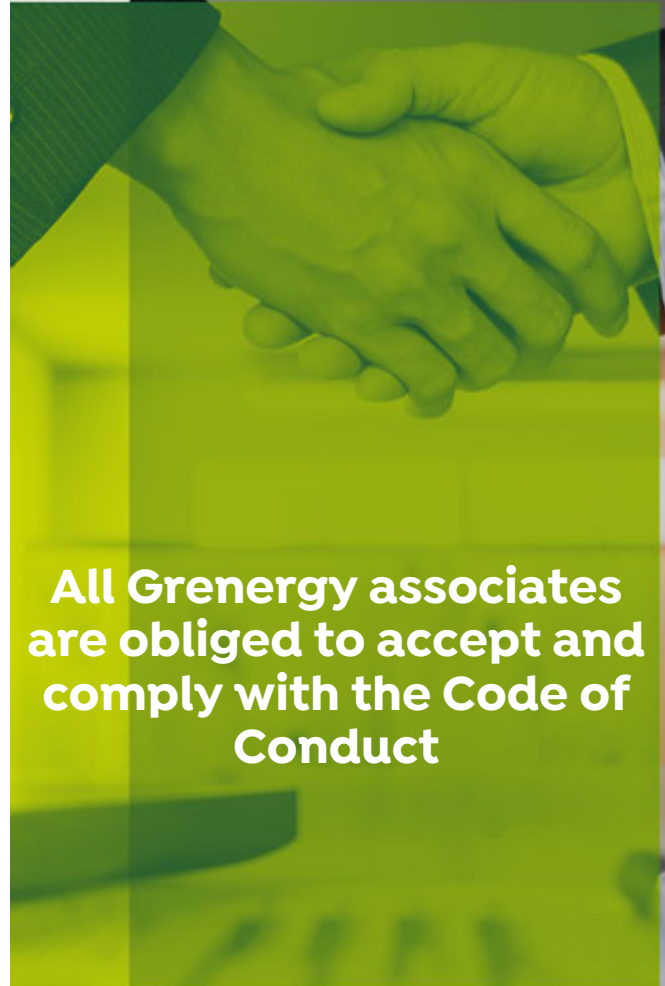


## 6.2.4 Code of Conduct

[Grenergy's Code of Conduct](#), approved by its Board of Directors, purports to lay down the basic principles, values and guidelines the company aims to have its direct and indirect employees embody with their conduct. They are in turn obliged to familiarize themselves with the code and pledge to comply with it. The Code is based on the following principles:

- Lawfulness
- Honest and integral company dealings
- Respect for others and human relations
- Environmental protection and community commitment
- Conflict avoidance

All Grenergy associates are obliged to accept and comply with the Code of Conduct. If any of them suspects conduct in potential breach of the Code, they are required to inform their superiors or the HR Department, which will then take control of the matter. If an employee has doubts about how to interpret or apply the rules, they should consult their superiors, with the latter contacting the HR Department if the situation so requires. Grenergy has disciplinary powers in respect of code breaches or violations.



**All Grenergy associates  
are obliged to accept and  
comply with the Code of  
Conduct**

A hand holding a pen pointing at a laptop screen displaying a bar chart. The entire image is overlaid with a semi-transparent green filter. The laptop screen shows a bar chart with several vertical bars of varying heights. The hand is holding a pen and pointing it towards the chart. The background is a blurred office setting with papers and a desk.

7

# STRATEGY AND BUSINESS MODEL

---

# 7 | STRATEGY AND BUSINESS MODEL

**Climate change - Energy transition and regulatory developments - Financial strength, profits, growth  
Integration of renewable sources into the grid - Business context/Renewable energy - Relations with the public  
authorities - Integration of ESG aspects into strategy and decision-making**

## TCFD recommendations:

### Recommendation

Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term

Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

### How it is applied by Greenergy

The energy transition underway to combat global warming and decarbonization of the economy

The energy transition away from traditional sources (fossil fuels) is driving the installation of renewable energy capacity and making it easier to finance the associated investments

Greenergy is in the midst of drawing up area-specific risk maps, a process that will reveal the impact of specific risks

This chapter describes Greenergy's business model, the activities it carries out, its growth drivers, competitive advantages, the sector environment and, as result of the combination of those variables, its medium-term business strategy.



**OPERATIONS\***

**+4.62 GW**

*Pipeline (2GW in 12 moths)*

**160MW**

*Under construction*

**494MW**

*Backlog*

\*Figures as of the 2Q2020

## 7.1 BUSINESS MODEL

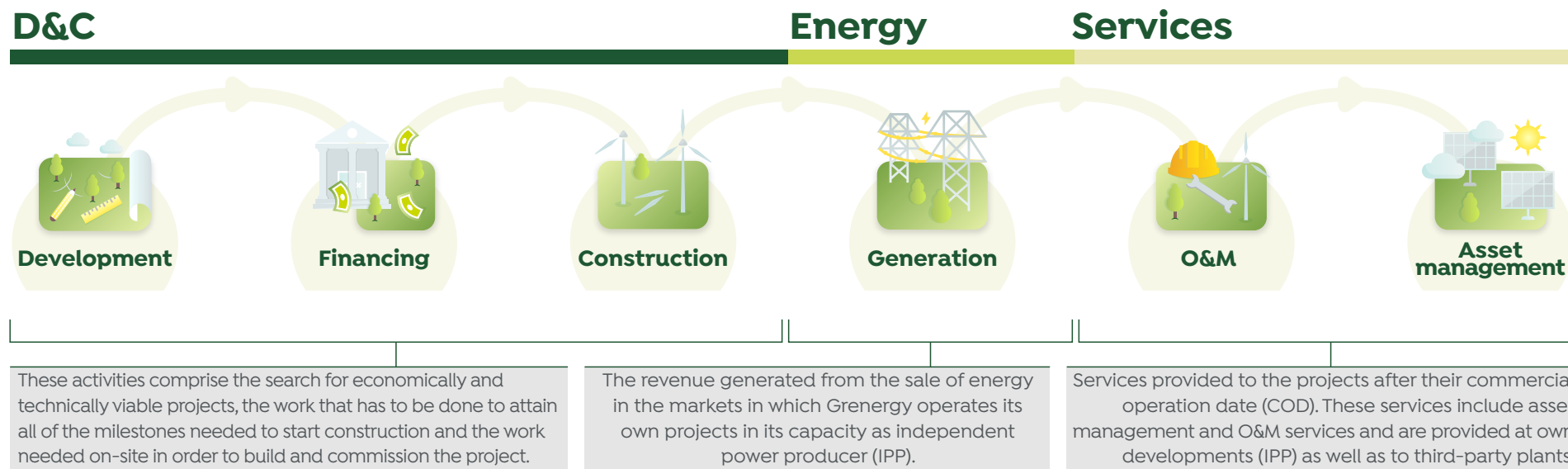
Greenergy is a vertically integrated player in the renewable energy sector, specifically in wind and solar power technology. In that capacity it generates energy on a standalone basis thanks to its involvement in all phases of the process:

development, financial structuring, the construction of greenfield projects in which the company acts as EPC provider, operations (dispatch to the grid), plant maintenance and research in the energy storage field. Greenergy develops plants with one of two objectives: retaining them for its operating portfolio or selling them to third parties.

Its solar energy business is focused on the Chilean and Spanish markets, while its wind business is more focused on Argentina and Peru. At the end of the first quarter of 2020, Greenergy had six solar power plants under construction with installed capacity of 155 MW and three wind farms with aggregate capacity of 60 MW.

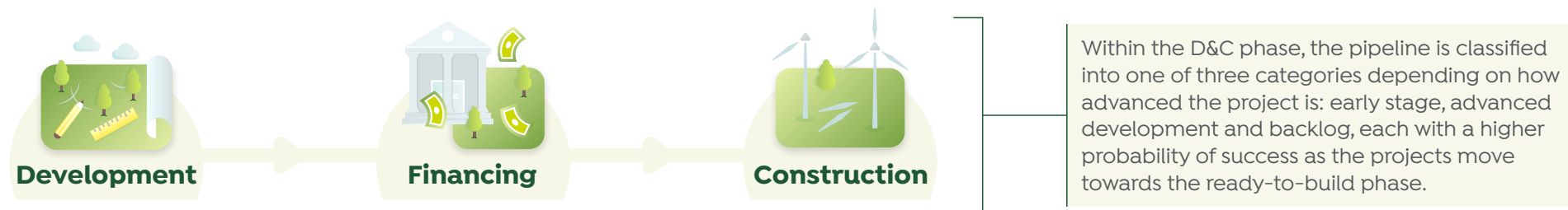
Being involved in each link in the value chain of large-scale projects generates competitive advantages that have made Greenergy a sector benchmark.

Greenergy articulates its business around three divisions which in turn encompass the six phases of the energy value chain: D&C, Energy and Services.



Just like its business, Greenergy's teams are vertically integrated: over the life cycle of its projects there are many milestones in relation to the identification and management of risks that enable the company to anticipate and establish control measures appropriate for each phase and project (refer to "Section 8. Risk management" for more information). This constitutes Greenergy's greatest competitive advantage relative to its peers.

### D&C



Early stage	Advance development	Backlog	Under Construction
<p>Projects with technical/economic viability of &lt; 50%:</p> <ol style="list-style-type: none"> <li>1) Land availability</li> <li>2) Viable grid access</li> <li>3) Scope for sale to third parties</li> </ol>	<p>Projects with advanced technical/economic viability &gt; 50%:</p> <ol style="list-style-type: none"> <li>1) Land &lt; 50% locked in</li> <li>2) Grid connection application presented</li> <li>3) Environmental permit presented</li> </ol>	<p>Projects at the last phase pre-construction ~ 80%:</p> <ol style="list-style-type: none"> <li>1) Land and grid connection lined up</li> <li>2) Probability of getting environmental permit &lt; 90%</li> <li>3) Existence of a PPA, sale agreement or bankable tariff regime</li> </ol>	<p>The EPC (engineering, procurement &amp; construction) work is underway.</p>
<p><b>2,316MW</b> 1Q2020</p> <p> 10 projects    4 projects</p>	<p><b>1,650MW</b> 2Q2020</p> <p> 30 projects    3 projects</p>	<p><b>494MW</b> 2Q2020</p> <p> 19 projects</p>	<p><b>160MW</b> 2Q2020</p> <p> 7 solar projects, 3 wind projects</p>

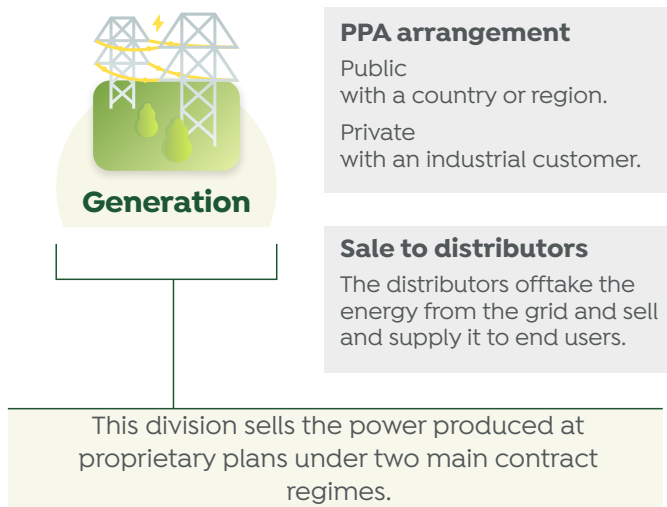


During the construction of its solar plants, Greenergy spearheads the engineering, procurement and construction (EPC) work, contracting specialist service providers whose action plans are supervised closely by Greenergy's EPC managers (refer to Section "9.5. Greenergy and the supply chain" for more information).

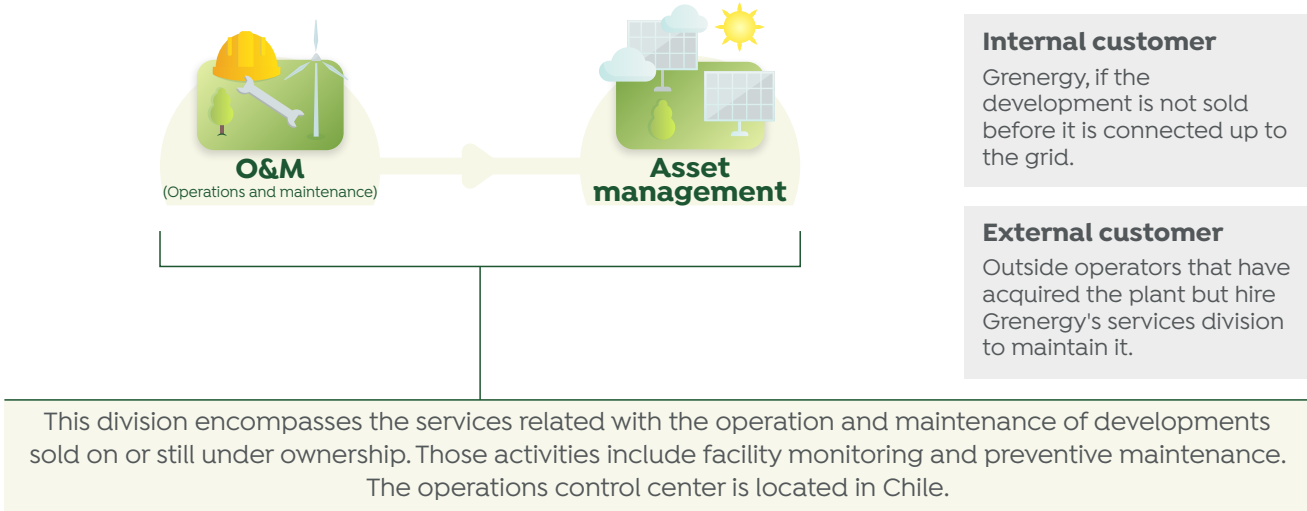
At the wind farms, which require a significant amount of civil engineering work on site compared to the simplicity of the work at solar farm sites, Greenergy does not act as EPC provider but rather purchases turnkey engineering services for completion of the works.

In 2019, the company entered into a PPA with an energy distributor in Spain. Under that agreement, the distributor will sell the energy produced at the Escuderos plant in Spain on which construction is due to begin shortly.

## Energy



## Services



Although still a new and growing field, in 2019, Greenergy worked together with a leading player in the battery industry in Santiago, Chile on the formation of a joint venture to explore energy concentration solutions.

## 7.2 ECONOMIC AND SECTOR ENVIRONMENT

2019 ended with lower GDP growth since the end of the global crisis of 2008, albeit remaining positive in all the main regions. The slowdown was primarily attributable to heightened trade tensions between the US and China. In early 2020, growth prospects initially turned more optimistic in light of a brighter outlook for trade and investment.

Despite falling outside of the reporting period covered by this integrated report, it would be entirely remiss not to mention the radical change in environment induced by the Covid-19 pandemic, which has prompted the unprecedented downward revision of all macroeconomic indicators worldwide. Although this document is a platform for giving an account of the developments of 2019 and stating targets for 2020 and beyond, the transformation of the global context in the wake of the health crisis warrants a review of the macroeconomic events that have taken place while preparing this report. We believe it is worth singling out two aspects that are affecting and will continue to affect the industry in general and for which Greenergy is already adapting.

On the one hand, the paralysis of business activities brought about by the lockdown during the first

quarter and part of the second will inevitably have the effect of delaying completion of the developments already underway. Despite the forecasts for a global economic contraction in 2020, the IMF is forecasting a solid recovery in Latin America in 2021, which is bound to have a positive impact on Greenergy activities, concentrated in that region of the world.

Elsewhere, the industry in general is forecasting a degree of stagnation in the development of renewable capacity, prompted by a record drop in fossil fuel prices and the change in international agenda priorities: until 2019 that agenda was strongly focused on curbing climate change but has since switched sharply to controlling the pandemic and its effects. Greenergy advocates for putting the need to develop clean sources of energy around the world back on the agenda in parallel with the work being done on the public health front. We believe it is important not to abandon the efforts already made to decarbonize the economy in recent years.

### Sector environment

2019 was, without a doubt, the year of the fight against climate change, developments which culminated with the 2019 United Nations Climate Change Conference (COP25). Social, political and private

sector industrial awareness peaked during the year, rallying around the forceful “Time for action” slogan that summed up the event. The summit was characterized by a high level of consensus and good intentions which translated into a considerable number of commitments that must be followed through on in the short and medium term by all of those involved: society, through its consumption choices; governments, in their capacity to push new legislation through; and industry, whose job it is to put it all into action, investing in and producing the energy the future calls for.

Among the key drivers shaping the sector in the near term, it is worth highlighting two in particular: (i) the electrification of energy; and (ii) the technological developments that are increasingly addressing the seasonality and intermittence that are characteristic of renewable sources.

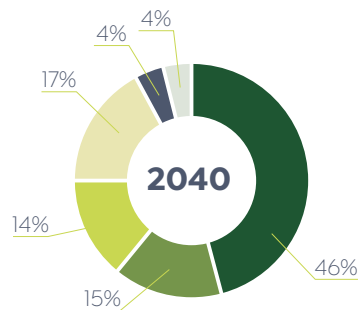
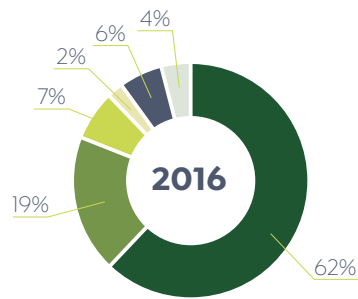
Renewable energy is closely tied to the generation of electric power such that growth in the consumption of electricity to the detriment of other sources of energy such as the direct combustion of fossil fuels drives demand for energy from renewable sources. Recent studies suggest that electricity will be the biggest energy carrier by 2050, jumping from 20% of end consumption to nearly 50%<sup>1</sup>. In parallel, global installed capacity is expected to increase from 6.7 TW

<sup>1</sup>Global Renewables Outlook: Energy transformation 2050, 2020 (IRENA)

in 2016 to 12 TW in 2040, 17% of which in the form of PV solar power and 14% of which, wind power<sup>2</sup>:

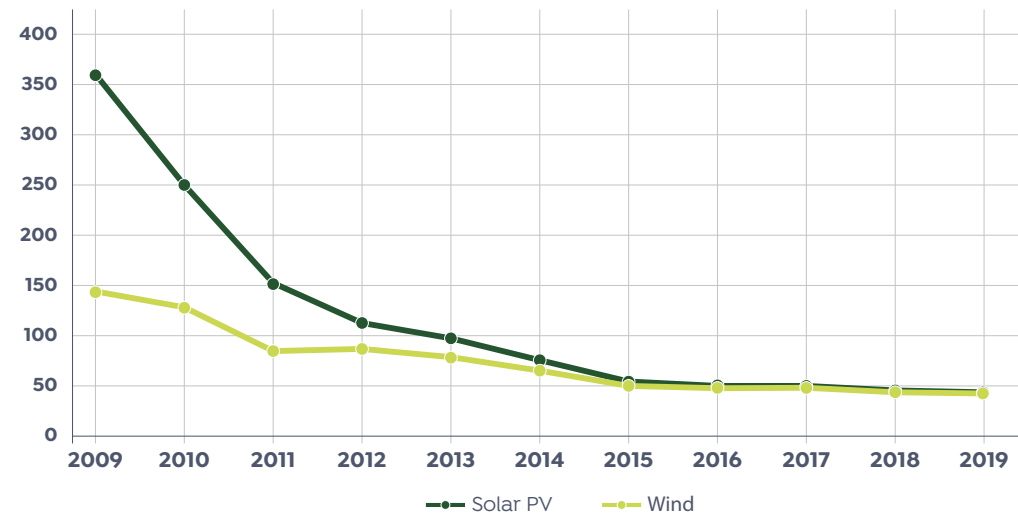
Technology developments are driving the costs of installing renewable energy facilities, and end energy prices by extension, considerably lower. In the last 10 years, the cost of renewable energy has fallen by 90% with respect to 2009 levels in the case of PV solar power and 70% in the case of wind power<sup>3</sup>:

**Global installed capacity - by technology (%)**



Fossil fuels
  Hydroelectric
  Wind
  Other renewable energies
  Nuclear
  Solar PV

**Trend in the levelized cost of PV solar and wind power (\$/MWh)**



Storage, meanwhile, is emerging as an essential lever in consolidating renewable energy as the central carrier. Thanks to batteries, it is possible to circumvent the hourly and seasonal variability in solar and wind power output so that supply can be guaranteed without having to depend on more reliably available alternative

<sup>2</sup>Global Average Annual Capacity Additions under the New Policies Scenario, 2017-2040 (IEA)

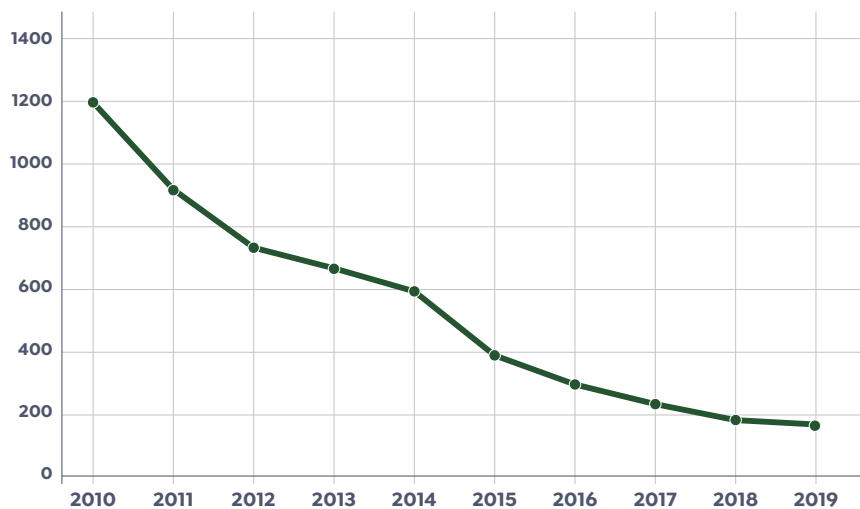
<sup>3</sup>Lazard's Levelized Cost of Energy Analysis – Version 13.0, 2019 (Lazard)

# 7 BUSINESS STRATEGY AND MODEL

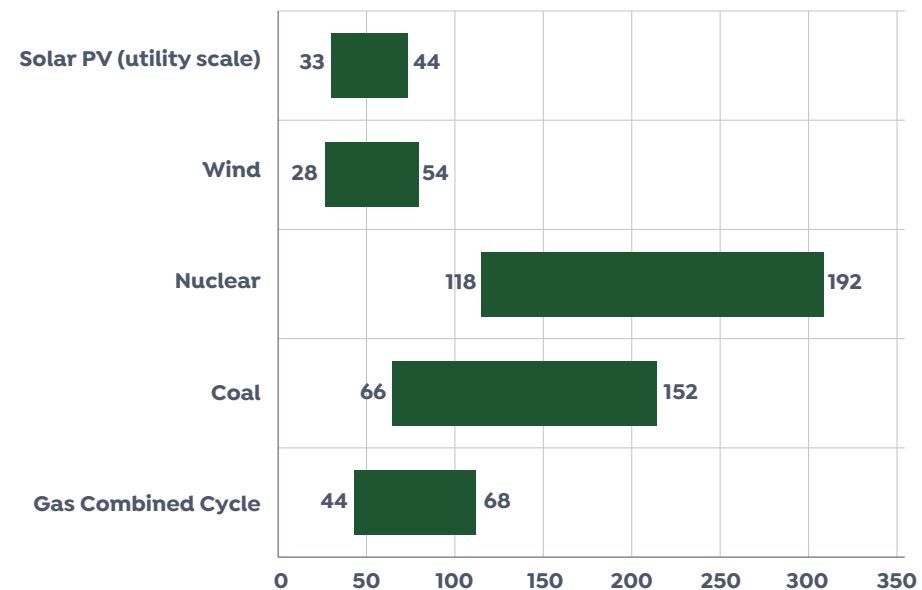
sources. Technological improvements have also enabled a considerable reduction in the cost of battery packs<sup>4</sup>:

The combination of these two factors, increasing electrification and falling renewable energy generation and associated technology costs, coupled with growing government support, means that renewable energy, particularly utility-scale photovoltaic solar and wind power, has become considerably more cost competitive than conventional sources, as evidenced in the levelized cost of energy analysis<sup>5</sup>:

**Trend in the cost of lithium-ion batteries (\$/kWh)**



**Levelized cost of energy LCOE - Por Tecnología (\$/MWh)**



<sup>4</sup>BNEF's 2019 Battery Price Survey, 2019 (BNEF).

<sup>5</sup>Lazard's Levelized Cost of Energy Analysis – Version 13.0, 2019 (Lazard).

# 7 BUSINESS STRATEGY AND MODEL

## Sustainability trends

Beyond the contribution to energy transition, it is important to flag the sector's knock-on effects in aggregate terms on (often developing) regional economies and jobs for which the advent of these new investments translates into three core benefits :

- Jobs created by renewable energy: estimates suggest that the sector will hold down 42 million jobs worldwide by 2050, 7.7% in Latin America and 6.4% in Europe
- Gross domestic product (GDP): global GDP is expected to increase by 2% thanks to renewable energy developments, albeit unevenly from one region to the next. GDP in the European Union is expected to benefit the most, specifically receiving a boost of 5%, from the energy transition effect, with Latin America standing to receive a life of 2%, the fourth-highest percentage
- Well-being: the sector's development is forecast to drive an increase in the OECD's Well-being Index of 13.5%, specifically by 10.6% in the European Union and by 14.8% in Latin America

The promotion of these positive ramifications is part of the holistic sustainability approach which little by little is taking hold among the sector players. These trends are highlighting the private sector's need to identify how it interacts with its social and natural surroundings and determine the risks and opportunities the

climate has for its businesses, as well as the impact its activities have on the environment. Thanks to these dynamics, in recent years the private sector has emerged as a key agent of change in terms of achieving the Sustainable Development Goals, investing in related activities and adapting their business models to orient them towards delivery thereof.

### SUSTAINABILITY TRENDS

 <p><b>CLIMATE CHANGE</b></p> <p>Following the Paris COP Agreement, the climate emergency emerged as a global challenge set to determine the shape of economic development in the short and medium term, with the focus placed on keeping global warming below 2°C.</p>	 <p><b>SUSTAINABLE USE OF RESOURCES</b></p> <p>In light of population growth, resource scarcity is growing and the circular economy concept is coming to the fore as a system for getting the most value from the resources used.</p>	 <p><b>HUMAN CAPITAL</b></p> <p>In a market increasingly demanding skilled professionals, coupled with growing competition, companies are being forced to offer high-quality work in order to retain and attract talent.</p>	 <p><b>SUSTAINABLE FINANCE</b></p> <p>Investors are focused on how companies are integrating ESG risks and opportunities into their businesses to guarantee the long-term sustainability of their investments.</p>	 <p><b>CORPORATE PURPOSE</b></p> <p>It is increasingly important for companies to define their corporate purpose to demonstrate that their commitments go beyond simply carrying on their business activities and that the latter have a positive impact on society and the environment.</p>
--	--	---	---	---

<sup>6</sup> [Global Renewables Outlook: Energy transformation 2050, 2020 \(IRENA\)](#)



# 7 BUSINESS STRATEGY AND MODEL



## 7.3 GREENERGY'S STRATEGY

Greenergy, as an integrated renewable energy player, is looking to fully integrate all of its activities via organic growth of its solar and wind power portfolio and by gradually introducing the use of energy storage batteries, the leading line of research in the sector today.

The combination of its two technologies, wind and solar, in its portfolio increases the chances for selling its energy: the fusion of the two production sources ensures uninterrupted supply, which is a competitive advantage when it comes to arranging PPAs with customers, whether industrial players or public

authorities. In parallel, the development of batteries and the attendant possibility of storing production surpluses will stabilize the revenue streams of the sector players that manage to integrate storage into their value chains. Together with the development of these technologies, the inevitable loss of relative competitiveness of natural gas as a source of energy positions Greenergy as a key player in the energy transition process.

### How Greenergy builds its pipeline

Greenergy adds to its pipeline in two ways: (i) it develops greenfield projects from scratch by searching for sites and projects with scope for grid connection; and (ii) it acquires projects already at

an intermediate stage of development but for which there is still scope to act as developer and EPC provider, the phases in which value creation is concentrated. When selecting projects, Greenergy carries out meticulous due diligence at the operating, legal, environmental and community levels, just as Greenergy is subject to such scrutiny when an investor expresses interest in acquiring one of the projects in its portfolio. Greenergy prioritizes projects in countries where the legal framework is stable, there is no risk that human or women's rights will be violated and which present a good fit with the rest of the portfolio from the business standpoint and the scope for operation and/or sale.

Pipeline (MW)					Pipeline (GW)
Early stage	Advanced development	Backlog	Construction		
2,316	1,650	494	160	<b>4.62</b>	

At the June 2020 close, it was dominated by solar power projects (4.03 GW) with wind accounting for less than 600 MW. The company expects to complete 12 new projects with installed capacity of close to 1.7 GW (1,650 MW) in Spain, Chile, Colombia and Peru in the next few years.

### Greenergy leverages its...

#### Growth drivers/Competitive advantages

- Nimble structure
- Vertical integration
- Risk control
- Adaptation for each project
- Operational security
- Digitalization
- Remote monitoring and control
- Capital markets access

### ...to deliver its business objectives

#### Business objectives

- Building up the pipeline
- Combining solar and wind power generation (portfolio synergies)
- Strengthening Greenergy's role as IPP
- Finding new formulae for selling energy
- Developing storage batteries
- Adding new customer types
- Expanding geographic footprint

Agility, risk control and the ambition to be an integrated player in renewable energy result in **positive impacts** for the company's stakeholders:

#### Positive impacts on the environment:

- Reducing the company's carbon footprint by using renewable sources of energy only.
- Promoting nature conservation in the vicinity of the company's operations.

#### Positive impacts on society:

- Evaluating, minimizing and offsetting, as required, the impact and environmental risk of the company's activities from project development and site selection to construction or refurbishment and, ultimately, operation.
- Fostering development in the local communities in which the company operates through local hiring and purchasing.

Framed by its Sustainability Policy and in line with the work already done to formulate a sustainability roadmap to underpin its corporate strategy, one of the core objectives the company has set for itself is the ability to regulate, monitor and measure its social impact on its communities as an essential part of its business model and purpose.

8

RISK  
MANAGEMENT



## Non-financial risk management systems - Financial and operating risk management systems

### TCFD recommendations:

#### Recommendation

Describe the organization's processes for identifying and assessing climate-related risks.

Describe the organization's processes for managing climate-related risks.

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

#### How it is applied by Greenergy

Corporate Risk Management Policy drafted in 2019.

Organizational model design.

Risk map design.

The company's vertically-integrated business model facilitates risk identification, measurement and mitigation.

This chapter analyzes Greenergy's approach to risk management, the advances made on the risk management front and the implementation targets it has set for this year and beyond. It also provides a description of the lines of defense system applied by the company all along its value chain and, lastly, the methodology being used by Greenergy to design the environmental and social management systems derived from the findings detected across the various links in the lines of defense.



#### LINES OF DEFENSE MODEL

##### First line of defense: Technical viability study

Carried out by the development team.

##### Second line of defense: Environmental impact studies (including assessment of risks to adjacent communities, flora, fauna, water resources, archaeological remains, etc.)

Carried out by the development and environment teams.

##### Third line of defense: Due diligence (technical, legal, insurance, environmental)

Carried out by the structured finance team in tandem with the bank financing the project.

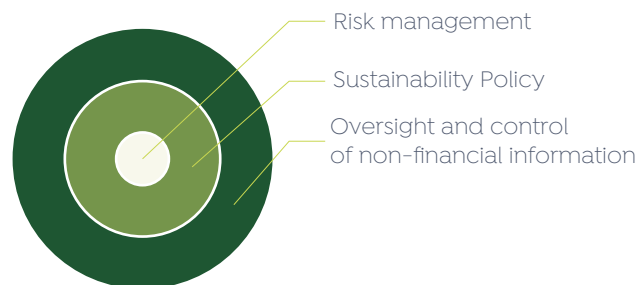
##### Fourth line of defense: EPC

Done by Greenergy.

# 8 RISK MANAGEMENT

## 8.1 CORPORATE RISK POLICY

One of the duties vested in Greenergy's Audit Committee is to supervise the Risk Management Systems, the Sustainability Policy and the company's non-financial reporting effort. In sum, three crucial components of correct risk management and risk map integration are under the control of the same governing body, which in turn reports to the Board of Directors.



In 2019, in conjunction with the green bond issue, Greenergy drew up its Corporate Risk Policy with the aim of establishing the basic principles and key protocols for duly controlling and managing the various classes of risk that affect the company in the different countries in which it operates such that those risks are at all times correctly identified, quantified and

managed. The vision embodied in the Corporate Risk Policy is, therefore, all-encompassing both vertically (covering all of the company's activities) and horizontally (covering all of Greenergy's operating markets). During the early part of 2020, Greenergy worked on designing the risk maps corresponding to each corporate department which will in turn enable

risk identification, quantification and classification, a necessary step in defining the risk management plans contemplated in the policy.

Among the 22 risks identified, Greenergy has detected several that are related with climate events, defined as potential direct or indirect losses as a result of extreme events, classified into two categories:

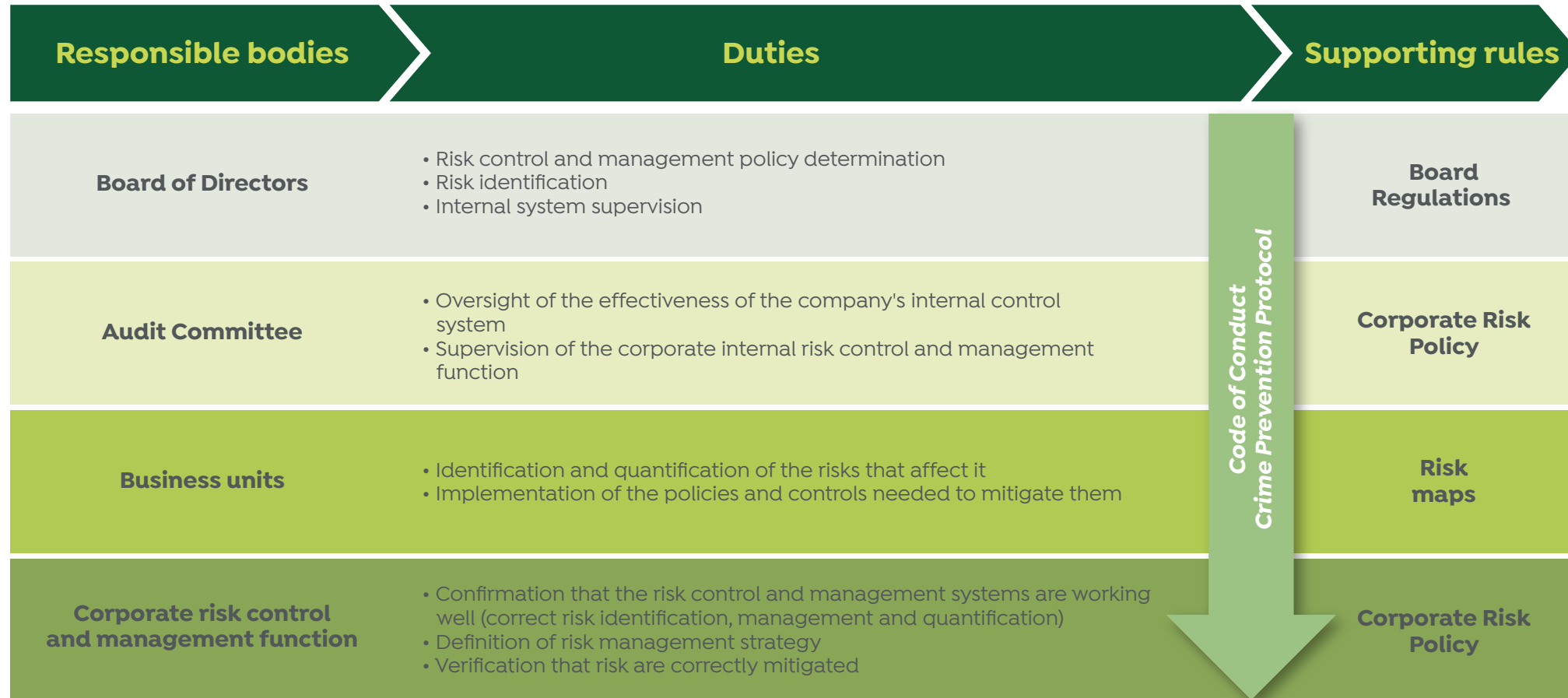
2019	2020	Medium term
<b>Identification of 22 risks in seven categories</b> <ul style="list-style-type: none"> <li>• Macroeconomic</li> <li>• Regulatory and political</li> <li>• Business</li> <li>• Operational, Technological, Environmental, Social, Legal</li> <li>• Financial</li> <li>• Reputational</li> <li>• Corporate governance</li> </ul>	<b>Design of a risk map for each corporate department</b>	<b>Integration of ESG risks into the map</b>
<b>Drafting of the corporate risk policy</b>	<b>Identification, quantification and classification of risks</b>	
<b>Definition of the organizational model</b>	<b>Definition of action plans</b>	

Within operational, technological, environmental, social and legal risks, we have included one type of risk associated with climate change, specifically the consequences of meteorological risks and natural disasters. Within business risks, we have classified those deriving from volatility in the solar and wind resources need to produce electricity



# 8 | RISK MANAGEMENT

The organizational model articulated to implement risk management contemplates the following allocation of responsibilities and will be implemented in 2020:



## 8 RISK MANAGEMENT

In addition, the Compliance Unit will take charge of handling all matters needed to ensure the correct implementation and working of the Crime Prevention System and will oversee that System.


### Greenergy's targets for 2020 on the risk management front include:

- Designing risk maps, with the goal of identifying the main business management risks and assessing them in terms of probability of occurrence and impact on the company in the event of materialization. As a function of those two variables, the risks will be classified into a matrix that will help prioritize their management. Both the business teams and corporate departments, led by the risk department, will participate in the task of identifying and evaluating the company's risks.
- Establishing action plans in response to the risks identified and tolerance thresholds defined.

Although the projects operated by Greenergy can vary significantly from one to the next as a result of local regulations and site specifics, the development, structured financing, EPC and O&M teams design

customized action plans for each on the basis of the prevailing environmental regulations and specific local community considerations. As a general rule, where a project is located can imply considerable differences in the process of identifying and quantifying the risks to which Greenergy is exposed on account of different factors:

- Regulations: the legislation prevailing in each market implies differences in scope of application and the level of granularity thereof. Some markets are light on regulatory demands, for example not requiring the presentation of an environmental impact statement (EIS); others are more exacting, requiring, in addition to EISs, a series of additional procedures for permitting purposes
- Physical: terrain-wise, the site where a project is located has a direct impact on its viability, as do the physical surroundings and their composition, which can reveal vulnerabilities that require action upon detailed analysis (e.g. presence of birds, flora, water resources, etc.)
- Social: in some jurisdictions there are catalogues of protected areas so designated to safeguard community rights and critical settlements and these can have a significant impact on the demands deriving from the EIS




**As a general rule, where a project is located can imply considerable differences in the process of identifying and quantifying the risks to which Greenergy is exposed**

## 8.2 LINES OF DEFENSE

Greenergy's business model is based on vertical integration along all of the links in the renewable energy value chain. As a result, throughout the entire life cycle of the projects carried out by the company, the various business and operating areas continuously and meticulously monitor the risks specific to each, whether financial, operational, environmental or social. Risk identification, mitigation and assumption is a core component of the renewable energy project development process and indeed constitutes one of Greenergy most noteworthy competitive advantages related to its competitors. The ability to detect and anticipate everything that can go awry in the course of development strengthens Greenergy's position in the sector.

### First line of defense: Technical viability study


Carried out by the development team



The risks identified and mitigated during this phase are risks that could have a **direct impact on the company itself**, as they could jeopardize the viability of a project. They are identified by the development team. Once the source of energy, land and connection have been locked in, the development team launches the environmental impact assessment/statement. The framework for analyzing risks during this phase is that dictated by Greenergy, which imposes limits such as a ban on projects in protected nature reserves, in the vicinity of critical community settlements or in countries presenting risk of human rights violations.

### Second line of defense: Environmental impact assessments (including assessment of risks to neighboring communities, flora, fauna, water resources, archaeological remains, etc.)


Carried out by the development and environment teams



The risks identified and mitigated during this phase are risks that could have a **direct impact on the surroundings** in which a project is being carried out. It is the competent authorities that are tasked with detecting project weaknesses through the permitting process, the most common materialization of which is the environmental impact statement (EIS) For such statements, the competent authority conducts due diligence with respect to Greenergy's development plans, detects any so-called red flags; Greenergy then has to devise mitigation plans for each red flag which are then approved by the authority in question and verified throughout the life of the project by external auditors. Once the permit has been obtained and there is a high degree of certainty regarding project viability, the structured finance team comes into play to perform due diligence together with the lender banks. The risk analysis framework used as guide during this phase is the legal framework applicable in each country (usually national and local regulations).

### Third line of defense: Due diligence (technical, legal, insurance, environmental)

Carried out by the structured finance team in tandem with the bank financing the project



Once the source of power, connection point and site have been secured and the mitigation plans deriving from the EIS have been approved, the search for financing begins. During this phase, the bank financing the project (or the investor lined up to ultimately acquire the project for operation) again conducts exhaustive due diligence, a process encompassing the project's operational, environmental and social aspects. The bank's due diligence work continues throughout the life of the project as each drawdown is associated with the delivery of specific milestones. The risk analysis framework in this phase varies depending on the nature of the financier: the development banks tend to use the Equator Principles, while the private banks have their own requirements which are often more stringent.

# 8 RISK MANAGEMENT

Once a project is deemed viable (technically, financially, legally and environmentally viable), its status changes to 'ready to build'. At that juncture the EPC Department takes over the construction of the plant and, by extension, assumes responsibility for the risks this phase implies.

## Fourth line of defense: EPC

Done by Greenergy



The three lines of defense in place to oversee the viability of the project ensure that the risk assumed during the construction phases is residual insofar as mitigation plans for any risks detected will already be in place. However, for the risks specific to the tasks to be carried out by the EPC teams, detected in a customized works risk assessment, management takes out insurance to cover each phase of the process (civil engineering, mechanical assembly and electrical assembly).

In carrying out the construction tasks, the main risks to which Greenergy is exposed relate to cost overruns on account of delays in works or the detection of previously unidentified issues on site (e.g. archaeological remains).

Lastly, the construction work, subcontracted during this phase, also presents job-specific risks, to which end Greenergy requires its manpower providers to agree to a series of requirements designed to guarantee operational safety (refer to "Section 9.5 Greenergy and the supply chain").

At every phase of project execution, Greenergy faces compliance audits in respect of the commitments assumed in the EIS (by an auditor mandated to do so on behalf of the competent authority) and those assumed as part of the bank due diligence (by the financier bank's auditor).

An operating risk materialized in 2019 during the construction phase of the Kosten wind farm: the bankruptcy of the EPC provider contracted, Senvion, as a result of which Greenergy had to assume the risks that would have accrued to the contractor by drawing up a new business plan to ensure the financing and verify the project's viability.

## 8.3 PROJECT-SPECIFIC ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEMS

In order to correctly manage its projects' potential environmental and social risks to local ecosystems

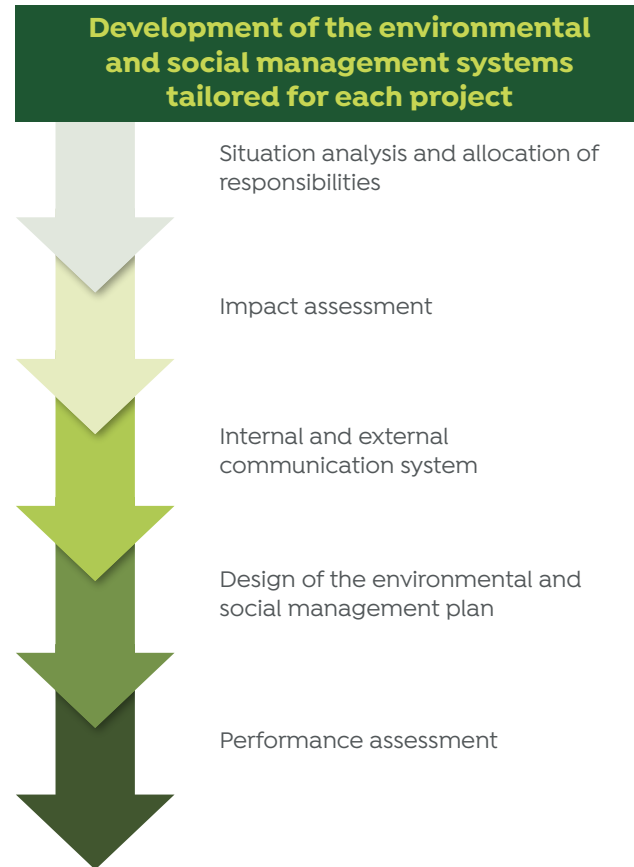
and populations, Greenergy designs a management system for each to specifically address those concerns.

The design of this environmental management approach begins with a study of the requirements, legal and others (such as those requested by financiers) using tools such as the World Bank's Environmental and Social Framework. That study is performed after

determining the scope and technical characteristics of each project. In order to comply with the stipulated requirements, particularly those related with social and environmental matters, responsibilities are allocated to each area involved in the development to ensure correct implementation of the environmental and social system.

# 8 RISK MANAGEMENT

Once all the required inputs have been gathered, work begins on formulating the environmental and social management plans tailored for each project



Having analyzed those points, the designed plan stipulates a method for measuring those impacts, the above-mentioned responsibilities and the

frequency with which the impacts are to be reassessed. In developing this management system, communication channels are established for use by the project managers and company to engage with the workers, on the one hand, and the local communities, on the other. Internal communication about the project does not consist solely of providing relevant information using conventional communication channels such as e-mail and briefing sessions but also involved ongoing training, before and during project execution. Thanks to these sessions, the workers involved can familiarize themselves with the project requirements in social and environmental terms. Communication with external stakeholders generally takes the form of activities in which the communities participate so that they can express their questions and concerns.

Once all the required inputs have been gathered, work begins on formulating the environmental and social management plans tailored for each project. To ensure that the plans are implemented correctly and there are no breaches of legal or management system requirements in the course of the development work, the company undertakes a number of different monitoring and assessment initiatives, such as audits and inspections. Should that monitoring work unveil any shortcomings, corrective action plans are rolled out.

<sup>7</sup> *The World Bank Environmental and Social Framework, 2017 (TWB)*



## Case Study: Kosten

The 24-MW Kosten wind farm development, located in the Argentine province of Chubut, is going up close to the city of Comodoro, the largest city in the province and one with a very vulnerable population along its periphery. Greenergy has formulated an environmental and social management system for the Kosten wind farm construction phase. That system specifies the people responsible for the project's operation and management, health and safety, environmental impact, community relations and contractor relations. The company has assessed the impacts on the environment and local communities. The main impacts identified are soil erosion, improper handling of hazardous waste, the growth in traffic nearby the community and improper interaction between the local population and the overseas workers. The system also sets down the environmental protection performance evaluation mechanisms based on inspections, audits, site visits and environmental and social KPIs. Lastly, the system contemplates a social management plan to analyze the main local community players, sensitize the site workers and set up communication channels between the vested parties.



A hand is shown holding a globe. The globe is overlaid with a network of glowing yellow nodes and connecting lines, symbolizing global connectivity or data. The entire image has a green tint.

9

IMPACT  
MEASUREMENT - METRICS  
AND TARGETS

## TCFD recommendations:

### Recommendation

Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks

Describe the metrics and targets used by the organization to manage climate-related risks and opportunities and performance against targets

### How it is applied by Greenergy

The Finance Department is drawing up risk maps to determine the associated opportunities

Refer to Section “9.3 Greenergy and the environment”

Increasing installed renewable solar and wind capacity

For the metrics, refer to Section “9.3 Greenergy and the environment”

In this chapter Greenergy provides an overview of its stakeholder relations (including its engagement with the environment) and analyzes its impacts on them, positive and negative, from a holistic standpoint. Greenergy also sets down its targets for each area of management, framed by the changes currently afoot.

### Greenergy's contribution to the SDGs and 2030 Agenda

The United Nations ratified 17 Sustainable Development Goals (SDGs) in 2017 under the scope of its 2030 Agenda for Sustainable Development with the aim of eliminating poverty, reducing inequities, fighting climate change and protecting the environment.

To succeed, the 2030 Agenda depends on the efforts and collaboration of all of society, which is why for the first time it includes the private sector as an agent of change in the sustainable development effort.

Strong and visionary business leadership is crucial to delivery of the SDGs. To that end, Greenergy has explicitly built the SDGs of greatest relevance to it into its business strategy, specifically SDG 5 “Gender equality”, SDG 7 “Affordable and clean energy”, SDG 8 “Decent work and economic growth” and SDG 13 “Climate action”. Selection of those goals helps the company set new objectives and prioritize the activities and initiatives it pursues:



#### ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS

When a household does not have enough food, it is often the women that go hungry. The worldwide gender pay gap remains at 23% and female representation in national parliaments is just 23.7%. Women devote 2.6 times more time to domestic chores and unremunerated care provision. One in every five women and girls has suffered physical or sexual abuse from their partners in the last 12 months and yet there are 49 countries without specific laws for protecting women against gender violence<sup>8</sup>.

#### GREENERGY'S RESPONSE TO SDG 5

- Greenergy has a protocol for the prevention of sexual harassment in the workplace
- Its Code of Conduct specifically mentions gender equality
- In keeping with the “Principal of gender diversity” enshrined in the company's Director Selection Policy, in 2020, one-third of its Board members are women



#### ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL

Over 10% of the world's population - 840 million people - did not have access to electricity in 2017. That same year, some 2.9 billion, over 40% of the world's population, depended on polluting stove and fuel combinations for cooking<sup>9</sup>.

#### SOLUCIONES DE GREENERGY ODS 7

- At the end of the first quarter of 2020, the company has 215 MW of capacity under construction in Argentina, Peru and Chile, and another 466 MW in its backlog in Spain, Colombia, Chile and Mexico.

<sup>8</sup> Turning promises into action: Gender equality in the 2030 Agenda for Sustainable Development, 2018 (UN)

<sup>9</sup> Tracking SDG7: The energy progress report, 2019 (WHO, World Bank, IEA, UN and IRENA)

8 DECENT WORK AND ECONOMIC GROWTH



### PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT, AND DECENT WORK FOR ALL

In 2019, over 630 million workers around the world, i.e., nearly one in five, did not earn enough to lift themselves out of extreme or moderate poverty (<\$3.20/day). The global unemployment rate stood at 5.4% in 2019 and is projected to remain essentially the same over the next two years<sup>10</sup>.

#### GREENERGY'S RESPONSE TO SDG 8

- Greenergy contributes, to the extent possible, to job creation by hiring locally: in 2019, 84% of its headcount hailed from local communities.
- In 2019, the company's activities generated over 83 million euros of distributed economic value (operating expenses, payments to capital providers and governments and community investments) across its operating markets.

13 CLIMATE ACTION



### TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

Global warming reached 0.85°C between 1880 and 2012 and it is probable that it will reach 1.5°C between 2030 and 2052. Between 1901 and 2010, global sea levels rose by 20 cm and are expected to rise another 30-122 cm by 2100<sup>11</sup>. Moreover, globally, averaged concentration of carbon dioxide (CO<sub>2</sub>) in the atmosphere reached 407.8 parts per million (ppm) in 2018<sup>12</sup>.

#### GREENERGY'S RESPONSE TO SDG 13

- On the basis of the installed capacity under construction and in the company's backlog, the clean energy so generated will prevent the emission of 691,501 tCO<sub>2</sub>eq in the future.
- The energy generated as a result of Greenergy's green bond issue will total 1.2 GWh/year, preventing associated emissions of 484.1 tCO<sub>2</sub>eq/year.
- The company has helped mobilize 22 million euros of financing with its green bond issue.

**To succeed, the 2030 Agenda depends on the efforts and collaboration of all of society, which is why for the first time it includes the private sector as an agent of change in the sustainable development effort**

<sup>10</sup> [World Employment and Social Outlook: Trends 2020, 2020 \(ILO\)](#)

<sup>11</sup> [IPCC Fifth Assessment Report: Climate Change 2014, 2019 \(IPCC\)](#)

<sup>12</sup> [Greenhouse gas concentrations in atmosphere reach yet another high, 2019 \(WMO\)](#)



**Greenergy is firmly committed to the protection of human rights in every part of its operations**

## 9.1 GREENERGY AND HUMAN RIGHTS

This chapter describes how Greenergy ensures human rights protection throughout its activities.

### HUMAN RIGHTS

Greenergy's priorities in human rights matters



Employee protection

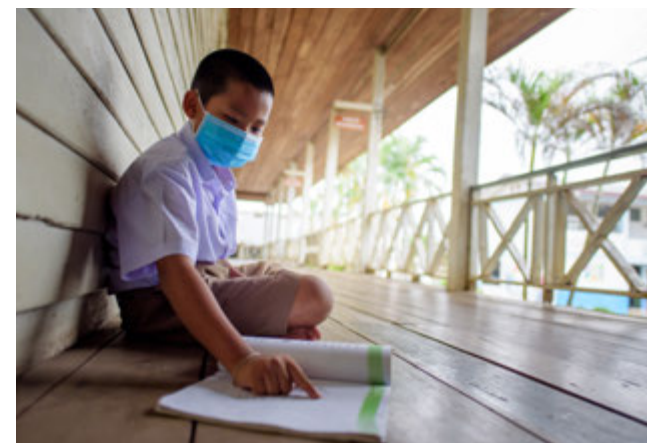
Protection of indigenous people



Compliance with the Code of Conduct

Greenergy is firmly committed to the protection of human rights in every part of its operations. It protects human rights in direct and indirect relations with and between its employees and with its local communities. That undertaking is explicitly set down in Greenergy's Code of Conduct, as described in section 6.2.4 of this report. Specifically, Greenergy commits to frame its actions with "maximum respect for people and human rights" by means of compliance with the criteria stipulated in the United Nations Universal Declaration of Human Rights.

The company's corporate culture and Code of Conduct are described in greater detail in the sections of this chapter devoted to each link in Greenergy's value chain



## 9.2 GREENERGY AND ITS EMPLOYEES

### Workplace health and safety Human capital development Diversity and equality policies and commitments

This chapter describes how Grenergy manages its human resources, providing information about average wages by job category and also gender pay gap data. It outlines how Grenergy cares for its employees' well-being in the form of company benefits, health and safety protection, talent management and communication and how it generates and fosters a sense of pride in belonging and identification with the organization's values.

<b>142</b> employees at year-end 2019	<b>1.4</b> average years of service	<b>25%</b> women on staff	<b>84%</b> local employees
<b>-2%</b> gender pay gap	<b>67%</b> indefinite contract	<b>406h</b> of employee training	<b>0</b> accidents

### Grenergy's priorities in work matters



Employee's well-being



Equality



Work-life balance



Workplace health and safety

Grenergy's employees are a top priority. To that end, since its creation in 2007, but most particularly in the wake of the significant growth sustained in recent years, the company has been implementing and fine-tuning an internal people management policy that prioritizes the interest of its employees, their career development, their safety and their job satisfaction.

That commitment is also echoed in Grenergy's Code of Conduct. In that document the company commits to treating its people fairly, respectfully and indiscriminately, ensuring that certain minimum health and safety standards are met, facilitating work-life balance and respecting their privacy.

### 9.2.1 Employees

One of the company's goals is to develop a dedicated Hiring Policy. The idea is for that policy to cover direct employees as well as subcontractors and suppliers and to establish the criteria to be met by employer and hiree alike. The need for such a formal policy is pressing in light of the company's fast growth over its short lifespan, particularly in recent years. Indeed, in just one year, the company's headcount increased by over 31%, from 108 at year-end 2018 to 142 at the end of the reporting period.

The sharp increase in hiring at Grenergy in 2019 is largely responsible for the average years of service of the company's professionals: that metric has gone

from an average of 2.3 years at Greenergy in 2018 to 1.4 years in 2019.

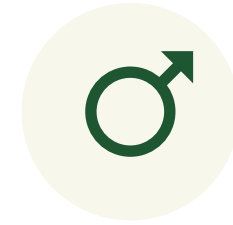
Employee turnover, meanwhile, varies by gender and country and amounts to 52.13% for male employees and 45.90% for female employees. The breakdown by region reveals turnover figures in the vicinity of 30% in general. The exception is Chile, where turnover among both genders is over 80%. The high figure in that South American nation is related with the job category mix. Sixty-two per cent of Greenergy's employees in Chile are

construction workers or employees working on site, generally under works contracts. That means that nearly 50% of the employees in Chile are temporary workers.

Of Greenergy's 142 employees at year-end 2019, 75% were male. That percentage in turn reflects that fact that most of the company's activities are currently concentrated in Latin America, places where field and engineering work continues to be dominated by men. As a result, men tend to outnumber women in the renewable energy sector.



**35 WOMEN**



**107 MEN**

	Total				
<b>Employees</b>	142				
	Indefinite		Employees		
<b>Breakdown by contract type</b>	95		47		
	Under 30	Aged 30 to 40	Aged 40 to 50	Over 50	
<b>Breakdown by age</b>	45	59	26	12	
	Officers	Department managers	Middle managers and managers	Technicians and other employees	Construction workers
<b>Breakdown by job category</b>	5	5	17	53	62

Greenergy's youthful culture is evident in the percentage of employees under the age of 40. Of the total headcount of 142, only 38 employees are older than 40, whereas more than 73% are either Gen-Y'ers (Millennials) or Gen-Z'ers. As for the breakdown by job category, note that 115 of Greenergy's 142 employees at year-end 2019 worked in technical positions or at work sites, with just 17 middle managers and managers and a senior executive team of 10, including the CEO and the members of the Executive Committee.

### 9.2.2 Remuneration

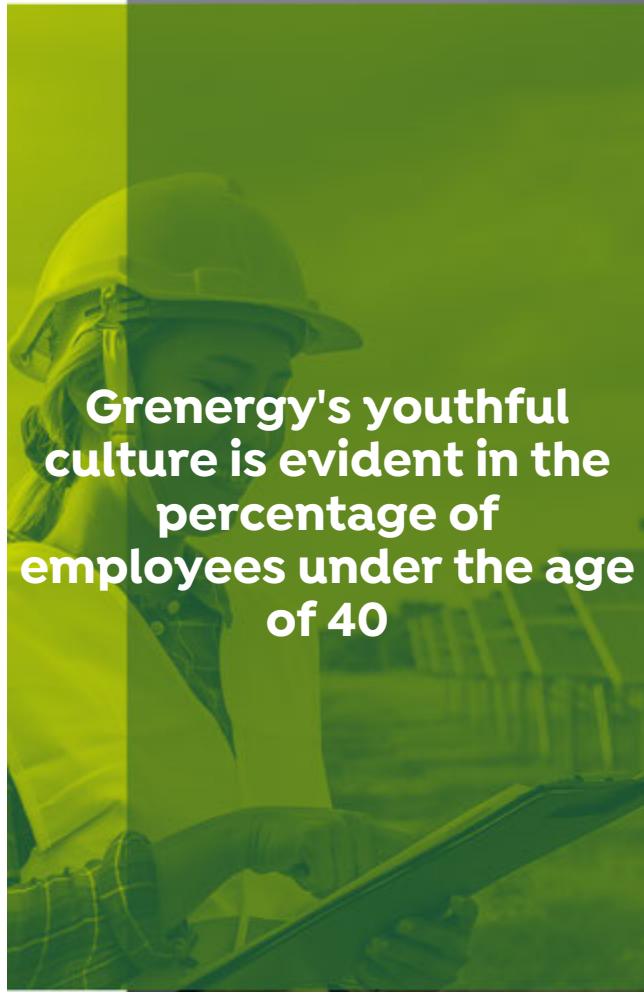
To analyze the wage differences among employees, Greenergy has calculated the average remuneration received by its male and female employees in 2019. Those average figures are shown below:

	Women	Men	Gender pay gap
<b>Average remuneration by gender (€)</b>	27,325.78	26,539.82	-2%

The analysis reveals a positive wage gap in favor of the company's female employees of 2%. The main reason for this is the fact that the jobs performed on work sites, which tend to be lower-paid, are more often held by men, driving average male remuneration lower.

Reported remuneration includes fixed remuneration, flexible remuneration and, for those benefitting from such arrangements, variable remuneration. Just some of Greenergy's employees earn variable remuneration, specifically the middle managers and certain highly specialized jobs in high demand in the sector. In 2019 the company also paid bonuses to certain employees whose job performance was deemed exemplary, even though their contracts do not specifically contemplate variable pay.

The officers receive their bonuses as a function of delivery of certain targets established on a case by case basis. Those objectives include criteria related to execution of the business plan. Greenergy recently approved its Officer Remuneration Policy, in which it ties the variable remuneration to CSR-related objectives.



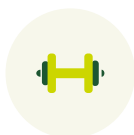
**Greenergy's youthful culture is evident in the percentage of employees under the age of 40**

### 9.2.3 Talent management and company benefits

Greenergy's size means it is still possible to maintain a close relationship with each employee and to involve them in tasks that go beyond their job descriptions. That approach provides employees with a broader vision of the business while affording them experience and knowledge in different fields, opportunities that would be hard to replicate in more formal organizational structure.

Greenergy has rolled out a number of company benefits as part of its decisive commitment to keeping its employees motivated. Those initiatives may be complemented by resulting from case-by-case studies. Those employee benefits include discounts at health clubs, restaurant vouchers, English classes at work, working from home, paid parental leave, medical insurance and parking solutions. To standardize those benefits and their access, Greenergy is working on an Employee Manual which will compile all that information into one place and make it easier to identify the benefits.

#### COMPANY BENEFITS



Health club discounts



Meal vouchers



Language classes



Flexible working hours



Working from home



Paid leave



Health insurance

Greenergy has rolled out a number of company benefits as part of its decisive commitment to keeping its employees motivated



### 9.2.4 Training

Greenergy is aware of the benefits for the organization of having a well-trained workforce. By fostering and facilitating training and skills, employees feel a greater sense of pride in belonging and are more motivated and productive, while the company and employees both benefit from the attendant scope for internal promotion. Ongoing training is also a prerequisite for staying at the technical vanguard.

To that end, the company is in the process of drafting its Training and Development Policy, the main purpose of which is to define the requirements for applying for and attending training courses and seminars. Employees are encouraged and entitled to apply for the training opportunities they feel are important to their career development. Their requests are evaluated by their managers and if accepted are approved by the CFO and HR department. The subjects covered in the courses provided include language skills, compliance, management skills and job-specific technical training. In 2019, the company provided its employees 406 hours of training at a cost of 14,768.58 euros.

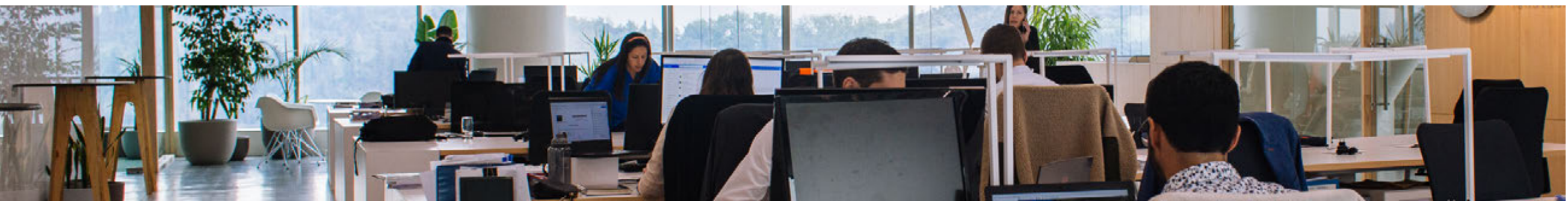
### 9.2.5 Equality and diversity

Respect for others is a core tenet of the business ethics that guide everything the company does. To make that explicit, Greenergy's Code of Conduct sets down the following principles:

- Freedom of association and affiliation and the effective recognition of the right to collective bargaining
- Ban on forced labor
- Ban on any form of discrimination, with any form of conduct deemed potentially hostile or offensive susceptible to investigation and oversight
- Equal opportunities in the hiring and promotion of employees, prioritizing the equal treatment of men and women
- Equal opportunities in career development at Greenergy irrespective of race, gender, ideology, beliefs or any other personal or social characteristic
- Work-life balance
- Respect for the privacy of employees and their right to confidentiality

Framed by those principals, Greenergy strives to apply equality principles across all of its activities and regions, advocating for the creation of local jobs, upholding the ban on discrimination, fostering diversity and facilitating communication and respect for the rights enshrined in the United Nations Declaration of Human Rights.

In line with the principals stipulated in the Code of Conduct with respect to gender equality, Greenergy has drawn up Workplace Harassment Prevention and Remediation Policy in each of the countries it has operations. The purpose of those policies is to facilitate the detection of abuse, discrimination, workplace and/or sexual harassment and provide technical guidance for how to handle such situations. In addition to Greenergy's direct employees, those policies also apply to employees of outside service providers. Greenergy is working to formulate a corporate Harassment Prevention Policy that will encompass those country-specific policies. Lastly, it is working on its Guidelines and Protocol for Sexual Harassment in the Workplace. That document will set down the internal procedure to be followed as diligently as possible in the event of identification of a harassment case.




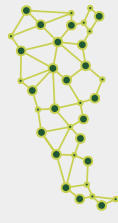


## 9.2.6 Geographic mobility

As for its goal of fostering the creation of local employment, Greenergy has hired over 84% of its 142 employees from the local communities.

However, if a position requires specific expertise, it may move professionals from one country to another to fill those positions on a temporary or permanent basis. Greenergy has drawn up an International Displacement Analysis for professionals on temporary assignment and expatriates alike. The purpose of that document is to prevent any risk to which the company or transferred employees may be exposed in the event of incorrect handling of the bureaucratic steps needed to formalize such assignments.

For short stays, Greenergy has put together a Travel, Displacement and Company Expenses Policy with the main aim of regulating the expenses incurred by employees in their course of business travel. That policy describes the business expense reimbursement process, duly defining and classifying those expenses and providing a series of good practices its employees are expected to follow.

 <b>SPAIN</b>  <ul style="list-style-type: none"> <li>• 38 employees</li> <li>• 100% local jobs</li> </ul>	 <b>PERU</b>  <ul style="list-style-type: none"> <li>• 9 employees</li> <li>• 100% local jobs</li> </ul>
 <b>CHILE</b>  <ul style="list-style-type: none"> <li>• 91 employees</li> <li>• 78% local jobs</li> </ul>	 <b>COLOMBIA</b>  <ul style="list-style-type: none"> <li>• 1 employee</li> <li>• 100% local jobs</li> </ul>
 <b>MEXICO</b>  <ul style="list-style-type: none"> <li>• 1 employee</li> <li>• 100% local jobs</li> </ul>	 <b>ARGENTINA</b>  <ul style="list-style-type: none"> <li>• 2 employee</li> <li>• 100% local jobs</li> </ul>

## 9.2.7 Workplace health and safety

The prevention of workplace accidents and safeguarding of employee health and safety are cornerstones of Greenergy's decision-making. In the Spanish business, the company has outsourced the health and safety service to an expert that evaluates working conditions and assesses the risks employees could encounter on the job. That service results in preventive measures and corrective action when the risks identified so require. That outside service also analyzes the various jobs, establishing preventive measures, a Preventive Action Plan and Emergency Measures Plan specific to each position.

For its field operations, Greenergy also has workplace safety experts for every project. Those professionals are usually company employees hired from the local community for their knowledge of local and national legal requirements. Sometimes those in-house professionals are joined by outside experts hired through the company's suppliers.

Greenergy also runs training initiatives to raise awareness of employee rights and obligations in this field, the risks to which workers may be exposed on the job and what to do in the event of an emergency. In 2019, Greenergy provided 281.5 hours of health and safety training in total.

Thanks to the various measures in place, Greenergy did not record any occupational illnesses or employee accidents in 2019, such that its injury frequency and severity rates were zero.

### WORKPLACE HEALTH AND SAFETY



## 9.2.8 Internal communication

As part of the ongoing effort to draw up the Employee Manual, all information of relevance to employees is being gathered so that they will have ready access to pertinent information about their jobs and contracts. To that end, Greenergy recently launched a new employee platform where employees can access their working hour records, useful tools, relevant documentation, payroll and expense records, available holiday days, among other features. So far the platform is only available for employees located in Spain but the company hopes to make it a global tool, as well as adding more modules to offer employees more useful features.

## 9.2.9 Corporate culture

Greenergy offers its employees a youthful, open, collaborative and dynamic culture at a firm in a sector of growing importance due to its financial momentum but above all the key role to be played by renewable energy generation in a Planet engulfed by a climate crisis. That culture is being enriched by the vision shared by employees and Greenergy with respect to matters of relevance to both, such as environmental protection and employee well-being. Thanks to the initiatives outlined throughout this chapter, which emanate from the company's commitment to that well-being, Greenergy has managed to create a strong bond between the company and its employees but also among its professionals.



### 9.3 GREENERGY AND THE ENVIRONMENT

**Climate change – Circular economy and waste management – Energy transition and regulatory developments  
Environmental safety – Biodiversity protection**

This chapter outlines Greenergy's environmental management approach. Its relationship with the environment is net positive thanks to its role in the decarbonization of the economy; however it has other impacts, related with forest waste and biodiversity, than require due management.



#### ENVIRONMENT

**1.68MWh**

Energy intensity  
(MWh consumed/revenue in € m)

**624.17 t**

waste recovered

**427,467 tCO<sub>2</sub>eq**

avoided due to projects  
in backlog

**0**

red flags in environmental  
audits

**264,034 tCO<sub>2</sub>eq**

avoided due to projects under  
construction

**0**

project delays due to com-  
munity or ecological impacts

By virtue of its business model, Greenergy has an intrinsically positive impact on the environment. Nevertheless, the company is committed to mitigating and preventing the negative impacts its

operations have on its surroundings. Greenergy's Sustainability Policy, approved in mid-2020, sets down the key environmental aspects Greenergy has an impact on and raise their management to the highest

level of the organization. The Sustainability Policy applies across all of the company's operations and is framed in a preventive approach, assigning specific responsibilities for each risk identified and target set.

The company has earmarked over **168,000 euros** to environmental initiatives.

At present, Greenergy does not have any power plants in operation and all those under construction are located in Latin America, mainly Chile, where 72% of the pipeline already under construction is located. For that reason the company's Environmental Management Department is located in Chile. Under the supervision of the management team in Spain, that department oversees and provides environmental management advice to the operations on the ground in Chile and the other countries requiring its input. Its tasks are concentrated on:

- Environmental assessments prior to starting to build a facility on the basis of environmental impact assessments or declarations, depending on local regulatory requirements and the amount of capacity to be built. That evaluation process pinpoints the main impacts the works will have on the facility's surroundings
- Control over compliance with the environmental requirements emanating from the above assessment by means of periodical internal controls. This procedure enables the team to detect whether the facility is having an environmental impact and to establish corrective and mitigation measures

The company keeps a record of the fines received for environmental infractions. In 2019, it received two fines for less than 600 euros in total.

Although Greenergy's activities do not have a negative impact on the environment, the company has formalized the management of its environmental impacts by certifying Greenergy Renovables S.A. under ISO 14001:2015, valid until November 4, 2020. The company also has an environmental management system for the Kosten (wind farm 24 MW) which stipulates specific mitigation measures for the environmental impacts.

Greenergy did not have to delay any of its development projects in 2019 on account of ecological impacts at the related sites; nor were any red flags raised in the corresponding environmental assessment processes.

### 9.3.1 Circular economy

The circular economy concept is an economic approach that is directly related with sustainability and climate change mitigation. The aim is to maintain the value of products, materials and resources in the

economy for as long as possible by returning them into the product cycle at the end of their use, while minimizing the generation of waste.

Greenergy is firmly committed to contributing to circularity to which end it has begun to monitor its facilities' water consumption and waste generation with a view to detecting any unusual movements that could indicate inefficient resource usage:

	Total
<b>Water consumption (liters)</b>	3,412,665

<b>Waste generated (tonnes)</b>	
Forest waste	1,111.7
Hazardous waste	2.7
Non-hazardous waste	3,734.6*
<b>Total</b>	<b>4,849</b>

\* 96% corresponds to rubble which cannot be recovered



## IMPACT MEASUREMENT – METRICS AND TARGETS

The company also tracks the waste with energy recovery potential (via incineration) and the waste with material recovery potential (new materials or recycling to prevent the use of new raw materials):

Waste recovered (tonnes)	
Waste recovered as energy	5.3
Waste recovered as materials	618.9
<b>Total</b>	<b>624.2</b>

### 9.3.2 Energy management

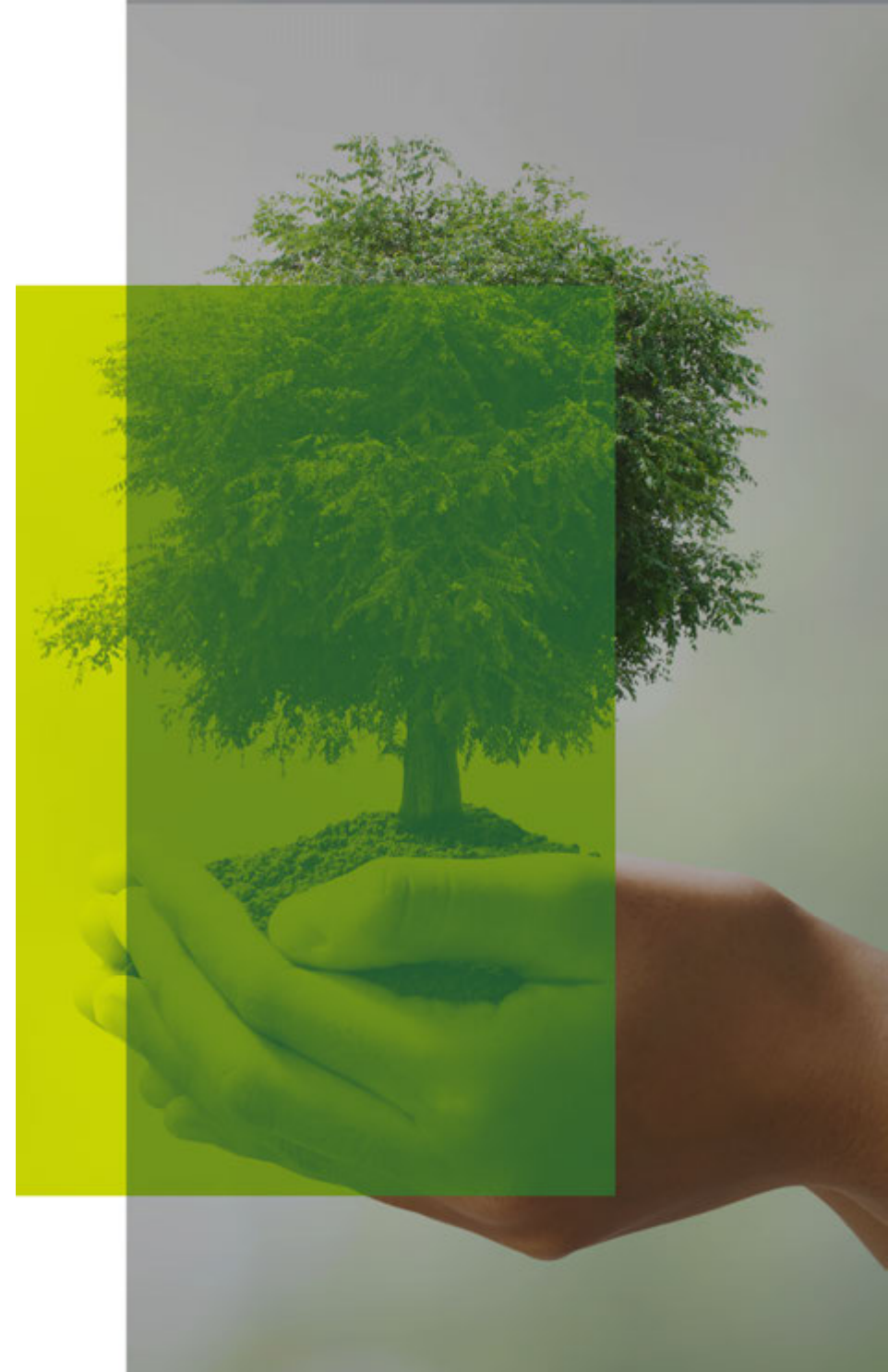
In its bid to mitigate the impact of its operations on the environment, Grenergy has begun to monitor the energy consumed at its facilities in order to detect

unusual consumption and apply energy efficiency measures framed by objective metrics:

Energy consumed	
Diesel - vehicles (liters)	93,168.2
Petrol - vehicles (liters)	10,548
Diesel - fixed-combustion equipment (liters)	12,271
Electricity (MWh)	142.3

### 9.3.3 Greenhouse gas (GHG) emissions

Thanks to the controls introduced over the energy consumed by Grenergy in the course of its operations, coupled with an analysis of the trips made by its employees in their most polluting business trips, the company has been able to calculate the CO<sub>2</sub> emitted as a result of its activities for the three scopes stipulated in the GHG Protocol's international standard for

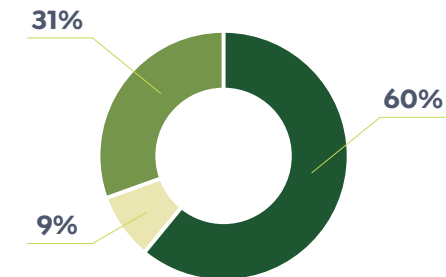
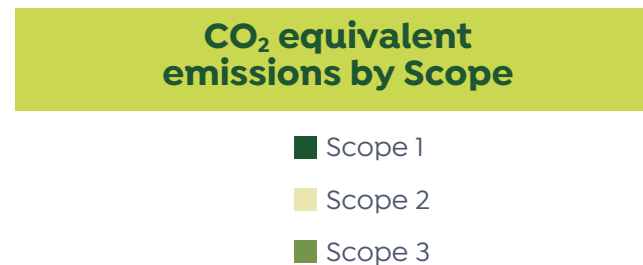




the calculation of carbon footprints. This effort is laying the groundwork for establishing mitigation measures and GHG reduction targets based on objective metrics in the future:

Scope	Source	Tonnes of CO <sub>2</sub> equivalent* <sup>2</sup>
<b>Scope 1: Direct GHG emissions</b>	Diesel - vehicles	229.8
	Petrol - vehicles	22.9
	Diesel - fixed-combustion equipment	35.2
<b>Scope 2: Indirect GHG emissions associated with electricity consumption</b>	Electricity	44.1
<b>Scope 3: Other indirect emissions</b>	Business travel - flights	147.3
	Business travel - train	0.1

The data shown in the table above indicate that the most GHG-intensive activities are those involving the use of vehicles (Scope 1) and those involving air travel (Scope 3):



\*The CO<sub>2</sub> equivalent emissions were calculated using the Spanish Ministry of Transport (Version 15, June 2020) and DEFRA (2020) emission conversion factors

Greenergy is a vertically-integrated player in the renewable solar and wind power segments. At present, it does not have any facilities in operation. However, it does have projects under construction and in its backlog; those facilities, once operational, will prevent the following emissions:

GHG emissions avoided (tonnes of CO <sub>2</sub> equivalent)*	
Installed capacity under construction	264,033.9
Installed capacity in the backlog	427,467.2
<b>Total</b>	<b>691,501.1</b>



**The emissions that will be avoided once the wind farms the company has under construction and in its backlog are operational are equivalent to the emissions associated with the energy used by 72,389 households during one year (EPA, March 2020).**

Moreover, the energy generated as a result of Greenergy's green bond issue will total 1.2 GWh/year, preventing associated emissions of 484.1 tCO<sub>2</sub>eq/year.

### 9.3.4 Biodiversity

Greenergy is firmly committed to making responsible use of the world's natural resources, which is why it analyzes how its activities impact biodiversity so that it can take appropriate prevention and mitigation measures. The company, before embarking on any new project, conducts an environmental assessment which addresses, among other factors, the impacts on the flora and fauna in the area.

Greenergy currently has three Chilean projects located in areas deemed protected under local environmental legislation. However the corresponding environmental assessments ruled out any fallout on the areas from the company's planned operations, so the plans were allowed to go ahead.



\*The CO<sub>2</sub> equivalent emissions avoided were calculated using the IEA (2019) emission conversion factors based on pipeline data as of the end of 1Q20

## 9.4 GREENERGY AND THE COMMUNITY

### Creation of local wealth - Engagement with local communities

This chapter outlines Greenergy's firm commitment to protecting the well-being, interests and culture of its local communities and the physical integrity of their habitats. It describes the community work initiatives the company designs to that end.



#### LOCAL COMMUNITIES

**+22,000€**  
donated to local  
communities

**0**  
red flags raised during  
assessments

### Greenergy's priorities in the social dimension



**Wealth  
generation**



**Local job  
creation**



**Skills  
development**



**Minimization  
of negative impacts**



**Safeguarding  
of protected places**



**Continuous engagement  
with local communities**



**Design of community  
action plans**



**Contribution to local cultural  
and social development**

In its Code of Conduct, Greenergy sets down its goal of having a positive impact not only on quality of living in those communities but also on the creation of wealth for them, through the provision of services and deployment of specific activities. Greenergy's community pledge means responsible conduct such that the communities' cultural diversity, customs and mores are not harmed in any way by its business activities. The company checks that it is meeting that objective thanks to the processes described in "Section 8. Risk management".

### 9.4.1 Due diligence procedures

Community relations start at the development phase, which is when negotiation meetings are held with the land owners and site residents, kick-starting the local networking process. The process of interacting with local communities varies by project and the legal requirements in the country in question.

Once the initial contacts have been made, the company begins to analyze the specific needs of each location and the attendant procedures required at each project to ensure mutually beneficial relations. In 2019, Greenergy met with local community representatives on 65 occasions.

Land purchase negotiations are conducted differently as a function of each project and the characteristics of the surrounding terrain and communities. For



## 9

## IMPACT MEASUREMENT – METRICS AND TARGETS



the projects developed in Spain, for example, the land negotiations are channeled through sub-agents familiar with the region who help identify potential sites. In the event the negotiations involve multiple land owners, Greenergy ensures that each receives the same price.

Having established contact with the local community leaders, the company analyzes each community's specific needs with the aim of reaching an agreement that benefits both sides, while optimally supporting local development.

After the land has been secured, the environmental impact assessment begins, thus triggering the due diligence process (environmental impact statements or equivalent mechanisms, as required by the various competent authorities). Thanks to those procedures, the company analyzes the characteristics of both the natural and social environment surrounding the chosen site. The idea is to identify potential red flags, issues that could jeopardize the project's correct development or operation in the future. The company did not detect any red flags in relation to social matters in 2019.

The main positive impacts generated during project development include the creation of wealth, jobs and new skills in the community. On the negative side, the

increased flow of people to small towns can increase population size considerably.

To avoid negative impacts, Greenergy does not execute projects located close to critical or protected settlements or places of value for reasons of heritage, tourism or landscape. Protection of that nature can be determined by consulting the local competent authorities at the earliest stages of project development and due diligence. Greenergy has zero negative impacts in this respect for two key reasons: (i) Greenergy's internal policies; and (ii) compliance with the World Bank's Environmental and Social Framework (refer to "Section 8.3"). In 2019, two of Greenergy's projects in Chile were being developed on land located in 'priority sites' for which it was necessary to rule





out all manner of adverse effects during the environmental impact assessment.

Thanks to Grenergy's exhaustive analysis and management of its potential negative impacts on its local communities, the company did not receive any fines in relation to social matters in 2019; nor did it have to delay any projects to address issues related with local community externalities.

Grenergy's commitment to protecting indigenous communities is so firm that even in projects in which the community impact is nil on account of the distance between the project and settlement, the company nevertheless undertakes to keep the communities informed. That information exchange process takes the form of meetings with the community leaders and a constant flow of information designed to build a trust-based relationship between both sides and add value for the community."

### 9.4.2 Community work

The environmental impact statements and assessments completed in order to obtain

environmental permits set down, in addition to the company's environmental undertakings, social commitments that vary as a function of project specifics. Examples of the operational commitments assumed by Grenergy in this respect include the minimization of traffic accidents; the minimization of risks related with community safety; the implementation of community development measures; appropriate company-community communication; grievance remediation channels; respectful communication between workers and the community constituents; and respect for any archaeological or paleontological remains discovered during the development work.

Grenergy also provides its communities with cash and in-kind donations. Those contributions help fund patron saint festivities of significant cultural significance to the local populations, on the one hand, and urban infrastructure and sports facility upgrades, on the other.

In terms of in-kind donations, the company has donated construction materials and natural resources for projects carried out in local prisons, schools and neighborhoods. In 2019, Grenergy donated over 22,000 euros to sponsorship activities. Lastly, Grenergy also promotes a number of educational and cultural initiatives in the communities with which it engages.





<https://www.diarioantofagasta.cl>

### Quillagua local community

The 103-MW Quillagua PV solar project takes its name from the Chilean town of Quillagua, an area of the desert not reached by low and medium voltage electricity infrastructure. The facilities used by the community are powered exclusively by generator sets and the combustion of fossil fuels. For that reason, during its negotiations with the local community, Grenergy pledged to supply the village town with renewable electric power. It has also subsidized and installed light fittings fueled use solar panels to supply the local sports team's facilities with electricity. In addition, the company has donated money to help fund the town's patron saint (St. Michael the Archangel) festivities which draw people from nearby communities each year, generating significant income for a town with a population of less than 150, according to the 2017 census.

The company has also participated in the promotion of an archaeological museum and an archaeological tourism route in Quillagua. Lastly, Grenergy prepares training initiatives for the town's residents on demand.

During the first months of 2020, progress has also been made in the installation of a water desalination plant to solve the problem of water scarcity and, in order to boost the economy of the area, collaboration is underway with an agency to implement a tourism plan for Quillagua. Likewise, a contingency plan and assistance to face the crisis caused by the Covid-19 has been implemented for the community.

## 9.5 GREENERGY AND THE SUPPLY CHAIN

### Supply chain control

This chapter describes Greenergy's relationship with its suppliers, an essential component of its value chain. It also highlights how the company strives to get its suppliers and subcontractors to similarly embrace its own codes of conduct and ethics on the workplace safety, human rights and environmental management fronts.



#### SUPPLIERS

**100M€**  
supplier purchases

**0**  
accidents affecting subcontractors

**31%**  
local suppliers

Risk management in the supply chain is of growing importance to how companies manage their reputations, due to how removed a company's governing bodies are from its suppliers and also due to growth in business outsourcing. Greenergy is aware of the need for stringent supply chain due diligence to which end it identifies, assesses and manages the related risks.

Greenergy's Code of Conduct addresses its supply chain, stipulating the consideration of sustainability criteria in procurement processes. In 2019, six suppliers endorsed the company's Code of Conduct.

Those sustainability criteria place value on supplier efforts to reduce the environmental impacts of their manufacturing and distribution processes and compliance with applicable legislation in workplace safety and risk prevention. The Code of Conduct similarly states that Greenergy will take into consideration the recommendations and guidelines issued by the OECD in developing its business outside of Spain. Additionally, Greenergy's Corporate Crime Prevention Protocol applies to its subcontractors and service providers as well as its own employees.

In line with its Code of Conduct, in 2020 Greenergy began work on a dedicated Annex for Suppliers. The

principles set down in that Annex will be very much in line with those enshrined in the general Code of Conduct (refer to Sections "6.2.4. Code of Conduct" and "9.2.5. Equality and diversity"); however, the Annex will expand on matters related with the information provided to suppliers, particularly in the areas of transparency and data protection. This body of principles will apply to procurement and contracting processes and to the firms that supply the group companies, regardless of where they fall within the corporate structure or their geographic location.

Greenergy also began to work in 2020 on a document that will layer ESG criteria into the company's general purchasing terms. That document will be sent to suppliers along with their first purchase orders and any breach of their obligations thereunder could be grounds for termination of the contract. In keeping with the United Nations Global Compact, the parties to the contracts must respect the human rights of the people affected by their activities in conformity with the corresponding international treaties. Suppliers are also obliged to comply with the International Labor Organization's fundamental conventions on labor rights, especially those related with child labor, equal opportunities and non-discrimination. They must also take into due consideration the legislation prevailing in the countries in which they do business, the relevant international regulations and the requirements emanating from Greenergy's environmental management and occupational safety systems.



In 2019, an effort that has continued into 2020, the Audit Committee spearheaded the company's analysis of the risks associated with the supply chain in order to determine the most important aspects and thereby establish formal control mechanisms to ensure that Greenergy's ESG commitments are conveyed to the entire value chain.


In 2019, over 31 million euros went to local community suppliers via subcontracting arrangements.

The company purchased goods and services in the amount of 100 million euros in 2019. Materials (panels, structures, inverters, cables, etc.) accounted for the bulk of that expenditure, at almost 85%; 10% went to local Chilean construction firms (where the company has several developments under construction); and 5% went to the purchase of professional services (including the experts in surveying and water resources, engineering service providers, etc.). Thirty-one per cent of total expenditure went to local suppliers.

### Subcontractor health and safety

Greenergy monitors its projects from an operational safety standpoint; when using subcontractors, it extends that health and safety oversight to its subcontractors' operations. No subcontractor employees sustained any injuries while performing activities for the company in 2019.

Greenergy has an Internal Orderliness, Hygiene and Safety Regulation which applies to its suppliers with the aim of regulating working methods and working, hygiene and safety conditions at works done by firms subcontracted by Greenergy. That Internal Regulation is deemed an integral part of each works contract and stipulates that whenever employers contract or subcontract works or the provision of services outside of the company, those third parties must oversee compliance with the hygiene and safety rules, implementing an occupational health and safety management system for all employees involved to the extent over 50 in number.



**Greenergy has an Internal Orderliness, Hygiene and Safety Regulation which applies to its suppliers with the aim of regulating working methods and working, hygiene and safety conditions at works done by firms subcontracted**

## 9.6 GREENERGY AND THE INVESTOR COMMUNITY

### Financial strength, profits, growth - Transparency - Green financing

This chapter details the company's trajectory in the capital markets since its début as a listed company and bond issuer in 2019. It also provides an account of the company's earnings performance last year and describes how it engages with the investment community. Lastly, it analyzes the company's share price performance in 2019.



#### INVESTOR COMMUNITY

**+82.5%**

Revenue growth vs. 2018

**+19.9%**

Profit growth vs. 2018

**+20.5%**

Earnings per share

**+133.1%**

CAPEX

### Lines of initiative pursued by Greenergy in 2019



**Governance systems aligned with Greenergy's status as listed company**



**Constant flow of meetings with investor community**



**Launch of a group-wide project for the approval of a corporate sustainability plan and an associated action plan**

The investment community is a vital stakeholder group for Greenergy: firstly because one-third of its capital has been freely traded on the secondary market since December 2019; secondly, because in November 2019, Greenergy issued green bonds (certified by Vigeo Eiris). The company's IPO was the only début on the main market in 2019, while the company's green bonds were the first such corporate issue listed on Spain's alternative fixed-income market, MARF.

Greenergy's financial market contacts therefore include equity investors (institutional and retail investors, none of which with a stake of more than 3%), the financial analysts who cover the stock and the company's bondholders. In order to regulate engagement with that entire community, Greenergy has a dedicated formal [policy of communication and contact with shareholders, institutional investors and proxy advisors](#). Framed by that policy, Greenergy publishes relevant business information on its website and in the form of periodic investor presentations.

In 2019, on the occasion of its IPO and bond issue, Greenergy contacted with a large number of equity investors, analysts and fixed-income investors in order to introduce the company. Transparency is a value that is deeply entrenched in Greenergy's corporate culture. In the face of growing demand from investors for information about non-financial aspects, Greenergy took the decision to prepare and publish this sustainability report.



## 2019 earnings analysis

	2018	2019	Var
Revenue (€M)	46.3	84.5	<b>82.5%</b>
EBITDA (€M)	18.5	18.5	<b>0.0%</b>
Net profit (€M)	9.53	11.43	<b>19.9%</b>
CAPEX (€M)	26.9	62.7	<b>133.1%</b>
Net debt/EBITDA	0.2x	2.2x	-
Earnings per share(€)	0.39	0.47	<b>20.5%</b>

2019 was a successful year for Grenergy: revenue and profits increased by 82.5% and 19.9%, respectively, in a year in which its shares made the leap to the main market. The company's vertically-integrated business model, which encompasses project development, construction, operation and maintenance, fueled the turnover of five assets in Chile, transactions that were largely responsible for the company's healthy top and bottom lines.

Specifically, the Development & Construction and Services divisions registered revenue growth of 92% and 32%, respectively, thanks to the execution, delivery and connection of projects in which the company will remain present through its Services division.

In addition to asset development, operation and turnover, Grenergy is striving to consolidate itself as an independent power producer (IPP), to which end it invested 62.7 million euros (CAPEX) in furthering the construction of the Kosten (24 MW) and Duna Huambos (36 MW) wind farms and the Quillagua (103 MW) solar facility.

### Fixed income

The issuance of green bonds implies adopting a series of obligations, as set down in the Green Bond Principles. As part of its assurance work, which followed those Principles, Vigeo Eiris assured that the proceeds from the bonds issued by Grenergy will be used to fund the Quillagua and Escuderos solar developments, the package of distributed energy facilities in Chile, and the wind farms under development in Duna Huambos and Kosten and that none of the 22 million euros raised would be used for refinancing purposes.

That assurance process will continue as long as the bonds remain outstanding and imply an annual audit of the use of proceeds.

## €22 million green bond issue October 16, 2019

The motive for the bond issue was to raise the funds needed to finance the company's growth plans for 2019 and 2020, which contemplate 300 million euros of CAPEX.

Vigeo Eiris assured the green status of the bonds in accordance with the Green Bond Principles formulated by the International Capital Markets Association (ICMA). The issue marked the first time a company placed non-investment grade bonds on the alternative fixed-income exchange, MARF, with a coupon of less than 5%.

The bonds mature in five years and attracted 21 investors of different kinds: institutional investors, mutual societies, asset managers, EPSVs (a Basque-specific social welfare fund) and private banking clients.

Among the commitments assumed by Greenergy in conjunction with the issue, two stand out:

- That the total combined energy generated as a result of the projects to be financed from the bond proceeds will be 1.2 GWh/year, thus preventing the emission of 484.1 tCO<sub>2</sub>eq./year
- That the company will not buy agricultural land

## Début on the main market December 16, 2019

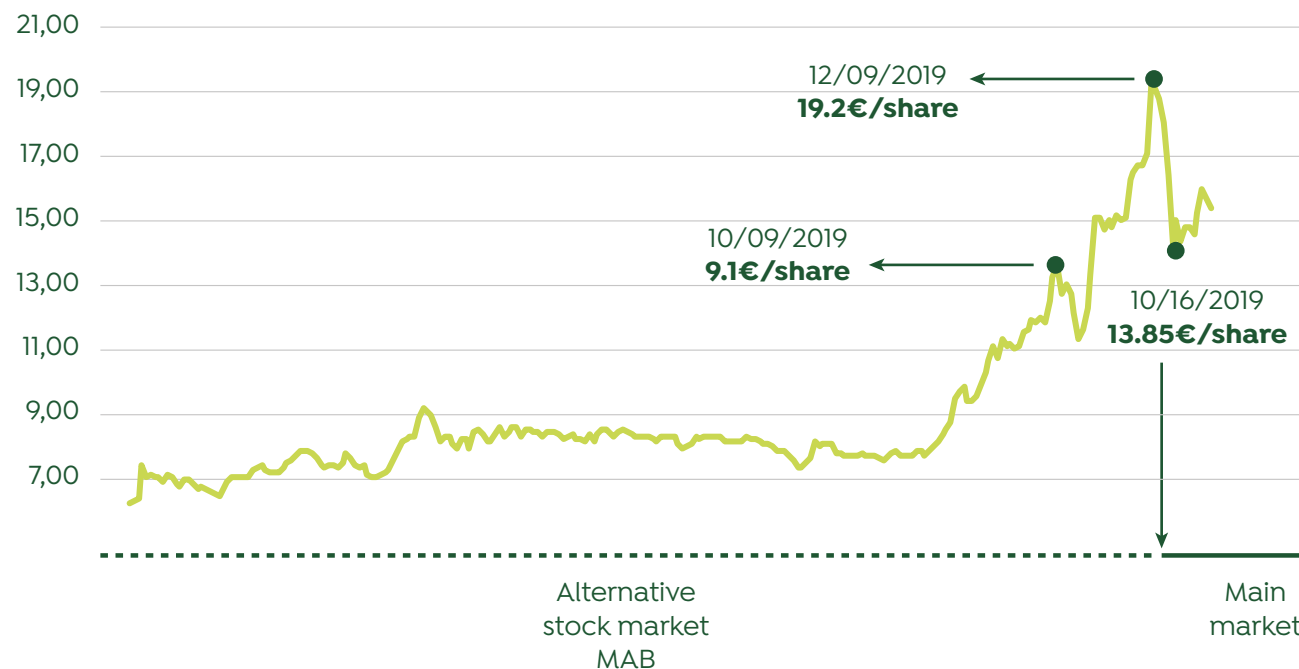
After four years trading on Spain's alternative stock exchange - the MAB - Greenergy took the step of listing its shares on the main market in December 2019 through an accelerated placement which increased its free float to 32%.

The success of that placement, coupled with the company's prior share price performance on the MAB, made Greenergy the best-performing stock on the Spanish exchange. The company's market value has increased more than 12-fold, from 31 million euros to over 400 million euros, in just four years.

Its market value stood at 427 million euros at year-end 2019, and its share price ended December at 15.05 euros.

## Share price performance

Greenergy's shares (traded on the alternative stock market, MAB, until the middle of December and on the main market after that) gained 157.26% in 2019, underpinned by growth in earnings per share of 20.5%.





10

APPENDIX I: KEY  
PERFORMANCE  
INDICATORS

---

## 10.1 GOVERNANCE

Size of the Board of Directors (#)	6
Female representation on the Board of Directors (%)	33.3
Independent members of the Board of Directors (%)	50
Female representation on Board committees (%)	50

## 10.2 OPERATIONS

No. of projects	2Q2020
Early stage	14
Advanced development	33
Backlog	19
Under construction	10
Total number of projects	76

MW	2Q2020
Early stage	2,316
Advanced development	1,650
Backlog	494
Under construction	160
Total MW	4,620

## 10.3 EMPLOYEES

Employees (#)		2019
Gender	Women	35
	Men	107
Age	Under 30	45
	Aged 30 to 40	59
	Aged 40 to 50	26
	Over 50	12
Country	Spain	38
	Chile	91
	Peru	9
	Colombia	1
	Mexico	1
	Argentina	2
Contract type	Fixed	95
	Temporary	47
Job category	Officers	5
	Department managers	5
	Middle managers and managers	17
	Technicians   other	53
	Construction workers	62
<b>Total</b>		<b>142</b>

Job quality		
Average years of service		1.4
Turnover index (%)	Women	45.90
	Men	52.13
New hires (#)	Women	20
	Men	69
Training		2019
Investment in training (€)		14,768.58
Training hours		406
Health and safety		2019
Injuries (#)		0
Injury frequency rate		0
Injury severity rate		0
Occupational diseases (#)		0
Fatalities (#)		0
Health and safety training hours		281.5
Hours of absenteeism		0
Remuneration		
Average salary (€)	Men	26,539.82
	Women	27,325.78
Gender pay gap (%)		-2

## 10.4 ENVIRONMENTAL METRICS

Water		2019
Water consumption (liters)		3,412.665
Waste generated		2019
Forest waste (tonnes)		1,111.7
Hazardous waste (tonnes)		2,7
Non-hazardous waste (tonnes)		3,734.6
Total waste (tonnes)		4,849
Waste recovered		2019
Waste recovered as energy (tonnes)		5.3
Waste recovered as materials (tonnes)		618.9
Total waste recovered (tonnes)		624.2
Energy consumed		2019
Diesel - vehicles (liters)		93,168.2
Petrol - vehicles (liters)		10,548
Diesel - fixed-combustion equipment (liters)		12,271
Electricity (MWh)		142.3



Greenhouse gas (GHG) emissions		2019
Scope	Source	tCO <sub>2</sub> eq.
Scope 1: Direct GHG emissions	Diesel - vehicles	229.8
	Petrol - vehicles	22.9
	Diesel - fixed-combustion equipment	35.2
Scope 2: Indirect GHG emissions associated with electricity consumption	Electricity	44.1
Scope 3: Other indirect emissions	Business travel - flights	147.3
	Business travel - train	0.1
Total emissions generated		479.4

Emissions avoided (tCO <sub>2</sub> eq.)	2019
Installed capacity under construction	264,033.9
Installed capacity in the backlog	427,467.2
Greenergy green bonds	484.1
Total emissions avoided	691,985.2

Biodiversity	2019
Facilities located in protected areas (#)	3

Environmental management		2019
Environmental investment (€)		168,489
Fines for environmental infractions	Number	2
	Amount (€)	576.8
Project delays due to ecological impacts	Number	0
	Amount (€)	0
Environmental red flags raised during project impact assessments (#)		0
% of red flags mitigated		0

## 10.5 COMMUNITY

Meetings with community representatives (#)		65
Cash donations to community projects (€)		22,768.48
Employees hailing from local communities (%)		84
Fines for social infractions	Number	0
	Amount (€)	0
Project delays due to community impacts	Number	0
	Amount (€)	0
Social impact red flags raised during project impact assessments (#)		0
% of red flags mitigated		0

## 10.6 SUPPLY CHAIN

Total purchase volume (m€)	100
Purchases from local suppliers (%)	31
Accidents affecting subcontracted workers (#)	0

## 10.7 INVESTOR COMMUNITY

Total revenue (m€)	84.5
EBITDA (m€)	18.5
Net profit (m€)	11.44
Capex (m€)	62.7
Net debt/EBITDA (x)	2.2
Earnings per share (€)	0.47

APPENDIX II: LIST OF  
KEY PERFORMANCE  
INDICATORS AND  
WHERE TO FIND THEM

## APPENDIX II: LIST OF KEY PERFORMANCE INDICATORS AND WHERE TO FIND THEM

Section of the Report	Benchmark reporting framework (reporting structure)		Benchmark reporting framework (GRI or SASB performance indicators)	Sustainable Development Goals
	Relationship with the TCFD recommendations*	Relationship with the COSO non-financial risk management system		
1. Interview with the Executive Chairman	Metrics & Targets	Information, Communication & Reporting	GRI: 102-14 Statement from senior decision-maker	
2. About this report			GRI: 102-1 Name of the organization 102-3 Location of headquarters 102-4 Location of operations 102-45 Entities included in the consolidated financial statements 102-50 Reporting period 102-51 Date of most recent report 102-52 Reporting cycle 102-53 Contact point for questions regarding the report	
3. Key figures			GRI: 102-7 Scale of the organization 201-1 Direct economic value generated and distributed	

\* The Taskforce on Climate-Related Financial Disclosures, distributes its recommendations around four fundamental elements of corporate management: Governance, Strategy, Risk Management and Metrics and targets.

## APPENDIX II: LIST OF KEY PERFORMANCE INDICATORS AND WHERE TO FIND THEM

Section of the Report	Benchmark reporting framework (reporting structure)		Benchmark reporting framework (GRI or SASB performance indicators)	Sustainable Development Goals
	Relationship with the TCFD recommendations*	Relationship with the COSO non-financial risk management system		
4. About Greenergy	Metrics & Targets	Information, Communication & Reporting	GRI: 102-2 Activities, brands, products, and services 102-6 Markets served 102-16 Values, principles, standards and norms of behavior 201-1 Direct economic value generated and distributed SASB: Total installed capacity Projects under development	
5. Material topics for Greenergy			GRI: 102-21 Consulting stakeholders on economic, environmental, and social topics 102-40 List of stakeholder groups 102-42 Identifying and selecting stakeholders 102-44 Key topics and concerns raised 102-46 Definition of report content and topic Boundaries 102-47 List of material topics	



## APPENDIX II: LIST OF KEY PERFORMANCE INDICATORS AND WHERE TO FIND THEM

Section of the Report	Benchmark reporting framework (reporting structure)		Benchmark reporting framework (GRI or SASB performance indicators)	Sustainable Development Goals
	Relationship with the TCFD recommendations*	Relationship with the COSO non-financial risk management system		
6. Governance structure	Governance	Governance & Culture	GRI: 102-5 Ownership and legal form 102-17 Mechanisms for advice and concerns about ethics 102-18 Governance structure 102-19 Delegating authority 102-20 Executive-level responsibility for economic, environmental, and social topics 102-22 Composition of the highest governance body and its committees 102-23 Chair of the highest governance body 102-24 Nominating and selecting the highest governance body 102-25 Conflicts of interest 102-26 Role of highest governance body in setting purpose, values, and strategy 102-27 Collective knowledge of highest governance body 102-28 Evaluating the highest governance body's performance 102-32 Highest governance body's role in sustainability reporting 102-33 Communicating critical concerns 102-34 Nature and total number of critical concerns 102-35 Remuneration policies 102-36 Process for determining remuneration 205-2 Communication and training about anti-corruption policies and procedures 405-1 Diversity of governance bodies and employees 406-1 Incidents of discrimination and corrective actions taken	5 - Gender equality 13 - Climate action
6.1 Governing bodies				
6.2 Body of corporate rules				

## APPENDIX II: LIST OF KEY PERFORMANCE INDICATORS AND WHERE TO FIND THEM

Section of the Report	Benchmark reporting framework (reporting structure)		Benchmark reporting framework (GRI or SASB performance indicators)	Sustainable Development Goals
	Relationship with the TCFD recommendations*	Relationship with the COSO non-financial risk management system		
7. Strategy and business model 7.1 Business model 7.2 Sector environment 7.3 Strategy	<i>Strategy</i>	<i>Strategy &amp; Objective-setting</i>	GRI: 102-2 Activities, brands, products and services 102-6 Markets served SASB: Total installed capacity Projects under development	13. Climate action
8. Risk management 8.1 Corporate risk policy 8.2 Lines of defense 8.3 Environmental and social management systems	<i>Risk management</i>	<i>Performance</i>	GRI: 102-15 Key impacts, risks, and opportunities 102-29 Identifying and managing economic, environmental, and social impacts 102-30 Effectiveness of risk management processes 102-31 Review of economic, environmental, and social topics 201-2 Financial implications and other risks and opportunities due to climate change 307-1 Non-compliance with environmental laws and regulations SASB: Description of efforts in project development to address community and environmental impacts	
9. Impact measurement - metrics and targets	<i>Metrics &amp; Targets</i>	<i>Review &amp; Revision</i>	GRI: 102-11 Precautionary Principle or approach 102-43 Approach to stakeholder engagement 203-1 Infrastructure investments and services supported 413-1 Operations with local community engagement, impact assessments, and development programs	5 - Gender equality 7 - Affordable and clean energy 8 - Decent work and economic growth 13 - Climate action

## APPENDIX II: LIST OF KEY PERFORMANCE INDICATORS AND WHERE TO FIND THEM

Section of the Report	Benchmark reporting framework (reporting structure)		Benchmark reporting framework (GRI or SASB performance indicators)	Sustainable Development Goals
	Relationship with the TCFD recommendations*	Relationship with the COSO non-financial risk management system		
9.1. Greenergy and human rights				
9.2 Employees	<i>Metrics &amp; Targets</i>	<i>Review &amp; Revision</i>	GRI: 102-8 Information on employees and other workers 102-35 Remuneration policies 102-36 Process for determining remuneration 102-38 Annual total compensation ratio 202-2 Proportion of senior management hired from the local community 401-1 New employee hires and employee turnover 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees 404-1 Average hours of training per year per employee 404-2 Programs for upgrading employee skills and transition assistance programs 405-2 Ratio of basic salary and remuneration of women to men	5 - Gender equality 8 - Decent work and economic growth

## APPENDIX II: LIST OF KEY PERFORMANCE INDICATORS AND WHERE TO FIND THEM

Section of the Report	Benchmark reporting framework (reporting structure)		Benchmark reporting framework (GRI or SASB performance indicators)	Sustainable Development Goals
	Relationship with the TCFD recommendations*	Relationship with the COSO non-financial risk management system		
9.3 Greenergy and the environment	<i>Metrics &amp; Targets</i>	<i>Review &amp; Revision</i>	<p>GRI:</p> <ul style="list-style-type: none"> <li>102-11 Precautionary Principle or approach</li> <li>302-1 Energy consumption within the organization</li> <li>302-3 Energy intensity</li> <li>303-1 Water withdrawal by source</li> <li>304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas</li> <li>304-2 Significant impacts of activities, products, and services on biodiversity</li> <li>305-1 Direct (Scope 1) GHG emissions</li> <li>305-2 Energy indirect (Scope 2) GHG emissions</li> <li>305-3 Other indirect (Scope 3) GHG emissions</li> <li>306-2 Waste by type and disposal method</li> </ul> <p>SASB:</p> <ul style="list-style-type: none"> <li>Total energy consumed</li> <li>Total water consumed</li> <li>Amount of hazardous waste, percentage recycled</li> <li>Number and duration of project development delays associated with ecological impacts</li> </ul>	<p>7 - Affordable and clean energy</p> <p>13 - Climate action</p>

## APPENDIX II: LIST OF KEY PERFORMANCE INDICATORS AND WHERE TO FIND THEM

Section of the Report	Benchmark reporting framework (reporting structure)		Benchmark reporting framework (GRI or SASB performance indicators)	Sustainable Development Goals
	Relationship with the TCFD recommendations*	Relationship with the COSO non-financial risk management system		
9.4 Community	Metrics & Targets	Review & Revision	GRI: 203-1 Infrastructure investments and services supported 203-2 Significant indirect economic impacts 413-1 Operations with local community engagement, impact assessments, and development programs 413-2 Operations with significant actual and potential negative impacts on local communities 419-1 Non-compliance with laws and regulations in the social and economic area	5 - Gender equality 8 - Decent work and economic growth
9.5 Supply chain			GRI: 102-9 Supply chain 204-1 Proportion of spending on local suppliers 308-1 New suppliers that were screened using environmental criteria 414-1 New suppliers that were screened using social criteria	8 - Decent work and economic growth 13 - Climate action
9.6 Investor community		Information, Communication & Reporting		





Mexico DF – Lima – Madrid – Santiago – Buenos Aires – Bogotá