



ANNUAL
CORPORATE
GOVERNANCE
REPORT 2020

ELEC NOR, S.A. ANNUAL CORPORATE GOVERNANCE REPORT FOR THE 2020 FINANCIAL YEAR

In compliance with the applicable legal obligations and based on the model circulated by the CNMV (Spain's National Securities Market Commission), the Board of Directors of ELEC NOR, S.A. (hereinafter Elec nor or the Company) has prepared this Annual Corporate Governance Report (hereinafter the REPORT) for the financial year ending 31 December 2020.

The REPORT was approved by the Company's Board of Directors at its meeting held on 24 February 2021 and the CNMV shall immediately be notified and sent the REPORT by electronic means for its dissemination.

The REPORT shall also be made available to the shareholders upon the publication of the announcement of the Annual General Shareholders' Meeting to decide on the approval of the Annual Financial Statements for the financial year ending 31 December 2020.

A) OWNERSHIP STRUCTURE

A.1. COMPLETE THE TABLE BELOW WITH DETAILS OF THE COMPANY'S SHARE CAPITAL.

Date of last change	Share capital (euros)	Number of shares	Number of voting rights
20/05/2009	8,700,000	87,000,000	87,000,000

Indicate whether there are different classes of shares with different associated rights:

Yes No

Class	Number of shares	Par value	Number of voting rights	Rights and obligations conferred

A.2. LIST THE COMPANY'S SIGNIFICANT DIRECT AND INDIRECT SHAREHOLDERS AT YEAR END, EXCLUDING DIRECTORS:

Name or company name of shareholder	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
CANTILES XXI, S.L.	52.759%				52.759%
SANTANDER ASSET MANAGEMENT, S.A., SGIC		3.089%			3.089%

Breakdown of the indirect holding:

Name or company name of the indirect owner	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights
SANTANDER ASSET MANAGEMENT, S.A.,	SANTANDER SMALL CAPS ESPAÑA, FI SANTANDER SOSTENIBLE 1, FI SANTANDER SOSTENIBLE 2, FI SANTANDER SOSTENIBLE ACCIONES, FI	3.089%		3.089%

Indicate the most significant changes in the shareholder structure during the year

Name or company name of shareholder	Date of the operation	Description of the operation

A.3. COMPLETE THE FOLLOWING TABLES ON MEMBERS OF THE COMPANY'S BOARD OF DIRECTORS HOLDING VOTING RIGHTS ON THE COMPANY'S SHARES:

Name or company name of director	% of voting rights attached to the shares		% of voting rights through financial instruments		% of total voting rights	% of voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR JAIME REAL DE ASÚA ARTECHE	0.026%				0.026%		
MR IGNACIO PRADO REY-BALTAR	0.464%				0.464%		
MR FERNANDO AZAOLA ARTECHE	0.326%				0.326%		
MR MIGUEL CERVERA EARLE	0.164%	0.004%			0.169%		
MS ISABEL DUTILH CARVAJAL	0.010%				0.010%		
MR JOAQUÍN GÓMEZ DE OLEA MENDARO	0.001%	0.115%			0.116%		
MR CRISTÓBAL GONZÁLEZ DE AGUILAR ALONSO-URQUIJO	0.135%				0.135%		
MS IRENE HERNÁNDEZ ÁLVAREZ	0.007%				0.007%		
MR JUAN LANDECHO SARABIA	0.003%	0.082%			0.085%		
MR SANTIAGO LEÓN DOMECQ	0.414%				0.414%		
MR RAFAEL MARTÍN DE BUSTAMANTE VEGA	0.025%				0.025%		
MR MIGUEL MORENÉS GILES		1.011%			1.011%		
MR RAFAEL PRADO ARANGUREN	0.148%				0.148%		
MR EMILIO YBARRA AZNAR	0.011%				0.011%		

% of the total share capital held by the Board of Directors 2.948%

Breakdown of the indirect holding:

Name or company name of director	Name or company name of the direct owner	% of voting rights attached to the shares	% of voting rights through financial instruments	% of total voting rights	% of voting rights that can be transmitted through financial instruments
MR MIGUEL CERVERA EARLE	MS MARIA DEL MAR MANCA DIAZ	0.004%		0.004%	
MR JOAQUÍN GÓMEZ DE OLEA MENDARO	BARANGO, S.L.	0.115%		0.115%	
MR JUAN LANDECHO SARABIA	MS. SOFIA CANOSA CASTILLO	0.082%		0.082%	
MR MIGUEL MORENÉS GILES	KEROW INVERSIONES, S.L.	1.011%		1.011%	

A.4. IF APPLICABLE, INDICATE ANY FAMILY, COMMERCIAL, CONTRACTUAL OR CORPORATE RELATIONSHIPS THAT EXIST AMONG SIGNIFICANT SHAREHOLDERS TO THE EXTENT THAT THEY ARE KNOWN TO THE COMPANY, UNLESS THEY ARE INSIGNIFICANT OR ARISE IN THE ORDINARY COURSE OF BUSINESS, WITH THE EXCEPTION OF THOSE REPORTED IN SECTION A.6:

Not applicable.

A.5. IF APPLICABLE, INDICATE ANY COMMERCIAL, CONTRACTUAL OR CORPORATE RELATIONSHIPS THAT EXIST BETWEEN SIGNIFICANT SHAREHOLDERS AND THE COMPANY AND/OR ITS GROUP, UNLESS THEY ARE INSIGNIFICANT OR ARISE IN THE ORDINARY COURSE OF BUSINESS:

Not applicable.

A.6. DESCRIBE THE RELATIONSHIPS, UNLESS INSIGNIFICANT FOR BOTH PARTIES, THAT EXIST BETWEEN SIGNIFICANT SHAREHOLDERS OR SHAREHOLDERS REPRESENTED ON THE BOARD AND DIRECTORS, OR THEIR REPRESENTATIVES IN THE CASE OF DIRECTORS THAT ARE LEGAL PERSONS.

EXPLAIN, IF APPLICABLE, HOW THE SIGNIFICANT SHAREHOLDERS ARE REPRESENTED. SPECIFICALLY, INDICATE THOSE DIRECTORS APPOINTED TO REPRESENT SIGNIFICANT SHAREHOLDERS, THOSE WHOSE APPOINTMENT WAS PROPOSED BY SIGNIFICANT SHAREHOLDERS, OR WHO ARE LINKED TO SIGNIFICANT SHAREHOLDERS AND/OR COMPANIES IN THEIR GROUP, SPECIFYING THE NATURE OF SUCH RELATIONSHIPS OR TIES. IN PARTICULAR, MENTION THE EXISTENCE, IDENTITY AND POST OF ANY DIRECTORS OF THE LISTED COMPANY, OR THEIR REPRESENTATIVES, WHO ARE IN TURN MEMBERS OR REPRESENTATIVES OF MEMBERS OF THE BOARD OF DIRECTORS OF COMPANIES THAT HOLD SIGNIFICANT SHAREHOLDINGS IN THE LISTED COMPANY OR IN GROUP COMPANIES OF THESE SIGNIFICANT SHAREHOLDERS.

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/post
MR JAIME REAL DE ASÚA ARTECHE	CANTILES XXI, S.L.		DEPUTY CHAIRMAN
MR IGNACIO PRADO REY BALTAR	CANTILES XXI, S.L.		
MR JOAQUÍN GÓMEZ DE OLEA Y MENDARO	CANTILES XXI, S.L.		CHAIRMAN
MR MIGUEL CERVERA EARLE	CANTILES XXI, S.L.		
MR CRISTÓBAL GONZÁLEZ DE AGUILAR ALONSO-URQUIJO	CANTILES XXI, S.L.		ALTERNATE DIRECTOR
MR JUAN LANDECHO SARABIA	CANTILES XXI, S.L.		DIRECTOR
MR SANTIAGO LEÓN DOMEQ	CANTILES XXI, S.L.		
MR MIGUEL MORENÉS GILES	CANTILES XXI, S.L.		DIRECTOR
MR GABRIEL DE ORAA Y MOYUA	CANTILES XXI, S.L.		DIRECTOR
MR RAFAEL PRADO ARANGUREN	CANTILES XXI, S.L.		

A.7. INDICATE WHETHER THE COMPANY HAS BEEN NOTIFIED OF ANY SHAREHOLDERS' AGREEMENTS THAT MAY AFFECT IT, IN ACCORDANCE WITH THE PROVISIONS OF ARTICLES 530 AND 531 OF THE SPANISH CORPORATE ENTERPRISES ACT. IF SO, DESCRIBE THEM BRIEFLY AND LIST THE SHAREHOLDERS BOUND BY THE AGREEMENT:

Yes No

INDICATE WHETHER THE COMPANY IS AWARE OF ANY CONCERTED ACTIONS AMONG ITS SHAREHOLDERS. IF SO, PROVIDE A BRIEF DESCRIPTION:

Yes No

Parties to the concerted action	% of share capital concerned	Brief description of the concerted action	Expiry date of the concert, if any

If any of the aforementioned agreements or concerted actions have been amended or terminated during the year, indicate this expressly:

Not applicable.

A.8. INDICATE WHETHER ANY INDIVIDUAL OR COMPANY EXERCISES OR MAY EXERCISE CONTROL OVER THE COMPANY IN ACCORDANCE WITH ARTICLE 5 OF THE SECURITIES MARKET ACT. IF SO, IDENTIFY THEM:

Yes No

Name or company name
CANTILES XXI, S.L.
Remarks
In accordance with the provisions of Article 42 of the Commercial Code

A.9. COMPLETE THE FOLLOWING TABLE WITH DETAILS OF THE COMPANY'S TREASURY SHARES:

At the close of the year		
Number of direct shares	Number of indirect shares (*)	Total percentage of share capital
2,320,942	-----	2.67%

Explain any significant changes during the year:

Explain significant changes
There have been no significant changes.

A.10. PROVIDE A DETAILED DESCRIPTION OF THE CONDITIONS AND TERMS OF THE AUTHORITY GIVEN TO THE BOARD OF DIRECTORS TO ISSUE, REPURCHASE, OR DISPOSE OF TREASURY SHARES.

On 16 May 2017, Elecnor's General Shareholders' Meeting approved by a majority of 95.73% of the present and represented share capital, the Fifth Agreement of the Agenda, the literal transcription of which is as follows:

"It is hereby agreed, by a majority, to authorise the Board of Directors to acquire through purchase or by "inter vivos" disposition for a consideration of the Company's own shares by the Company, or of the Controlled Companies, in accordance with the provisions of Articles 146(a) and 509 of the Capital Companies Act, authorising it to acquire at most, the number of shares that the Law and/or the legal provisions of mandatory compliance provide for at all times and that, at present, in addition to those already owned by the Company, do not exceed 10% of its share capital, with a minimum acquisition price of the nominal value of the shares and a maximum price not to exceed 30% of its listed value on the stock exchange and for a period of five years, leaving without effect the authorisation granted at the General Shareholders' Meeting of 23 May 2012.

This authorisation could be used in whole or in part for the acquisition of own shares for delivery or transmission to Executive Directors or members of the Senior Management of the Company or its group's companies".

On the other hand, there is no current mandate from the General Shareholders' Meeting to Elecnor's Board of Directors to issue Company shares.

A.11. ESTIMATED FLOATING CAPITAL

	%
Estimated floating capital	30%

A.12. INDICATE WHETHER THERE ARE ANY RESTRICTIONS (ARTICLES OF INCORPORATION, LEGISLATIVE OR OF ANY OTHER NATURE) PLACED ON THE TRANSFER OF SHARES AND/OR ANY RESTRICTIONS ON VOTING RIGHTS. IN PARTICULAR, INDICATE THE EXISTENCE OF ANY TYPE OF RESTRICTION THAT MAY INHIBIT A TAKEOVER OF THE COMPANY THROUGH ACQUISITION OF ITS SHARES ON THE MARKET, AS WELL AS SUCH REGIMES FOR PRIOR AUTHORISATION OR NOTIFICATION THAT MAY BE APPLICABLE, UNDER SECTOR REGULATIONS, TO ACQUISITIONS OR TRANSFERS OF THE COMPANY'S FINANCIAL INSTRUMENTS.

Yes No

A.13. INDICATE WHETHER THE GENERAL SHAREHOLDERS' MEETING HAS RESOLVED TO ADOPT MEASURES TO NEUTRALISE A TAKEOVER BID BY VIRTUE OF THE PROVISIONS OF LAW 6/2007.

Yes No

A.14. INDICATE WHETHER THE COMPANY HAS ISSUED SHARES THAT ARE NOT TRADED ON A REGULATED EU MARKET.

Yes No

B) GENERAL SHAREHOLDERS' MEETING

B.1. INDICATE WHETHER THERE ARE ANY DIFFERENCES BETWEEN THE MINIMUM QUORUM REGIME ESTABLISHED BY THE SPANISH CORPORATE ENTERPRISES ACT FOR GENERAL SHAREHOLDERS' MEETINGS AND THE QUORUM SET BY THE COMPANY, AND IF SO GIVE DETAILS.

Yes No

B.2. INDICATE WHETHER THERE ARE ANY DIFFERENCES BETWEEN THE COMPANY'S MANNER OF ADOPTING CORPORATE RESOLUTIONS AND THE REGIME PROVIDED IN THE SPANISH CORPORATE ENTERPRISES ACT AND, IF SO, GIVE DETAILS.

Yes No

B.3. INDICATE THE RULES FOR AMENDING THE COMPANY'S ARTICLES OF INCORPORATION. IN PARTICULAR, INDICATE THE MAJORITIES REQUIRED FOR AMENDMENT OF THE ARTICLES OF INCORPORATION AND ANY PROVISIONS IN PLACE TO PROTECT SHAREHOLDERS' RIGHTS IN THE EVENT OF AMENDMENTS TO THE ARTICLES OF INCORPORATION.

These rules are contained in Article 11 of the Company's Articles of Association and in Article 13 of the Regulations applicable to the General Shareholders' Meeting, shown below:

ARTICLES OF ASSOCIATION

"Article 11.-

Notwithstanding the provisions set forth in the previous article, in order for the Ordinary or Extraordinary General Shareholders' Meeting to validly agree on the issuance of obligations, the increase or decrease of capital, the transformation, merger or division of the Company, and in general, any modification of the Articles of Association, it shall be necessary, in the first call, to have the attendance of shareholders present or represented who hold at least fifty percent of the subscribed capital with the right to vote.

In the second call, the attendance of twenty-five percent of the capital shall be sufficient.

For the adoption of the agreements referred to in this Article, if the capital present or represented exceeds fifty percent, it shall be sufficient for the agreement to be adopted by an absolute majority. However, a vote in favour by two-thirds of the capital present or represented in the Meeting shall be required when shareholders representing twenty-five percent or more of the subscribed capital with the right to vote are in the second call without reaching fifty percent".

REGULATIONS APPLICABLE TO THE GENERAL SHAREHOLDERS' MEETING

"Article 13 Voting.

After discussing each of the items on the Agenda, the respective votes shall be cast, giving each share the right to one vote and adopting each of the agreements by a simple majority of votes.

All agreements that are substantially independent shall be voted on separately.

In any case, and even if they appear in the same item of the Agenda, they must be voted on separately:

- a) The appointment, ratification, re-election or removal of each director.
- b) The amendment of the articles of association, and the amendment of each article or group of articles that have their own autonomy.
- c) All matters set forth in this way in the Company's articles of association.

In order for the Ordinary or Extraordinary General Shareholders' Meeting to validly agree on the issuance of obligations, the increase or decrease of capital, the transformation, merger or division of the Company, and in general, any modification of the Articles of Association, it shall be necessary, in the first call, to have the attendance of shareholders present or represented who hold at least fifty percent of the subscribed capital with the right to vote. In the second call, the attendance of twenty-five percent of the capital shall be sufficient.

For the adoption of the agreements referred to in the previous section, if the capital present or represented exceeds fifty percent, it shall be sufficient for the agreement to be adopted by an absolute majority. However, a vote in favour by two-thirds of the capital present or represented in the Meeting shall be required when shareholders representing twenty-five percent or more of the subscribed capital with the right to vote are in the second call without reaching fifty percent.

The Articles of Association may raise the quorums and majorities provided for in the preceding paragraphs.

Electronic voting systems may be established, in accordance with Chapter III of these Regulations, to the extent that they allow the identity and status – shareholder or representative – of voters to be recorded, the number of shares with which they vote, and the way the vote is cast.

For each agreement put up for vote at the General Meeting, at least the number of shares for which valid votes have been cast, the proportion of the share capital represented by those votes, the total number of valid votes, the number of votes in favour and against each agreement and, where appropriate, the number of abstentions must be determined".

B.4. GIVE DETAILS OF ATTENDANCE AT GENERAL SHAREHOLDERS' MEETINGS HELD DURING THE REPORTING YEAR AND THE TWO PREVIOUS YEARS.

Date of general meeting	Attendance data				Total %
	% physically present	% present by proxy	% distance voting		
			Electronic	Other	
20/05/2020	8.50%	75.14%	0.41%	2.04%	83.64%
22/05/2019	7.07%	74.59%			81.66%
1/06/2018	5.35%	76.64%			81.99%

Remarks

Due to the restrictions resulting from the public health risk situation caused by the Covid-19 pandemic, the 2020 General Shareholders' Meeting was held exclusively with remote attendance, i.e. without the physical attendance of shareholders or representatives. However, for all intents and purposes, shareholders' remote participation shall be deemed equivalent to their physical attendance at the General Shareholders' Meeting.

B.5. INDICATE WHETHER ANY POINT ON THE AGENDA OF THE GENERAL SHAREHOLDERS' MEETINGS DURING THE YEAR WAS NOT APPROVED BY THE SHAREHOLDERS FOR ANY REASON.

Yes No

Items on the agenda not approved	% vote against

B.6. INDICATE WHETHER THE ARTICLES OF INCORPORATION CONTAIN ANY RESTRICTIONS REQUIRING A MINIMUM NUMBER OF SHARES TO ATTEND GENERAL SHAREHOLDERS' MEETINGS, OR TO VOTE REMOTELY:

Yes No

Number of shares required to attend General Meetings	10
Number of shares required for voting remotely	10

B.7. INDICATE WHETHER IT HAS BEEN ESTABLISHED THAT CERTAIN DECISIONS, OTHER THAN THOSE ESTABLISHED BY LAW, ENTAILING AN ACQUISITION, DISPOSAL OR CONTRIBUTION TO ANOTHER COMPANY OF ESSENTIAL ASSETS OR OTHER SIMILAR CORPORATE TRANSACTIONS MUST BE SUBMITTED FOR APPROVAL TO THE GENERAL SHAREHOLDERS' MEETING.

Yes No

Explain the decisions that must be submitted to the General Shareholders' Meeting, other than those established by law

B.8. INDICATE THE ADDRESS AND MANNER OF ACCESS ON THE COMPANY'S WEBSITE TO INFORMATION ON CORPORATE GOVERNANCE AND OTHER INFORMATION REGARDING GENERAL SHAREHOLDERS' MEETINGS THAT MUST BE MADE AVAILABLE TO SHAREHOLDERS THROUGH THE COMPANY WEBSITE.

All information concerning the Corporate Governance of the Company is available through the "Corporate Governance" section of the "Shareholders and Investors" section of its website, "www.elecnor.com", and can be downloaded and printed in full.

All information concerning the Company's General Meetings is available through the "Corporate Governance" section of the "Shareholders and Investors" section of its website, "www.elecnor.com", and can be downloaded and printed in full.

C) STRUCTURE OF THE COMPANY'S ADMINISTRATION

C.1. BOARD OF DIRECTORS.

C.1.1. MAXIMUM AND MINIMUM NUMBER OF DIRECTORS ESTABLISHED IN THE ARTICLES OF INCORPORATION AND THE NUMBER SET BY THE GENERAL MEETING.

Maximum number of directors	15
Minimum number of directors	5
Number of directors set by the general meeting	15

C.1.2. COMPLETE THE FOLLOWING TABLE ON BOARD MEMBERS.

Name or company name of director	Representative	Category of director	Position on the board	Date first appointed	Date of last appointment	Election procedure	Date of birth
MR JAIME REAL DE ASÚA ARTECHE		Proprietary Director	Chairman	19/12/2001	01/06/2018	General Meeting Election	09/09/1954
MR IGNACIO PRADO REY-BALTAR		Proprietary Director	Deputy Chairman	01/06/2018	01/06/2018	General Meeting Election	21/08/1952
MR RAFAEL MARTÍN DE BUSTAMANTE VEGA		Executive	Member and CEO	18/05/2011	16/05/2017	General Meeting Election	27/01/1958
MR CRISTÓBAL GONZÁLEZ DE AGUILAR ALONSO-URQUIJO		Proprietary Director	Deputy Secretary	18/03/2015	22/05/2019	General Meeting Election	23/11/1954
MR FERNANDO AZAOLA ARTECHE		External	Member	18/06/1998	01/06/2018	General Meeting Election	04/12/1940
MR MIGUEL CERVERA EARLE		Proprietary Director	Member	25/10/2017	01/06/2018	General Meeting Election	29/09/1963
MS ISABEL DUTILH CARVAJAL		Independent	Member	20/05/2015	22/05/2019	General Meeting Election	13/09/1963
MR JOAQUÍN GÓMEZ DE OLEA MENDARO		Proprietary Director	Member	15/10/2009	20/05/2020	General Meeting Election	02/05/1964
MS IRENE HERNÁNDEZ ÁLVAREZ		Independent	Member	01/06/2018	01/06/2018	General Meeting Election	03/01/1965
MR JUAN LANDECHO SARABIA		Proprietary	Member Director	05/10/2005	01/06/2018	General Meeting Election	04/08/1956
MR SANTIAGO LEÓN DOMEQ		Proprietary Director	Member	28/10/2020	28/10/2020	Appointment by co-optation	27/01/1958
MR MIGUEL MORENÉS GILES		Proprietary Director	Member	23/07/1987	01/06/2018	General Meeting Election	03/03/1948
MR GABRIEL DE ORAA Y MOYUA		Proprietary Director	Member	20/07/1989	01/06/2018	General Meeting Election	09/04/1938
MR RAFAEL PRADO ARANGUREN		Proprietary Director	Member	18/11/1993	01/06/2018	General Meeting Election	27/06/1965
MR EMILIO YBARRA AZNAR		Independent	Member	20/05/2015	22/05/2019	General Meeting Election	12/07/1964

TOTAL NUMBER OF DIRECTORS 15

Indicate any cessations, whether through resignation or by resolution of the general meeting, that have taken place in the Board of Directors during the reporting period:

Name or company name of director	Category of the director at the time of cessation	Date of last appointment	Date of cessation	Specialised committees of which he/she was a member	Indicate whether the director left before the end of his or her term of office
MR FERNANDO LEÓN DOMEQ	Proprietary Director	01/06/2018	19/08/2020	Executive Commission Appointments and Remuneration Commission	Yes

Reason for the cessation and other observations

Death

C.1.3. COMPLETE THE FOLLOWING TABLES ON THE MEMBERS OF THE BOARD AND THEIR CATEGORIES.

EXECUTIVE DIRECTORS

Name or company name of director	Post in organisation chart of the company	Profile
Mr Rafael Martín de Bustamante Vega	CEO	In accordance with current legislation, the profile and complete curriculum vitae of the Director is on the Company's website

Total number of executive directors 1

Percentage of Board 6.66%

EXTERNAL PROPRIETARY DIRECTORS

Name or company name of director	Name or company name of the significant shareholder represented by the director or that nominated the director	Profile
Mr Jaime Real de Asúa Arteche	CANTILES XXI, S.L.	In accordance with current legislation, the profile and complete curriculum vitae of the Director is on the Company's website
Mr Ignacio Prado Rey-Baltar	CANTILES XXI, S.L.	In accordance with current legislation, the profile and complete curriculum vitae of the Director is on the Company's website
Mr Joaquín Gómez de Olea y Mendáreo	CANTILES XXI, S.L.	In accordance with current legislation, the profile and complete curriculum vitae of the Director is on the Company's website
Mr Cristóbal González de Aguilar Alonso-Urquijo	CANTILES XXI, S.L.	In accordance with current legislation, the profile and complete curriculum vitae of the Director is on the Company's website
Mr Miguel Cervera Earle	CANTILES XXI, S.L.	In accordance with current legislation, the profile and complete curriculum vitae of the Director is on the Company's website
Mr Juan Landecho Sarabia	CANTILES XXI, S.L.	In accordance with current legislation, the profile and complete curriculum vitae of the Director is on the Company's website
Mr Santiago León Domecq	CANTILES XXI, S.L.	In accordance with current legislation, the profile and complete curriculum vitae of the Director is on the Company's website
Mr Miguel Morenés Giles	CANTILES XXI, S.L.	In accordance with current legislation, the profile and complete curriculum vitae of the Director is on the Company's website
Mr Gabriel de Oraa y Moyúa	CANTILES XXI, S.L.	In accordance with current legislation, the profile and complete curriculum vitae of the Director is on the Company's website
Mr Rafael Prado Aranguren	CANTILES XXI, S.L.	In accordance with current legislation, the profile and complete curriculum vitae of the Director is on the Company's website
Total number of proprietary directors	10	
Percentage of Board	66.66 %	

EXTERNAL INDEPENDENT DIRECTORS

Name or company name of director	Profile
Ms Isabel Dutilh Carvajal	In accordance with current legislation, the profile and complete curriculum vitae of the Director is on the Company's website
Ms Irene Hernández Álvarez	In accordance with current legislation, the profile and complete curriculum vitae of the Director is on the Company's website
Mr Emilio Ybarra Aznar	In accordance with current legislation, the profile and complete curriculum vitae of the Director is on the Company's website
Total number of independent directors	3
Percentage of Board	20 %

Indicate whether any director classified as independent receives from the company or any company in its group any amount or benefit other than remuneration as a director, or has or has had a business relationship with the company or any company in its group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

If so, include a reasoned statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name or company name of director	Description of the relationship	Reasoned statement
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OTHER EXTERNAL DIRECTORS

Identify the other external directors, indicate the reasons why they cannot be considered either proprietary or independent, and detail their ties with the company or its management or shareholders.

Name or company name of director	Reasons	Company, manager or shareholder to which or to whom the director is related	Profile
Mr Fernando Azaola Arteche	He does not have a shareholding that is considered legally significant and was Executive Director of the Company up until 31/12/2016	-----	In accordance with current legislation, the profile and complete curriculum vitae of the Director is on the Company's website
Total number of other external directors	1		
Percentage of Board	6,66 %		

Indicate any changes that have occurred during the period in each director's category:

Name or company name of director	Date of change	Previous category	Current category
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C.1.4. COMPLETE THE FOLLOWING TABLE WITH INFORMATION RELATING TO THE NUMBER OF FEMALE DIRECTORS AT THE CLOSE OF THE PAST FOUR YEARS, AS WELL AS THE CATEGORY OF EACH:

2017 financial year: 1 Independent Director.
 2018 financial year: 2 Independent Directors.
 2019 financial year: 2 Independent Directors.
 2020 financial year: 2 Independent Directors.

C.1.5. INDICATE WHETHER THE COMPANY HAS DIVERSITY POLICIES IN RELATION TO ITS BOARD OF DIRECTORS ON SUCH QUESTIONS AS AGE, GENDER, DISABILITY, EDUCATION AND PROFESSIONAL EXPERIENCE. SMALL AND MEDIUM-SIZED ENTERPRISES, IN ACCORDANCE WITH THE DEFINITION SET OUT IN THE SPANISH AUDITING ACT, WILL HAVE TO REPORT AT LEAST THE POLICY THAT THEY HAVE IMPLEMENTED IN RELATION TO GENDER DIVERSITY.

Yes No Partial policies

If so, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results over the year. Also indicate the specific measures adopted by the Board of Directors and the nomination and remuneration committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been applied, and results achieved.

On 22 November 2017, the Board of Directors approved the “Policy for the Selection of Directors and Diversity of the Board of Directors”, which contains all the measures taken in relation to the selection of directors, policies on gender diversity, age, experience, etc.

Within the framework of this policy, in 2018, a second Independent Director, Ms Irene Hernández Álvarez was appointed as Chairwoman of the Audit Commission on 22 May 2019. Likewise, Ms Isabel Dutilh was re-elected as an Independent Director by the General Shareholders’ Meeting held on the same date.

On 16 December 2020, the Board of Directors approved the amendment of the aforementioned policy, now known as the “Policy for Diversity of the Board of Directors and the Selection of Directors”, for the purpose of adapting it to the recommendations of the Code of Good Governance of Listed Companies of Spain’s National Securities Market Commission (CNMV) amended in June 2020 and to Technical Guide 1/2019 on Appointments and Remuneration Commissions. Among the essential principles of the Policy are the search for an appropriate composition of the Board of Directors for the best exercise of its functions, for which purposes the processes for the selection of Directors should be based on a prior analysis of the skills required by the Board of Directors and the promotion of diversity in the composition of the Board. This Policy is published on the Company’s corporate website.

The bodies responsible for ensuring the diversity of the Board of Directors, that is, the Board of Directors and the Appointments and Remuneration Commission, shall ensure that in the processes for the selection of candidates for Director there is promotion of the diversity of experiences, training, professional experiences, age, gender, disability and the other diversity criteria set forth in this Policy.

Likewise, the Elecnor Board of Directors and the Appointments and Remuneration Commission have a policy regarding renewals in the Board of Directors based on balancing the principles of representativeness with those of diversity and independence, taking into account the recommendations on Good Governance. In this regard, particularly in ratifications and re-elections, they will ensure the proper stability in the composition of the Board of Directors and its Commissions in order to maintain the necessary suitability of the Board of Directors as a whole, retaining the experience and knowledge of those who have been exercising the position of Director.

C.1.6. DESCRIBE THE MEASURES, IF ANY, AGREED UPON BY THE NOMINATION COMMITTEE TO ENSURE THAT SELECTION PROCEDURES DO NOT CONTAIN HIDDEN BIASES WHICH IMPEDE THE SELECTION OF FEMALE DIRECTORS AND THAT THE COMPANY DELIBERATELY SEEKS AND INCLUDES WOMEN WHO MEET THE TARGET PROFESSIONAL PROFILE AMONG POTENTIAL CANDIDATES, MAKING IT POSSIBLE TO ACHIEVE A BALANCE BETWEEN MEN AND WOMEN. ALSO INDICATE WHETHER THESE MEASURES INCLUDE ENCOURAGING THE COMPANY TO HAVE A SIGNIFICANT NUMBER OF FEMALE SENIOR EXECUTIVES.

Explanation of measures

The “Policy for Diversity of the Board of Directors and the Selection of Directors” approved in December 2020 and already mentioned in the previous point establishes that the Board of Directors and the Appointments and Remuneration Commission are the bodies responsible for ensuring the diversity of the Board of Directors and its Commissions. They must ensure that in the selection processes for the candidates for Director they promote a diversity of experiences, training, professional experiences, age, gender, disability and the other diversity criteria set out in the Policy, and that these processes do not involve any implicit biases that may imply any discrimination and, in particular, that they promote the selection of a number of female Directors that will enable a balanced presence of women and men to be achieved.

In addition, the Elecnor Code of Ethics states that, both in its selection processes and in the development of the professional careers of its employees, Elecnor applies the principles of non-discrimination and equal opportunities, not taking into account factors such as race, colour, nationality, social origin, age, sex, marital status, sexual orientation, ideology, religion, or relationships when performing professional evaluations. Only merit, effort, performance results, training, experience and future potential will be considered as elements for differentiating between people professionally. Furthermore, the importance of

gender equality is reflected in Elecnor’s Equality Plan, approved by the Board of Directors in February 2018, which establishes a set of measures adopted after examining the specific features of the Company, whose aim is for the Company to achieve equal treatment and opportunities between women and men and to eliminate discrimination on the basis of sex.

For that, and in keeping with the content of the aforementioned policy, in order to promote gender diversity, the Company will seek to establish measures that encourage it to have a significant number of female members of the management team, without prejudice to the essential criteria of merit and capacity that must govern all the personnel selection processes of the Company and its Group.

In particular, when the Appointments and Remuneration Commission or the Board of Directors itself, as the case may be, seek a professional profile, they shall take into account the corporate interests by trying to ensure not only the individual suitability of the members of the Board but also the suitability of the Board of Directors and its Commissions as a whole, in accordance with the legal requirements and good governance recommendations in this matter, without prejudice to the fact that, if there are two similar professional profiles, the one who is a member of the least represented gender on the Board shall be chosen.

If in spite of any measures adopted there are few or no female directors or senior managers, explain the reasons for this:

Explanation of reasons

As noted above, without prejudice to the Company’s commitment to promoting gender diversity, the Appointments and Remuneration Commission must also ensure other diversity criteria such as professional experiences and training, which are very important given Elecnor’s business sector, and it must be ensured that the essential criteria of merit and capacity that must govern all selection processes are met. In this regard, the Company will seek to gradually increase the number of female Directors and executives in the context of the overall requirements for the suitability and diversity of the Board members.

C.1.7. EXPLAIN THE CONCLUSIONS OF THE NOMINATION COMMITTEE REGARDING VERIFICATION OF COMPLIANCE WITH THE POLICY AIMED AT PROMOTING AN APPROPRIATE COMPOSITION OF THE BOARD OF DIRECTORS.

Elecnor is strongly committed to good corporate governance practices and, in particular, to promoting diversity on issues such as age, gender, training and professional experiences. In this regard, the Board of Directors of the Company, with the support of the Appointments and Remuneration Commission, continues to work on and promote the necessary actions to encourage a diverse composition of the Board and to apply the Corporate Governance recommendations in this matter.

Without prejudice to this, the Appointments and Remuneration Commission, which regularly monitors compliance with the “Policy for Diversity of the Board of Directors and the Selection of Directors”, considers that the current composition of the Board of Directors is appropriate for the best exercise of its functions and reflects a suitable balance of requirements for the members of the Board in terms of suitability and diversity, in particular in terms of training, professional experiences, skills, experience in the sector and knowledge of the Company and its Group, personal and professional backgrounds, among others.

C.1.8. IF APPLICABLE, EXPLAIN THE REASONS FOR THE APPOINTMENT OF ANY PROPRIETARY DIRECTORS AT THE REQUEST OF SHAREHOLDERS WITH LESS THAN A 3% EQUITY INTEREST.

Name or company name of shareholder	Reason

Indicate whether the Board has declined any formal requests for presence on the Board from shareholders whose equity interest is equal to or greater than that of others at whose request proprietary directors have been appointed. If so, explain why the requests were not granted:

Yes No

There has been no formal request in this regard.

C.1.9. INDICATE THE POWERS, IF ANY, DELEGATED BY THE BOARD OF DIRECTORS TO DIRECTORS OR BOARD COMMITTEES.

Name or company name of director or committee	Brief description
MR RAFAEL MARTÍN DE BUSTAMANTE VEGA	All powers except the Company's debt and those non-delegable by Law or the Articles of Association.
EXECUTIVE COMMISSION	All powers of the Board of Directors except those which, legally or statutorily, are non-delegable, and the following: (i) The ability to approve investments or operations of all kinds, which leads to the Company's debt; (ii) The power to approve investments or operations of all kinds of value greater than EUR 6,000,000 per operation. The power to approve investments or operations of all kinds worth less than EUR 6,000,000 per operation also cannot be delegated when this power cannot be delegated by the Board of Directors and/or falls within the competence of the General Meeting. (iii) The power to approve the constitution, merger, split, global transfer of assets and liabilities, dissolution, and/or liquidation of any type of entity having its own legal personality, as well as the power to approve operations that produce effects on those entities that are similar to those of said operations. The power to approve the above operations is delegated to entities that do not have their own legal personality, such as, for information purposes, but not limited to, joint ventures or joint ownership arrangements.

C.1.10. IDENTIFY ANY MEMBERS OF THE BOARD WHO ARE ALSO DIRECTORS, REPRESENTATIVES OF DIRECTORS OR MANAGERS IN OTHER COMPANIES FORMING PART OF THE LISTED COMPANY'S GROUP.

Position	Code
CHAIRMAN	C
SECRETARY	S
DEPUTY SECRETARY	DS
MEMBER	M
JOINT AND SEVERAL ADMINISTRATOR	JSA
TITLES HELD BY REPRESENTATIVES	X
EXECUTIVE FUNCTIONS	e
WITHOUT EXECUTIVE FUNCTIONS	ne

BOARD MEMBERS HOLDING THE POSITION OF DIRECTORS OR EXECUTIVES IN COMPANIES OF THE ELECNOR GROUP	MR MIGUEL CERVERA EARLE	MR JOAQUÍN GÓMEZ DE OLEA Y MENDARO	MR CRISTÓBAL GONZÁLEZ DE AGUILAR ALONSO-URQUIJO	MR JUAN LANDECHO SARABIA	MR RAFAEL MARTÍN DE BUSTAMANTE VEGA	MR MIGUEL MORENÉS GILES	MR GABRIEL DE ORAA Y MOYÚA	MR RAFAEL PRADO ARANGUREN	MR IGNACIO PRADO REY-BALTAR	MR JAIME REAL DE ASUA ARTECHE
ELECTRIFICACIONES DEL NORTE, ELECNOR, S.A.					AS e					
ELECRED SERVICIOS, S.A.U.					AS e					
ENERFIN SOCIEDAD DE ENERGÍA, S.L.U.	DS	S	M	M	M	M	M	M	M	M

C.1.11. LIST ANY DIRECTORS OR REPRESENTATIVES OF LEGAL-PERSON DIRECTORS OF YOUR COMPANY WHO ARE MEMBERS OF THE BOARD OF DIRECTORS OR REPRESENTATIVES OF LEGAL-PERSON DIRECTORS OF OTHER COMPANIES LISTED ON REGULATED MARKETS OTHER THAN GROUP COMPANIES OF WHICH THE COMPANY HAS BEEN INFORMED:

Name or company name of director	Company name of the listed entity	Position
Mr Jaime Real de Asúa Arteche	VISCOFAN, S.A.	Member of the Board of Directors and Chairman of the Appointments and Remuneration Commission
Ms Isabel Dutilh Carvajal	Millenium Hotels Real State I SOCIMI	Independent Director. Member of the Audit Commission and Member of the Appointments and Remuneration Commission
Ms Irene Hernández Álvarez	Saint Croix Holding Immobilier SOCIMI, S.A.	Coordinator Director, Chairwoman of the Audit Commission and Member and Secretary of the Appointments and Remuneration Commission
Mr Emilio Ybarra Aznar	ENCE ENERGIA Y CELULOSA, S.A.	Independent Director, Member of the Executive Commission and Chairwoman of the Audit Commission
	TUBOS REUNIDOS, S.A.	Deputy Chairman of the Board of Directors and member of the Executive Commission

C.1.12. INDICATE WHETHER THE COMPANY HAS ESTABLISHED RULES ON THE MAXIMUM NUMBER OF COMPANY BOARDS ON WHICH ITS DIRECTORS MAY SIT, EXPLAINING IF NECESSARY AND IDENTIFYING WHERE THIS IS REGULATED, IF APPLICABLE:

Yes No

Explanation of the regulations

Article 18 of the Regulations applicable to the Board of Directors establishes that: "The Directors of the Company may not sit on the Board of Directors of more than three listed companies, in addition to that of Elecnor, S.A."

C.1.13. INDICATE THE REMUNERATION RECEIVED BY THE BOARD OF DIRECTORS AS A WHOLE FOR THE FOLLOWING ITEMS:

Remuneration accruing in favour of the Board of Directors in the financial year (thousands of euros)	4.938,1
Amount of pension rights accumulated by directors currently in office (thousands of euros)	0
Amount of pension rights accumulated by former directors (thousands of euros)	0

C.1.14. IDENTIFY MEMBERS OF SENIOR MANAGEMENT WHO ARE NOT ALSO EXECUTIVE DIRECTORS AND INDICATE THEIR TOTAL REMUNERATION ACCRUED DURING THE YEAR.

Name or company name	Position(s)
Mr Francisco Javier Cruces López	General Manager of Infrastructure
Mr Argimiro Ramón Rodríguez	General Deputy Director of Facilities and Networks
Mr Eduard Pinyol Escardo	General Deputy Director of International Development
Mr José Martí Soler	General Deputy Director of Engineering
Mr Pablo Díaz Miguel Sánchez	General Deputy Director of Energy
Mr Armando Pérez Medina	General Deputy Director of Major Networks
Mr José Castellanos Ybarra	General Deputy Director Enerfin Sociedad de Energía
Mr Luis Alcibar Villa	General Deputy Director of Finance and Internal Audit
Ms Úrsula Albizuri Delclaux	Director of Corporate Development
Mr Pedro Enrile Mora-Figueroa	General Secretary

Number of women in senior management	1
Percentage of total senior management	10%

Total remuneration of senior management (thousands of euros)	5.728
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Remarks

The total remuneration indicated includes fixed remuneration, annual variable remuneration, as well as variable remuneration for the fulfilment of the Strategic Plan 2017-2019.

It should also be noted that the management team, on a voluntary basis, decided to reduce its fixed salary by 30% during the months of the Temporary Workforce Restructuring through Reduced Working Hour Plans implemented by the Company to combat the crisis arising from COVID-19 (from 13 April to 31 May 2020), in solidarity with the rest of the staff.

C.1.15. INDICATE WHETHER THE BOARD REGULATIONS WERE AMENDED DURING THE YEAR.

Sí No

Description of amendment(s)

On 16 December 2020, the Board of Directors amended Articles 1 ("Purpose"), 2 ("Scope"), 4 which was renamed ("Modification and Dissemination"), 5 ("General Oversight Function"), 6 which was renamed ("Principles of Action of the Board of Directors"), 8 ("Quantitative Composition"), 9 ("Chairman of the Board"), 10 ("Deputy Chairmen"), 11 bis renamed ("Deputy Secretary of the Board"), 12 ("Delegated Bodies of the Board of Directors and Board Commissions"), 13 ("The Audit Commission"), 14 ("The Appointments and Remuneration Commission"), 15 ("Meetings of the Board of Directors"), 16 ("Conducting Meetings"), 17 ("Use of Remote Means"), 18 ("Appointment of Directors"), 20 ("Duration of Role"), 21 ("Removal of Directors"), 26 ("General Obligations of the Director"), 28 ("Conflicts of Interest"), 35 ("Relations with Shareholders") and 36 ("Relations with Markets") of the Board of Directors' Regulations, for the purpose of adapting it to the recommendations of the Code of Good Governance of Listed Companies of Spain's National Securities Market Commission (CNMV), modified in June 2020, which the Company is currently complying with.

C.1.16. SPECIFY THE PROCEDURES FOR SELECTION, APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS: LIST THE COMPETENT BODIES, STEPS TO FOLLOW AND CRITERIA APPLIED IN EACH PROCEDURE.

The procedures for the selection, appointment, re-election and removal of directors are set out in the Articles of Association, Articles 13 (requirements for membership of the Board, duration of the role and re-election) and 15 (Appointment, removal and appointment by co-optation), as well as Articles 18, 19 and 20 of the Regulations of the Board, the content of which is reproduced below:

"Article 13.-

The Board of Directors shall not comprise fewer than five nor more than fifteen Directors.

Being a Director requires having at least 5% of the Company's shares with the right to vote at least five years prior to appointment. The above-mentioned advance of at least five years in the possession of the shares and the requirement to hold at least 5% of the Company's capital shall not be necessary when the appointment, re-election or ratification of the Director shall be carried out by the General Meeting with a quorum of attendance of 25% of the capital subscribed in the first call or without a minimum quorum in the second call, and shall be approved - in both cases - by a simple majority of the capital present or represented. The appointment, re-election or ratification of Independent Directors, which in all cases must comply with the provisions of the applicable regulations, these Articles of Association and the Regulations of the Board of Directors, shall be exempt from the foregoing.

Administrators shall serve for a term of four years, and may be re-elected, once or several times, for periods of equal duration.

The appointment of administrators shall expire when, following expiry of the term, the next General Meeting has been held or the legal period has lapsed to hold the Meeting to resolve the approval of accounts for the previous financial year.

To be a member of the Board of Directors, it is necessary not to be subject to any of the statutory grounds for incompatibility or prohibition established by Law.

Article 15.-

[...]

The Directors are freely appointed and removed by the General Meeting.

If vacancies occur during the term for which the Directors were appointed, the Board may appoint people to occupy them until the first General Meeting.

[...]

Article 18 Appointment of Directors.-

Directors shall be appointed by the General Meeting or the Board of Directors under the powers of co-optation legally attributed to them, as appropriate in accordance with the provisions contained in the Spanish Capital Companies Act and in the Company's Articles of Association.

[...]

In any case, to be a member of the Board of Directors, it is necessary not to be subject to any of the statutory grounds for incompatibility or prohibition established by Law. The proposal for the appointment or re-appointment of the members of the Board of Directors corresponds to the Appointments and Remuneration Commission in the case of Independent Directors, and to the Board itself in all other cases, upon prior report from the Appointments and Remuneration Commission.

In addition, the proposed appointment must, in any case, be accompanied by a supporting report from the Board assessing the competence, experience and merits of the proposed candidate, which will be attached to the minutes of the General Meeting or the Board of Directors itself.

The Board of Directors shall record its reasons when it departs from the recommendations of the Appointments and Remuneration Commission.

The Directors of the Company may not sit on the Board of Directors of more than three listed companies, in addition to that of Elecnor".

Article 19 Re-appointment of Directors.-

The re-appointment of Directors shall be verified under established legal and statutory terms. Proposals or reports, if any, from the Appointments and Remuneration Commission shall contain an assessment of the quality of the work and the dedication to the role of the proposed Directors during their previous mandate, as well as the honour, competence, availability and commitment to their role".

Article 21 Removal of Directors.-

Directors shall resign either voluntarily or when the period for which they were appointed has lapsed and when so decided by the General Meeting by virtue of the powers conferred to it by law or the Articles of Association.

Without prejudice to the foregoing, Directors who are considered proprietary shall submit their resignation when the shareholder whom they represent sells their shareholding in full.

Directors must place their position at the disposal of the Board of Directors and, if this deems it appropriate, formalise the corresponding resignation in cases that affect them, whether or not these are related to their actions in the Company itself, that harm the credit and reputation of the Company or in any way adversely affect the functioning of the Board of Directors or the Company and, in particular, when they are investigated in any criminal case, having to report progress with such legal proceedings, or when involved in any of the legally foreseen cases of incompatibility or prohibition.

The Board of Directors, having been informed of or having otherwise found out about the circumstances mentioned in the preceding paragraph, shall examine the case as soon as possible and, in light of the specific circumstances, shall decide on the measures to be taken, after receiving a report from the Appointments and Remuneration Commission. All this shall be disclosed in the Annual Corporate Governance Report, unless special circumstances exist that prevent this, which must be recorded in the minutes, without prejudice to the information that the Company must disseminate, if appropriate, at the time of taking the appropriate measures.

The Board of Directors may only propose the removal of an Independent Director to the General Meeting before the statutory deadline when there is just cause, as assessed by the Board of Directors following a proposal from the Appointments and Remuneration Commission.

When the Board of Directors adopts significant or repeated decisions about which the Director has expressed serious reservations, the Director shall draw the appropriate conclusions and, if they choose to resign, shall explain their reasons in the letter referred to in the following paragraph. This obligation also extends to the Secretary of the Board of Directors, even if they are not a Director.

When a Director steps down from their role before the end of their term of office, due to resignation or by agreement of the General Meeting, they must send a letter to all members of the Board of Directors adequately explaining their reasons for stepping down or, if they are Non-Executive Directors, their view of the reasons why they were removed by the Meeting. All of this will be disclosed in the Annual Corporate Governance Report. In addition, to the extent that it is relevant to investors, the Company shall report this stepping down as soon as possible, giving a sufficient explanation of the reasons or circumstances given by the Director".

In addition, on 16 December 2020, the Board of Directors of Elecnor approved the modification of the "Policy for the Selection of Directors and Diversity of the Board of Directors", now called the "Policy for Diversity of the Board of Directors and the Selection of Directors" for the purpose of adapting it to the recommendations of the CNMV Code of Good Governance of Listed Companies as amended in June 2020, which sets out the objectives, procedures, requirements and supervision of the policy for selecting Directors. This policy is published on the Company's website.

C.1.17. EXPLAIN TO WHAT EXTENT THE ANNUAL EVALUATION OF THE BOARD HAS GIVEN RISE TO SIGNIFICANT CHANGES IN ITS INTERNAL ORGANISATION AND IN THE PROCEDURES APPLICABLE TO ITS ACTIVITIES:

Description of amendment(s)

The annual evaluation of 2019 carried out by members of the Board of Directors during the 2020 financial year has led to preparing an Action Plan proposal, whose highlights include (i) the strengthening of the training programme for Directors, (ii) the continuous improvement in the provision of information to be discussed at Board meetings, and (iii) the implementation of an information and analysis programme in the Board of Directors in order to promote a suitable sustainability policy in environmental and social matters, in accordance with principle No. 24 of the CNMV Code of Good Governance of Listed Companies.

DESCRIBE THE EVALUATION PROCESS AND THE AREAS EVALUATED BY THE BOARD OF DIRECTORS WITH OR WITHOUT THE HELP OF AN EXTERNAL ADVISOR, REGARDING THE FUNCTIONING AND COMPOSITION OF THE BOARD AND ITS COMMITTEES AND ANY OTHER AREA OR ASPECT THAT HAS BEEN EVALUATED.

The Company's Board of Directors evaluates, through several questionnaires to be completed by all its members, its activity and that of all its Commissions, as well as the activity and actions carried out by the Chairman, the Secretary and the Chief Executive Officer, detecting the strengths and points to improve and applying the appropriate corrective measures. The results of these evaluations are reviewed by the Board and by the Commissions (each for their own results) and, in addition, the Appointments and Remuneration Commission reviews the results of the evaluation of the Board and the Chairman.

The questionnaires mentioned include the evaluation of areas such as the preparation, dynamics and culture of meetings, follow-up of the topics covered, composition of the Board and its Commissions, training of its members, communication between governing bodies, performance of the functions of the Chairman, Secretary and Chief Executive Officer, environmental, social and governance issues, etc.

To provide continuity to the action plan resulting from the evaluation of the Board and its Commissions for the financial year 2018 and in order to continue to comply with recommendation 36 of the Code of Good Governance, in 2020, the assessment of the aforementioned 2019 evaluation was performed using the questionnaires developed by the consultancy Russell Reynolds, which the Company, as already reported, hired to carry out the evaluation of the Board for the financial year 2018 for the analysis of the evaluation and the establishment of best practices in relation to the functioning of the Board, its Commissions and the performance the Chairman, CEO and Secretary. During the 2020 financial year, these questionnaires have been used again, although the interpretation of the responses from the Directors has been improved by making some changes to the wording of the questions.

C.1.18. PROVIDE DETAILS, FOR YEARS IN WHICH THE EVALUATION WAS CARRIED OUT WITH THE HELP OF AN EXTERNAL ADVISOR, OF THE BUSINESS RELATIONSHIPS THAT THE EXTERNAL ADVISOR OR COMPANY IN ITS GROUP MAINTAINS WITH THE COMPANY OR ANY COMPANY IN ITS GROUP.

C.1.19. INDICATE THE CASES IN WHICH DIRECTORS ARE OBLIGED TO RESIGN.

Article 21 of the Regulations of the Board of Directors establishes the following in this respect:

"Directors shall resign either voluntarily or when the period for which they were appointed has lapsed and when so decided by the General Meeting by virtue of the powers conferred to it by law or the Articles of Association.

Without prejudice to the foregoing, Directors who are considered proprietary shall submit their resignation when the shareholder whom they represent sells their shareholding in full.

Directors must place their position at the disposal of the Board of Directors and, if this deems it appropriate, formalise the corresponding resignation in cases that affect them, whether or not these are related to their actions in the Company itself, that harm the credit and reputation of the Company or in any way adversely affect the functioning of the Board of Directors or the Company and, in particular, when they are investigated in any criminal case, having to report progress with such legal proceedings, or when involved in any of the legally foreseen cases of incompatibility or prohibition.

The Board of Directors, having been informed of or having otherwise found out about the circumstances mentioned in the preceding paragraph, shall examine the case as soon as possible and, in light of the specific circumstances, shall decide on the measures to be taken, after receiving a report from the Appointments and Remuneration Commission. All this shall be disclosed in the Annual Corporate Governance Report, unless special circumstances exist that prevent this, which must be recorded in the minutes, without prejudice to the information that the Company must disseminate, if appropriate, at the time of taking the appropriate measures.

The Board of Directors may only propose to the General Meeting the removal of an Independent Director before the statutory deadline when there is just cause, as assessed by the Board of Directors following a report from the Appointments and Remuneration Commission.

When the Board of Directors adopts significant or repeated decisions about which the Director has expressed serious reservations, the Director shall draw the appropriate conclusions and, if they choose to resign, shall explain their reasons in the letter referred to in the following paragraph. This obligation also extends to the Secretary of the Board of Directors, even if they are not a Director.

When a Director steps down from their role before the end of their term of office, due to resignation or by agreement of the General Meeting, they must send a letter to all members of the Board of Directors adequately explaining their reasons for stepping down or, if they are Non-Executive Directors, their view of the reasons why they were removed by the Meeting. All of this will be disclosed in the Annual Corporate Governance Report. In addition, to the extent that it is relevant to investors, the Company shall report this stepping down as soon as possible, giving a sufficient explanation of the reasons or circumstances given by the Director”.

Without prejudice to the above, Article 20 of the Board Regulations establishes that “Directors who have independent status may not remain as such for a continuous period of more than 12 years”.

C.1.20. ARE QUALIFIED MAJORITIES OTHER THAN THOSE ESTABLISHED BY LAW REQUIRED FOR ANY PARTICULAR KIND OF DECISION?

Yes No

C.1.21. EXPLAIN WHETHER THERE ARE ANY SPECIFIC REQUIREMENTS, OTHER THAN THOSE RELATING TO DIRECTORS, FOR BEING APPOINTED AS CHAIRMAN OF THE BOARD OF DIRECTORS:

Yes No

C.1.22. INDICATE WHETHER THE ARTICLES OF INCORPORATION OR BOARD REGULATIONS ESTABLISH ANY LIMIT AS TO THE AGE OF DIRECTORS:

Yes No

C.1.23. INDICATE WHETHER THE ARTICLES OF INCORPORATION OR BOARD REGULATIONS ESTABLISH ANY TERM LIMITS FOR INDEPENDENT DIRECTORS OTHER THAN THOSE REQUIRED BY LAW OR ANY OTHER ADDITIONAL REQUIREMENTS THAT ARE STRICTER THAN THOSE PROVIDED BY LAW:

Yes No

Additional requirements and/or maximum number of years of office

C.1.24. INDICATE WHETHER THE ARTICLES OF INCORPORATION OR BOARD REGULATIONS ESTABLISH SPECIFIC RULES FOR APPOINTING OTHER DIRECTORS AS PROXY TO VOTE IN BOARD MEETINGS, IF SO THE PROCEDURE FOR DOING SO AND, IN PARTICULAR, THE MAXIMUM NUMBER OF PROXIES THAT A DIRECTOR MAY HOLD, AS WELL AS WHETHER ANY LIMIT HAS BEEN ESTABLISHED REGARDING THE CATEGORIES OF DIRECTOR TO WHOM VOTES MAY BE DELEGATED BEYOND THE LIMITS IMPOSED BY LAW. IF SO, BRIEFLY DESCRIBE THESE RULES.

Within the Company’s Board of Directors, there are formal processes for delegating the vote in the event that any of the Directors cannot personally attend the meetings. In this regard, the Regulations of the Board of Directors, in its Article 16, establishes the following:

“Article 16.-

[...]

Directors must attend the sessions of the Board of Directors in person and should only fail to attend where this cannot be avoided. However, when exceptionally they cannot attend, Directors may delegate for each session and in writing to have any other Director represent them in said session for all purposes, and the same Director can hold several delegations. The representation shall contain the corresponding instructions and shall be communicated to the Chairman of the Board by any means that has proof of receipt. Non-Executive Directors may only delegate their representation to another Non-Executive Director. [...]”.

The Board of Directors has no specific limitation on the categories of Director in which it is possible to delegate the vote other than those legally foreseen.

C.1.25. INDICATE THE NUMBER OF MEETINGS HELD BY THE BOARD OF DIRECTORS DURING THE YEAR. ALSO INDICATE, IF APPLICABLE, THE NUMBER OF TIMES THE BOARD MET WITHOUT THE CHAIRMAN BEING PRESENT. MEETINGS WHERE THE CHAIRMAN GAVE SPECIFIC PROXY INSTRUCTIONS ARE TO BE COUNTED AS ATTENDED.

Number of board meetings	13
Number of board meetings held without the chairman's presence	0

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	--
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INDICATE THE NUMBER OF MEETINGS HELD BY EACH BOARD COMMITTEE DURING THE YEAR.

Number of meetings held by the executive committee	22
Number of meetings held by the audit committee	11
Number of meetings held by the nomination and remuneration committee	10
Number of meetings held by the Boards of the Subsidiaries	34

C.1.26. INDICATE THE NUMBER OF MEETINGS HELD BY THE BOARD OF DIRECTORS DURING THE YEAR WITH MEMBER ATTENDANCE DATA.

Number of meetings in which at least 80% of directors were present in person	13
Attendance in person as a % of total votes during the year	100%
Number of meetings with attendance in person or proxies given with specific instructions, by all directors	13
Votes cast in person and by proxies with specific instructions, as a % of total votes during the year	100%

C.1.27. INDICATE WHETHER THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS SUBMITTED TO THE BOARD FOR ISSUE ARE CERTIFIED IN ADVANCE.

Yes No

C.1.28. EXPLAIN THE MECHANISMS IF ANY, ESTABLISHED BY THE BOARD OF DIRECTORS TO ENSURE THAT THE FINANCIAL STATEMENTS IT PRESENTS TO THE GENERAL SHAREHOLDERS' MEETING ARE PREPARED IN ACCORDANCE WITH ACCOUNTING REGULATIONS.

The Company, through the Audit Commission and its Internal Audit, has the necessary measures in place so that the annual financial statements presented at the General Shareholders' Meeting are prepared in accordance with the accounting standards, avoiding any modified or unfavourable opinions regarding them.

Thus, Article 5 of the Regulations of the Audit Commission establishes among its functions the following:

"[...]

(i) Regarding oversight of financial and non-financial information:

[...]

b) Monitor and assess the process of drawing up and submitting the mandatory financial and non-financial information relating to the Company and, where appropriate, to its Group, reviewing compliance with regulatory requirements, the proper delimitation of the scope of consolidation and the correct application of accounting criteria and, in particular, to know, understand and oversee the effectiveness of the internal control system for financial reporting (ICFR), as well as to submit recommendations or proposals to the Board of Directors aimed at protecting its integrity.

c) Inform the Board of Directors, in advance, of the financial information to be made public by the Company on a regular basis.

d) Ensure that the annual financial statements submitted by the Board of Directors to the General Meeting are drawn up in accordance with the accounting rules. And that, in those cases where the auditor has modified their opinion in their audit report, the Chairman of the Audit Commission shall clearly explain to the General Meeting the views of the Audit Commission on its content and scope, making a summary of such views available to the shareholders at the time of publication of the Meeting, together with the other proposals and reports of the Board.

(ii) Regarding oversight of internal control and internal audit:

a) Monitor the effectiveness of the Company's internal control and internal audit, as well as discuss with the auditors any significant weaknesses detected in the performance of the audit, concluding the level of confidence and reliability of the system, all without infringing on their independence. For this purpose, and where appropriate, it may submit recommendations or proposals to the Board of Directors and the appropriate time limit for follow-up.

[...]

(iv) Regarding the Accounts Auditor:

[...]

b) Regularly collect information from the external auditor on the audit plan and its implementation, and any other matters related to the account audit process, in particular any discrepancies that may arise between the accounts auditor and Company management".

C.1.29. IS THE SECRETARY OF THE BOARD ALSO A DIRECTOR?

Yes No

If the secretary is not a director, complete the following table:

Name or company name of the secretary	Representative
Mr Pedro Enrile Mora-Figueroa	
Remarks	
Appointed Non-Director Secretary of the Board of Directors by a resolution dated 24 June 2020.	

C.1.30. INDICATE THE SPECIFIC MECHANISMS ESTABLISHED BY THE COMPANY TO SAFEGUARD THE INDEPENDENCE OF THE EXTERNAL AUDITORS, AND ANY MECHANISMS TO SAFEGUARD THE INDEPENDENCE OF FINANCIAL ANALYSTS, INVESTMENT BANKS AND RATING AGENCIES, INCLUDING HOW LEGAL PROVISIONS HAVE BEEN IMPLEMENTED IN PRACTICE.

Article 15 bis of the Company's Articles of Association and Article 13 of the Regulations of the Board of Directors, as well as Article 5 of the Regulations of the Audit Commission, establish the powers of the Audit Commission in relation to these measures.

With regard to the Accounts Auditor, the Audit Commission has the following functions:

a) Send to the Board of Directors for submission to the General Shareholders' Meeting the proposals for the selection, appointment, re-appointment and removal of the accounts auditor, taking responsibility for the selection process, in accordance with the provisions of the applicable regulations, as well as the conditions for their hiring, and for this purpose, they shall:

1. define the selection procedure for the auditor; and
2. issue a reasoned proposal.

b) Regularly collect information from the external auditor on the audit plan and its implementation, and any other matters related to the account audit process, in particular any discrepancies that may arise between the accounts auditor and Company management.

c) Establish appropriate relations with the external auditor to receive information on any issues that may pose a threat to their independence for consideration by the Commission, and any other information related to the process of auditing the accounts, and, where appropriate, the authorisation of services other than those prohibited under the terms of the applicable rules for the independence regime, as well as other communications set out in the account audit legislation and audit standards.

In any case, the external auditors shall provide them with an annual declaration of their independence with regard to the Company or entities directly or indirectly linked to it, as well as detailed and individualised information regarding additional services of any kind provided and the corresponding fees collected from these entities by the external auditor or by the persons or entities linked to it, in accordance with the provisions of the governing regulations on account audit activity.

d) Issue an annual report, prior to the issuance of the account audit report, expressing an opinion on whether the accounts auditor's independence has been compromised. In any event, this report shall contain the reasoned assessment of each and every additional service provided as referred to in the previous paragraph, considered individually and as a whole, other than the legal audit and in relation to the independence regime or the governing regulations on account audit activity.

e) Preserve the independence of the external auditor in exercising their functions and, in particular:

- (i) should the external auditor resign, examine the circumstances that may have led to this resignation;
- (ii) ensure that the Company reports any change of auditor through the Spanish National Securities Market Commission accompanied by a statement regarding the existence or absence of disagreements with the outgoing auditor and, if applicable, the subject matter thereof;

- (iii) ensure that the remuneration the external auditor receives for their work does not compromise their quality or independence;
- (iv) establish a general limit for annual fees to be paid to the auditor for the provision of non-audit services; and
- (iv) ensure that the Company and the external auditor comply with existing rules on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other applicable rules to ensure the auditor's independence.

f) Ensure that the external auditor has at least one annual meeting with the Board of Directors in full to inform them of the work executed and developments in the company's risk and accounting situation.

g) Make a final assessment of the auditor's performance and how it has contributed to the quality of the audit and the integrity of the financial information.

In addition, the Audit Commission is responsible for supervising the implementation of the general policy relating to the communication of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisers and other stakeholders. It will also monitor the way in which the Company communicates and relates to small and medium-sized shareholders.

C.1.31. INDICATE WHETHER THE COMPANY CHANGED ITS EXTERNAL AUDITOR DURING THE YEAR. IF SO, IDENTIFY THE INCOMING AND OUTGOING AUDITORS:

Yes No

Outgoing auditor	Incoming auditor

If there were any disagreements with the outgoing auditor, explain their content:

Yes No

C.1.32. INDICATE WHETHER THE AUDIT FIRM PERFORMS ANY NON-AUDIT WORK FOR THE COMPANY AND/OR ITS GROUP AND, IF SO, STATE THE AMOUNT OF FEES IT RECEIVED FOR SUCH WORK AND EXPRESS THIS AMOUNT AS A PERCENTAGE OF THE TOTAL FEES INVOICED TO THE COMPANY AND/OR ITS GROUP FOR AUDIT WORK.

Yes No

	Company	Group companies	Total
Amount invoiced for non-audit services (thousands of euros)	1,227	9	1,236
Amount invoiced for non-audit work/Amount for audit work (in %)	81.9%	3.9%	71.8%

C.1.33. INDICATE WHETHER THE AUDITORS' REPORT ON THE FINANCIAL STATEMENTS FOR THE PRECEDING YEAR CONTAINS A QUALIFIED OPINION OR RESERVATIONS. IF SO, INDICATE THE REASONS GIVEN TO SHAREHOLDERS AT THE GENERAL MEETING BY THE CHAIRMAN OF THE AUDIT COMMITTEE TO EXPLAIN THE CONTENT AND EXTENT OF THE QUALIFIED OPINION OR RESERVATIONS.

Yes No

C.1.34. INDICATE THE NUMBER OF CONSECUTIVE YEARS FOR WHICH THE CURRENT AUDIT FIRM HAS BEEN AUDITING THE COMPANY'S INDIVIDUAL AND/OR CONSOLIDATED FINANCIAL STATEMENTS. ALSO, INDICATE THE NUMBER OF YEARS AUDITED BY THE CURRENT AUDIT FIRM AS A PERCENTAGE OF THE TOTAL NUMBER OF YEARS IN WHICH THE FINANCIAL STATEMENTS HAVE BEEN AUDITED.

	Individual	Consolidated
Number of consecutive years	8	8

	Individual	Consolidated
Number of years audited by the current audit firm/number of years in which the company or its group has been audited (in %)	25.8%	25.8%

C.1.35. INDICATE WHETHER THERE IS A PROCEDURE FOR DIRECTORS TO BE SURE OF HAVING THE INFORMATION NECESSARY TO PREPARE THE MEETINGS OF THE GOVERNING BODIES WITH SUFFICIENT TIME; PROVIDE DETAILS IF APPLICABLE:

Yes No

[Details the procedure](#)

Article 9 of the Regulations of the Board of Directors determines that one of the Chairman's functions is to:

"Ensure that the Directors receive the necessary information in advance in order to deliberate on the items on the agenda and diligently carry out their role".

Thus, the Directors have a digital platform in which the relevant information on the items contained in the Agenda of each meeting of the Board and its Commissions is made available.

Likewise, in accordance with Article 22 of the Board Regulations, in the performance of their functions, the Directors have the duty to demand and the right to obtain from the Company the appropriate and necessary information that serves to fulfil their obligations. In this regard, the Directors are vested with the broadest powers to enquire about any aspect of the Company or its subsidiaries, whether national or foreign, and to examine their books, records, documents, reports or facilities. Exercising the powers of information shall be channelled, with the assistance of the Secretary, through the Chairman, who will respond to the Directors' requests by directly providing them with the information, offering them the appropriate contact people in the appropriate stratum of the organisation or by arbitrating the measures so that they can practise the appropriate "on-the-spot" examination and inspection procedures.

C.1.36. INDICATE WHETHER THE COMPANY HAS ESTABLISHED RULES OBLIGING DIRECTORS TO INFORM THE BOARD OF ANY CIRCUMSTANCES, WHETHER OR NOT RELATED TO THEIR ACTIONS IN THE COMPANY ITSELF, THAT MIGHT HARM THE COMPANY'S STANDING AND REPUTATION, TENDERING THEIR RESIGNATION WHERE APPROPRIATE. IF SO, PROVIDE DETAILS:

Yes No

[Explain the rules](#)

Article 21 of the Regulations of the Company's Board of Directors specifies that:

"Directors must place their position at the disposal of the Board of Directors and, if this deems it appropriate, formalise the corresponding resignation in cases that affect them, whether or not these are related to their actions in the Company itself, that harm the credit and reputation of the Company or in any way adversely affect the functioning of the Board of Directors or the Company and, in particular, when they are investigated in any criminal case, having to report progress with such legal proceedings, or when involved in any of the legally foreseen cases of incompatibility or prohibition.

The Board of Directors, having been informed of or having otherwise found out about the circumstances mentioned in the preceding paragraph, shall examine the case as soon as possible and, in light of the specific circumstances, shall decide on the measures to be taken, after receiving a report from the Appointments and Remuneration Commission. All this shall be disclosed in the Annual Corporate Governance Report, unless special circumstances exist that prevent this, which must be recorded in the minutes, without prejudice to the information that the Company must disseminate, if appropriate, at the time of taking the appropriate measures.

[...]

When a Director steps down from their role before the end of their term of office, due to resignation or by agreement of the General Meeting, they must send a letter to all members of the Board of Directors adequately explaining their reasons for stepping down or, if they are Non-Executive Directors, their view of the reasons why they were removed by the Meeting. All of this will be disclosed in the Annual Corporate Governance Report. In addition, to the extent that it is relevant to investors, the Company shall report this stepping down as soon as possible, giving a sufficient explanation of the reasons or circumstances given by the Director".

C.1.37. INDICATE WHETHER, APART FROM SUCH SPECIAL CIRCUMSTANCES AS MAY HAVE ARISEN AND BEEN DULY MINUTED, THE BOARD OF DIRECTORS HAS BEEN NOTIFIED OR HAS OTHERWISE BECOME AWARE OF ANY SITUATION AFFECTING A DIRECTOR, WHETHER OR NOT RELATED TO HIS OR HER ACTIONS IN THE COMPANY ITSELF, THAT MIGHT HARM THE COMPANY'S STANDING AND REPUTATION:

Yes No

Indicate whether the Board of Directors has examined the case. If so, explain with reasons whether, given the specific circumstances, it has adopted any measure, such as opening an internal enquiry, requesting the director's resignation or proposing his or her dismissal.

Indicate also whether the Board decision was backed up by a report from the nomination committee.

Yes No

C.1.38. DETAIL ANY MATERIAL AGREEMENTS ENTERED INTO BY THE COMPANY THAT COME INTO FORCE, ARE MODIFIED OR ARE TERMINATED IN THE EVENT OF A CHANGE IN CONTROL OF THE COMPANY FOLLOWING A PUBLIC TAKEOVER BID, AND THEIR EFFECTS.

They do not exist.

C.1.39. IDENTIFY INDIVIDUALLY AS REGARDS DIRECTORS, AND IN AGGREGATE FORM IN OTHER CASES, AND PROVIDE DETAILS OF ANY AGREEMENTS BETWEEN THE COMPANY AND ITS DIRECTORS, EXECUTIVES OR EMPLOYEES CONTAINING INDEMNITY OR GOLDEN PARACHUTE CLAUSES IN THE EVENT OF RESIGNATION OR DISMISSAL WITHOUT DUE CAUSE OR TERMINATION OF EMPLOYMENT AS A RESULT OF A TAKEOVER BID OR ANY OTHER TYPE OF TRANSACTION.

There are no indemnities agreed upon between the Company and its non-executive management positions, nor executives or employees.

With regard to the Executive Director, their contract provides for indemnification in their favour, provided that the termination is not the result of a violation attributable to them nor is it due to their exclusive decision, except in the cases of death or invalidity of the Executive Director, which do not provide any right to indemnification.

The compensation amounts, as a general rule, to a figure equivalent to two (2) years of their total remuneration, including fixed and variable remuneration, but excluding that obtained in programmes or incentives of an annual or multi-year nature, without prejudice to the fact that, depending on the type of event that results in the termination of the contracts, it may reach an amount equivalent to three (3) years of their total remuneration.

Indicate whether, beyond the cases established by legislation, these agreements have to be communicated and/or authorised by the governing bodies of the company or its group. If so, specify the procedures, the cases concerned and the nature of the bodies responsible for their approval or communication:

	Board of Directors	General shareholders' meeting
Body authorising the clauses	Sí	

Are these clauses notified to the General Shareholders' Meeting?	Yes	No
	Yes	

Remarks

The clauses for the Executive Director are approved by the Board of Directors on the proposal of the Appointments and Remuneration Commission. In addition, they are reported to the General Meeting through the Annual Report on Directors' Remuneration.

C.2. COMMITTEES OF THE BOARD OF DIRECTORS.

C.2.1. PROVIDE DETAILS OF ALL COMMITTEES OF THE BOARD OF DIRECTORS, THEIR MEMBERS, AND THE PROPORTION OF EXECUTIVE, PROPRIETARY, INDEPENDENT AND OTHER EXTERNAL DIRECTORS FORMING THEM.

EXECUTIVE COMMISSION

Name	Position	Category
Mr Jaime Real de Asúa Arteche	Chairman	Proprietary Director
Mr Fernando Azaola Arteche	Secretary	External
Mr Cristóbal González de Aguilar Alonso-Urquijo	Member	Proprietary Director
Mr Rafael Martín de Bustamante Vega	Member	Executive
Mr Miguel Morenés Giles	Member	Proprietary Director
Mr Ignacio Prado Rey-Baltar	Member	Proprietary Director

% of executive directors	16.67 %
% of proprietary directors	66.66 %
% of independent directors	0 %
% of other external directors	16.67 %

Explain the functions delegated or assigned to this committee, other than those that have already been described in Section C.1.9, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

In accordance with the constitution of the Company's Executive Commission, it shall have the following **Rules of Procedure**:

- The members of the Executive Commission shall step down from their role when they do so from their role as Director or when agreed upon by the Board of Directors.
- In the absence of the Chairman of the Executive Commission, or this position being vacant, their functions shall be exercised by the member who is elected for that purpose by a majority of the attendees of the meeting.
- The Executive Commission shall be convened by its Chairman, at its own initiative, or at the request of two of its members, by letter, telegram, e-mail or fax, addressed to each of its members at least 48 hours before the date of the meeting, but may, however, be convened for reasons of urgency, in which case the agenda shall be limited to the points which were the grounds for the meeting.
- The Executive Commission shall be validly constituted when at least a majority of its members are present and represented.
- The Executive Commission shall, through its Chairman, inform the Board of Directors of the matters dealt with and of the decisions made by the Commission.

In addition, all members of the Board of Directors receive copies of the minutes of the meetings of the Executive Commission, in accordance with Recommendation 38 of the Code of Good Governance.

The activity of the Executive Commission carried out in 2020, a year in which it held 22 meetings, has resulted in the progress of the Company and its business, in accordance with the strategic policies established by the Board of Directors, reporting the contents of its meetings to the full Board of Directors and, all of this, in accordance with the rules of operation of said Commission.

AUDIT COMMITTEE

Name	Position	Category
Ms Irene Hernández Álvarez	Chairman	Independent
Mr Miguel Morenés Giles	Secretary	Proprietary Director
Ms Isabel Dutilh Carvajal	Member	Independent
Mr Ignacio Prado Rey-Baltar	Member	Proprietary Director
Mr Emilio Ybarra Aznar	Member	Independent
% of executive directors	0 %	
% of proprietary directors	40 %	
% of independent directors	60 %	
% of other external directors	0 %	

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The functions, procedures and rules of organisation and operation of the Audit Commission are set out and developed in Article 15 bis of the Articles of Association, in Article 13 of the Regulations of the Board and in the Regulations of the Audit Commission. All of these are available on the Company's corporate website.

The Audit Commission shall designate a Chairman from among the Independent Directors as set forth in this article. The appointment must be made for a maximum of four years, for which they may be re-appointed for the same term once a period of one year has elapsed from the date on which their role expires or the date their removal had been agreed upon.

The Audit Commission shall be validly constituted when the majority of its members are present or represented, and its agreements shall be adopted by an absolute majority of the members present or represented at the meeting.

The Audit Commission shall meet at least four times per year and, in addition, as often as required in the interests of the Company, at the request of any of the Commission's members.

The meetings of the Audit Commission will be called by its Secretary, on the instructions of the Chairman, and the call notice shall always include the agenda of the meeting and be accompanied by the necessary information, without prejudice to the fact that in certain circumstances it is justified that all or part of the information is provided at the meeting itself.

Attendance at meetings of the Commission should be preceded by sufficient dedication by its members to analysing and evaluating the information received, promoting constructive dialogue between its members and the freedom to give opinions.

The Commission may request the presence of any person not forming part of the Commission that it deems appropriate for the best exercise of its functions, who shall attend at the invitation of the Chairman of the Commission but only to deal with those specific items on the agenda for which they are called.

The Audit Commission may have access to any information or documentation available to the Company concerning matters within its competence and may, at the expense of the Company, arrange the collaboration or advice of external professionals when it considers it necessary or convenient for the best exercising of its functions, for which it will have the necessary resources.

The Audit Commission shall establish an effective and regular channel of communication with its regular partners, which shall normally correspond to the Chairman of the Commission, who shall also act as spokesperson for the Commission at the meetings of the Board of Directors and, where appropriate, at the Company's General Shareholders' Meeting.

In accordance with the provisions of Article 15 bis of the Articles of Association, the Audit Commission shall have at least the powers listed below, without prejudice to those whose delegation the Company itself, through the Governing Body, considers necessary:

- 1) Report to the General Shareholders' Meeting on the issues raised by shareholders in matters within their competence.
- 2) Propose to the Board of Directors for submission to the General Shareholders' Meeting the appointment, re-election and replacement of the external accounts auditors referred to in Article 264 of Royal Legislative Decree 1/2010, of 2 July, approving the consolidated text of the Capital Companies Act, as well as the terms of their hiring, and regularly collecting information on the audit plan and its implementation from the external accounts auditors, in addition to preserving their independence in exercising their functions.
- 3) Monitor the effectiveness of the Company's internal control, internal audit, where appropriate, and risk management systems, including tax risks, as well as discussing with the account auditors or audit companies the significant weaknesses of the internal control system detected during the audit.
- 4) Monitor the preparation and submission of regulated financial information.
- 5) Establish appropriate relations with the account auditors or audit companies to receive information on any issues that may pose a threat to their independence for consideration of the Commission, and any other information related to the process of auditing the accounts, as well as other communications set out in the account audit legislation and audit standards. In any case, the account auditors or audit companies shall provide them with a written, annual declaration of their independence with regard to the Company or entities directly or indirectly linked to it, as well as information regarding additional services of any kind provided to these entities by the external auditors or audit firms or by the persons or entities linked to the auditors or audit firms, in accordance with the provisions of the governing regulations on account audit activity.
- 6) Issue an annual report, prior to the issuance of the account audit report, expressing an opinion on whether the independence of the accounts auditor or audit companies has been compromised. In any event, this report shall contain the reasoned assessment of each and every additional service provided as referred to in the previous paragraph, considered individually and as a whole, other than the legal audit and in relation to the independence regime or the governing regulations on account audit activity.
- 7) Inform the Board of Directors, in advance, regarding all matters provided for by Law, in the Company Articles of Association and the Regulations of the Board, and, in particular:
 - a) the financial information that the Company must regularly report;
 - b) the creation or acquisition of holdings in special-purpose entities or entities with registered offices in countries or territories classified as tax havens; and
 - c) related-party transactions.

In addition, in accordance with Article 13 of the Board Regulations and its own Regulations, the Audit Commission has the duties of supervising the Company's compliance with the corporate governance rules and internal codes of conduct. It shall also draw up annually a plan of action covering the main activities of the Commission during the financial year in relation to the performance of its functions and shall draw up an annual report on its functioning and performance during the financial year.

The Audit Commission shall record all agreements adopted in a book of minutes, indicating the date of the session, attendees and adopted agreements.

The Audit Commission's activity in 2020, during which it held 11 meetings, mainly involved the following:

1. Review of the regular financial and non-financial information disclosed to the markets and of the objectives and forecasts at year-end.

The Commission monitors the process of preparation and the integrity of the financial and non-financial information of the Company and the consolidated group, reporting favourably to the Board, for its subsequent submission to the authorities and the market, as well as to submit it to the shareholders for approval at the General Meeting.

Prior to its submission to the Board of Directors, the Commission reviews the financial information (and where relevant the annual non-financial information) produced on a quarterly (March and September), half-yearly (June, subject to limited review by the Group's auditor) and yearly (December, subject to review by the Group's auditor) basis, to be sent to the CNMV and to be disclosed to the markets (key financials, performance versus the previous period, performance of the main businesses and geographical areas, etc.). The annual non-financial information reporting is also subject to independent verification by KPMG.

The General Internal Audit and Finance Sub-Division provides the Audit Commission with the appropriate explanations regarding the accounts. The accounting treatments for extraordinary operations and the tax treatment of significant operations are analysed, discussing them with the Group's auditors and/or advisers.

It is worth noting the Audit Commission's follow-up on the accounting implications and impact of the corporate transactions performed at the end of 2019, under which the Dutch fund APG became the owner of 49% of the capital of Celeo Concesiones e Inversiones, parent company of the Celeo subgroup. Additionally, as a result of this operation and in accordance with the recommendation from the CNMV, the comparative figures for 2018 were restated in the consolidated annual financial statements for the 2019 financial year in order to reflect what the Group's accounts would have looked like if this accounting method had been used since the signing in 2014 of the agreement with APG in Celeo Redes.

Throughout the year, reassessments of year-end objectives and forecasts are presented and any deviations from the objectives are explained.

2. Monitoring of the main risks with a potential impact on the profit and loss account and other significant issues affecting the annual financial statements, the Risk Management System and Internal Audit activity.

In addition to the detailed follow-up of the main risks with a potential impact on the profit and loss account routinely carried out by this Commission, during the year 2020 it is worth highlighting the follow-up made of the impacts and implications arising from the COVID-19 pandemic.

Without prejudice to the supervision by the Board of Directors of the impacts of COVID-19 on the Group (through, inter alia, the report of the Chief Executive Officer, as the highest authority on the Company's COVID-19 Monitoring Commission), the Audit Commission has carried out a detailed follow-up of the main impacts and measures taken for the proper management of the situation caused by COVID-19. We can highlight the following:

- Launch of the COVID-19 Monitoring Commission, chaired by the Chief Executive Officer.
- COVID action protocols and other instructions.
- Main measures for cost containment and increase in job flexibility.
- Liquidity situation and measures taken to strengthen it in the event of a deterioration in the cash generation of the businesses.
- Monitoring, from the perspective of computer resources and information systems, of the problems arising from the mass movement to teleworking and the associated security risks.
- Review of risks managed through the Risk Management System for the inclusion of the risk associated with health crises (public health).
- Information to be reported to the markets in relation to COVID-19, in compliance with the recommendations indicated by the CNMV and ESMA.

With regard to the usual monitoring of risks, these are structured by general sub-divisions and the different business areas. The Group's exposure to them is quantified and the contingent trade receivables and receivables from public entities are reviewed, along with financial exposure in certain countries considered to be of high risk. The appropriateness of recognising a provision for these risks is considered on a case-by-case basis once the risks are known.

The Audit Commission also monitors the most significant judgements and estimates with an impact on the financial information, especially those relating to impairment tests of goodwill, intangible and tangible assets and deferred tax assets, as well as the recognition, control and measurement of derivative financial instruments.

In relation to tax, the Audit Commission monitors the main risks of this nature and the effective implementation of the Corporate Tax Policy. It also reviews the tax treatment of operations with particular significance in this regard. At its December meeting, it discussed and reported favourably to the Board on the adoption of the tax consolidation system for the 2021 financial year.

The Audit Commission also continuously monitors the main risks to which the Group is exposed (governance, strategic and environmental, operational, reporting and compliance) by overseeing the Risk Management System and, in particular, the risks identified, their potential impact and probability of occurrence and the action plans established to better manage them.

The Audit Commission monitors the Internal Audit work plan and oversees its monitoring and reviewing of the main risks affecting the organisation and its processes and controls.

3. Relations with the Group's external auditors, supervision of their independence and approval of fees.

The Audit Commission met with the Group's external auditors four times in 2020, without other members of the organisation being in attendance in three of those.

The main issues discussed with the external auditors at these meetings are:

- Planning and strategy of the annual audit of the individual accounts of Elecnor, S.A. and the consolidated ones for the Group (materiality, scope, main audit risks identified, schedule, etc.).
- Results of the annual audit of the individual and consolidated annual financial statements and the limited review of the Group's half-year condensed financial statements.
- Any internal control weaknesses identified and improvement points, where appropriate.
- Written statement and confirmation by the external auditors of their independence and detailed information on any non-audit services.

The Audit Commission reviews proposals for non-audit services submitted by the external auditor or the external auditor's related parties and pre-approves them in terms of independence under the law.

The Commission has concluded that the auditor of the Company's individual and consolidated accounts has carried out their audit work independently.

The proposed fees submitted by KPMG for the 2020 audit of the individual and consolidated annual financial statements were also reviewed and it was decided to submit them to the Board of Directors for approval.

4. Monitoring of the compliance system and activity of the Compliance Commission.

In line with the Group's overall commitment to this issue, this is one of the activities where it makes a particularly concerted effort. Six of the meetings were attended by members of the Group's Compliance Commission, who reported on the Commission's activity and on the initiatives, actions and/or incidents arising in the field of compliance, obtaining the Commission's approval and authorisation when necessary.

In summary, the tasks carried out by the Audit Commission in this area in 2020 have been:

- Review and approval of the 2019 Annual Compliance Report.
- Monitoring of the main risks to which the Group is exposed, with particular emphasis on those arising from the appearance of COVID-19.
- Approval and follow-up of compliance targets for 2020.
- Approval and follow-up of the 2020 Compliance Training Plan.
- Project monitoring of the review and improvement of procedures and controls to prevent and avoid anti-competitive practices carried out with advice from Deloitte.
- Monitoring of the processes of adapting the Group's compliance system to the special circumstances and requirements of the different countries in which it operates (organisations and subsidiaries).
- Follow-up of complaints and/or concerns submitted through the Code of Ethics Channel, analysis of findings and decision on action to be taken.

At the October meeting, the Audit Commission approved a new compliance organisational structure, with the aim of establishing a structure and system that will allow it to strengthen and improve the compliance system and keep it permanently operational. In this regard, a Compliance Officer has been appointed and the composition of the Compliance Commission has been modified to make it a body supporting the Compliance Officer, increasing the participation of and coordination with local managers and with the various organisations in the Elecnor Group. This new organisation increases the resources allocated to the function and aims to improve coordination between the corporate and business areas on compliance risk management.

In addition, the Commission monitors developments in various judicial and administrative proceedings with a potential impact on legal persons belonging to the Elecnor Group.

5. Follow-up of the Group's Digital Transformation Project.

The Group's Chief Information and Technology Officer, along with the General Internal Audit and Finance Sub-Division, has reported on the degree of progress of the important digitisation and process re-engineering project under way since 2016. The project aims to achieve operational excellence, understood as the capacity of the organisation, processes and systems to contribute to efficiency, information control, quality of service and regulatory compliance.

The Audit Commission has also been kept informed of major cybersecurity developments and projects (especially in the context of teleworking as a result of COVID-19) and progress with the project being run to obtain certification in ISO 27001 - Information Security Management Systems and which is expected to be completed in the first half of 2021.

In addition, the Audit Commission has monitored progress on the project led by the Consolidation area to adapt the system for annual financial reporting to the CNMV to the European Single Electronic Format (ESEF), a project that has been successfully completed within the established deadlines.

6. Reporting to the General Shareholders' Meeting.

Due to the special circumstances seen in 2020 as a result of the health crisis, the General Shareholders' Meeting held on 20 May 2020 was held remotely and in a reduced format. In these circumstances, and in contrast with previous years, the information relating to the Commission's activities during the 2019 financial year and up to the date of the meeting was conveyed by the Chairman of the Board of Directors and not directly by the Chairman of the Audit Commission as has normally taken place in other years.

Detailed information is available to shareholders through the Elecnor Group's Annual Corporate Governance Report for the 2019 financial year available on the corporate website (<https://a.elecnor.com/informes-anales-de-gobierno-corporativo>), as well as through the Commission's Activity Report for the 2019 financial year also published on the corporate website (https://www.elecnor.com/resources/files/1/Junta_General_Accionistas/2020/18-informe-de-funcionamiento-de-la-comision-de-auditoria.pdf).

7. Corporate governance: policies and regulations. Evaluation by the Commission.

In the area of Corporate Governance, the Audit Commission has analysed the issues arising from the evaluation of the Commission carried out by the Board of Directors, establishing its proposals for action in relation to that evaluation.

The work of the Audit Commission in reviewing, updating and modifying various policies and regulations on the functioning of the Company to adapt them to the recommendations of the Code of Good Governance of listed companies and other regulations should also be noted. In particular, during this financial year the Commission has reviewed the Regulations of the Audit Commission, the Policy of communication, contact and involvement with shareholders, institutional investors, asset managers, financial intermediaries and proxy advisers, as well as the Internal Regulations on Conduct on matters relating to the stock market of Elecnor, S.A., reporting on the proposed amendments favourably for their final approval by the Board of Directors.

Identify the directors who are members of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date on which the Chairperson of this committee was appointed.

Names of directors with experience

Ms Irene Hernández Álvarez

Mr Miguel Morenés Giles

Ms Isabel Dutilh Carvajal

Mr Ignacio Prado Rey-Baltar

Mr Emilio Ybarra Aznar

Date of appointment of the chairperson

22/05/2019

NOMINATION AND REMUNERATION COMMITTEE

Name	Position	Category
Mr Emilio Ybarra Aznar	Chairman	Independent
Ms Isabel Dutilh Carvajal	Member	Independent
Mr Jaime Real de Asúa Arteche	Secretary	Proprietary Director
% of executive directors	0 %	
% of proprietary directors	33.33%	
% of independent directors	66.66%	
% of other external directors	0 %	

Explain the functions assigned to this committee, including where applicable those that are additional to those prescribed by law, and describe the rules and procedures for its organisation and functioning. For each of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions assigned to it by law, in the articles of incorporation or in other corporate resolutions.

The functions, procedures and rules of organisation and operation of the Appointments and Remuneration Commission are set out and developed in Article 15 ter of the Articles of Association, Article 14 of the Regulations of the Board and in the Regulations of the Appointments and Remuneration Commission, all of which are available on the Company's corporate website.

The Appointments and Remuneration Commission shall appoint the Chairman thereof from among the Independent Directors. The Secretary of the Board of Directors may be appointed as the Secretary of the Appointments and Remuneration Commission, provided they are not an Executive Director.

The Appointments and Remuneration Commission shall necessarily meet at least three times per year. It shall be validly constituted when attended, in person or in representation, by a majority of its members, and its agreements shall be adopted by an absolute majority of the members present or represented at the meeting.

The meetings of the Commission will be called by its Secretary, on the instructions of the Chairman, and the call notice shall always include the agenda of the meeting and be accompanied by the necessary information, without prejudice to the fact that in certain circumstances it is justified that all or part of the information is provided at the meeting itself.

Attendance at meetings of the Appointments and Remuneration Commission should be preceded by sufficient dedication by its members to analysing and evaluating the information received, encouraging constructive dialogue between its members and the freedom to give opinions.

The Commission may request the presence of any person not forming part of the Commission that it deems appropriate for the best exercise of its functions, who shall attend at the invitation of the Chairman of the Commission but only to deal with those specific items on the agenda for which they are called.

The Appointments and Remuneration Commission may have access to any information or documentation available to the Company concerning matters within its competence and may, at the expense of the Company, arrange the collaboration or advice of external professionals when it considers it necessary or convenient for the best exercising of its functions, paying particular attention to any conflicts of interest that could affect the external advisers, for which it will have the necessary resources.

The Commission shall establish an effective and regular channel of communication with its regular partners, which shall normally correspond to the Chairman of the Commission, who shall also act as spokesperson for the Commission at the meetings of the Board of Directors and, where appropriate, at the Company's General Shareholders' Meeting.

The Appointments and Remuneration Commission shall consult with the Chairman of the Board of Directors and the CEO of the Company, especially in matters relating to the appointment of the Executive Directors and the remuneration of members of the management team and the Executive Directors. Any Director may request that the Commission take into consideration potential candidates to fill vacancies for Directors, if they are found to be suitable.

In accordance with Article 15 ter of the Articles of Association, the Appointments and Remuneration Commission shall have at least the following functions:

- Evaluating the required skills, knowledge and experience for the Board of Directors. For this purpose, it shall define the necessary functions and aptitudes for the candidates to fill each vacancy and shall evaluate the time and dedication required so they may effectively perform their functions.
- Establishing a target representation number for the less represented gender on the Board of Directors and drawing up guidelines for achieving that target.
- Submitting to the Board of Directors proposals for the appointment of Independent Directors by co-optation or for submission to the decision of the General Shareholders' Meeting, as well as proposals for the re-appointment or removal of said Directors by the General Shareholders' Meeting.
- Reporting the appointment proposals of the remaining Directors for their designation by co-optation or for submission to the decision of the General Shareholders' Meeting, as well as proposals for their re-election or removal by the General Shareholders' Meeting.
- Reporting proposals for the appointment and removal of senior executives and the basic terms of their contracts.
- Examining and organising the succession of the Chairman of the Board of Directors and the CEO of the Company and, where appropriate, making proposals to the Board of Directors so that such succession takes place in an orderly and planned manner.

- Proposing to the Board of Directors the remuneration policy for Directors and General Managers or those who perform their senior management duties under the direct supervision of the Board, Executive Commissions or CEOs, as well as individual remuneration and other contractual and statutory conditions of Executive Directors, confirming their observance.

In addition, in accordance with Article 14 of the Regulations of the Board and its own Regulations, the Appointments and Remuneration Commission has assigned to it the task of reviewing the Company's corporate governance system and environmental and social sustainability. It shall also draw up annually a plan of action covering the main activities of the Commission during the financial year in relation to the performance of its functions and shall draw up an annual report on its functioning and performance during the financial year.

The Commission met on 10 occasions during the 2020 financial year. In addition, when the Commission considered it appropriate, the Chief Executive Officer and members of the management team were invited to attend, in all cases at the invitation of the Chairman of the Commission and in order to deal with the agenda items for which they had been invited. In particular, the Director of Corporate Development, Director of Human Resources, Director of the Sustainability Commission and Secretary of the Board and Director of the Legal Department have participated in some of the Commission's meetings.

The activity of the Appointments and Remuneration Commission in 2020 mainly involved the following:

1. Activities relating to the evaluation of the performance of the Board of Directors and analysis of its structure

The Commission has examined the category of the Directors, reviewed the models for the evaluation of the Board, the Chairman and its Commission, and carried out the evaluation of this Appointments and Remuneration Commission, which concluded with a very satisfactory result. Similarly, the questionnaire sent to all the Directors has been revised in relation to their possible conflict of interest in the 2020 financial year.

During the year, the Commission continued with the work to examine the Board of Directors' structure, which began in mid-2017, the year in which Spencer Stuart was working as an international top-tier external consulting firm.

2. Activities relating to the appointment and re-election of Directors

A preliminary analysis was performed of the Board of Directors' needs including the necessary expertise, knowledge and skills required on the Board. This analysis was considered when preparing proposals and reports for the appointment and re-election of Directors submitted to the Board of Directors.

In particular, the Commission, at the request of the Board of Directors, reported favourably on the proposal for the re-election of Mr Joaquín Gómez de Olea y Mendaro as Director, in the category of proprietary director, for a period of four years. The General Shareholders' Meeting approved his appointment.

Also at the request of the Board of Directors, the Commission reported favourably on the proposed appointment through the co-optation procedure of Mr Santiago León Domecq, as Proprietary Director of the company.

It also reported favourably on the proposal to appoint Mr Pedro Enrile Mora-Figueroa as Non-Director Secretary of the Board of Directors.

3. Activities relating to the remuneration of the Executive Director, members of the management team and succession plans.

Similarly, in the area of remuneration, it has proposed the annual fixed and variable remuneration for the Executive Director and prepared the Annual Directors' Remuneration Report for 2019, which the Board of Directors submitted to the General Meeting for its advisory vote.

The Commission has also proposed the remuneration policy for the management team and its implementation, including its proposal for variable remuneration, as well as the long-term incentive, also variable, for the period 2017-2019, which is linked to the targets set.

An external comparative analysis of the remuneration of the management team has been carried out, with the collaboration of Willis Towers Watson, WTW. This project is still ongoing and includes a quantitative analysis of the remuneration of the

Chief Executive Officer and management team and a diagnosis of the current policy in relation to the market and corporate governance best practices.

The succession plan of the Chairman, Chief Executive Officer and Management Team has also been revised.

4. Other corporate governance activities

The situation of this management team has been examined, with the presence of the Human Resources managers, especially in matters associated with COVID and the management of temporary workforce restructuring schemes (ERTEs), the evolution of the Group's workforce, labour climate survey, regulatory developments and certifications, gender and wage gap analysis, inclusion and diversity and internationalisation.

Another aspect that we should highlight is that of Sustainability. This Commission has not been immune to the drive for sustainability at a global level and has taken on responsibility for actions associated with this area, following the creation of the first sustainability commission composed of people from different business areas of the company.

Modifications to the Commission's regulations and the policy for the selection of Directors and diversity of the Board of Directors have also been proposed to the Board, in order to adapt these texts to the partial reform of the CNMV Code of Good Governance adopted in June 2020.

Finally, the Commission reported all its activities to the Board of Directors, providing all Directors with the minutes of its meetings with their corresponding annexes.

C.2.2. COMPLETE THE FOLLOWING TABLE WITH INFORMATION REGARDING THE NUMBER OF FEMALE DIRECTORS WHO WERE MEMBERS OF BOARD COMMITTEES AT THE CLOSE OF THE PAST FOUR YEARS.

2017:

Isabel Dutilh Carvajal was the Chairwoman of the Audit Commission and a Member of the Appointments and Remuneration Commission, which equates to 33% of the Audit Commission and 25% of the Appointments and Remuneration Commission being female.

2018:

Ms Isabel Dutilh Carvajal was the Chairwoman of the Audit Commission and a Member of the Appointments and Remuneration Commission. Irene Hernández Álvarez was a Member of the Audit Commission. All this equates to 40% of the Audit Commission and 25% of the Appointments and Remuneration Commission being female.

2019:

Ms Irene Hernández Álvarez was the Chairwoman of the Audit Commission and Ms Isabel Dutilh Carvajal was a Member of that Commission, which equates to 40% of that commission being female. Ms Isabel Dutilh Carvajal was also a Member of the Appointments and Remuneration Commission, which equates to 25% of that Commission being female.

2020:

Ms Irene Hernández Álvarez was the Chairwoman of the Audit Commission and Ms Isabel Dutilh Carvajal was a Member of that Commission, which equates to 40% of that commission being female. Ms Isabel Dutilh Carvajal was also a Member of the Appointments and Remuneration Commission, which equates to 33% of that Commission being female.

C.2.3. INDICATE, WHERE APPLICABLE, THE EXISTENCE OF ANY REGULATIONS GOVERNING BOARD COMMITTEES, WHERE THESE REGULATIONS ARE TO BE FOUND, AND ANY AMENDMENTS MADE TO THEM DURING THE YEAR. ALSO INDICATE WHETHER ANY ANNUAL REPORTS ON THE ACTIVITIES OF EACH COMMITTEE HAVE BEEN VOLUNTARILY PREPARED.

On 16 December 2020, the Board of Directors approved the amendment of the Regulations of the Board, the Audit Commission and the Appointments and Remuneration Commission, for the purpose of adapting them to the recommendations of the CNMV Code of Good Governance of Listed Companies as amended in June 2020, with which the Company currently complies.

The functions of the Audit Commission and the Appointments and Remuneration Commission are laid down in Articles 15 bis and 15 ter of the Articles of Association, as well as in Articles 13 and 14 of the Regulations of the Board of Directors and the aforesaid Commissions' respective regulations.

The existence and functions of the Executive Commission, meanwhile, are regulated in Article 15 of the Articles of Association, in Article 12 of the Regulations of the Board of Directors, as well as in its own deed of incorporation.

Both the Regulations of the Board of Directors and the Regulations of the Audit Commission and the Appointments and Remuneration Commission are available on the Company's website (www.elecnor.com).

During the 2020 financial year, reports on the activities of the Appointments and Remuneration and Audit Commissions have been prepared on a voluntary basis. They serve as the basis for the evaluation carried out by the Board of Directors and were made available to shareholders through the Company's website sufficiently in advance of the Ordinary General Meeting, all in accordance with recommendations 6 and 36 of the Code of Good Governance.

D) RELATED PARTY AND INTRAGROUP TRANSACTIONS

D.1. DESCRIBE, IF APPLICABLE, THE PROCEDURE AND COMPETENT BODIES FOR THE APPROVAL OF RELATED PARTY AND INTRAGROUP TRANSACTIONS.

Procedures and bodies for reporting on the approval of transactions with related parties

Article 33 of the Regulations of the Board of Directors covers "Transactions with significant shareholders":

"Any relevant transaction between the Company and its significant shareholders shall be authorised by the Board of Directors.

Exempt from this approval are operations that simultaneously meet the following three characteristics:

1. they are carried out under contracts whose conditions are standardised and apply en masse to a large number of customers.
2. they are carried out at prices or rates generally established by the person acting as a supplier of the goods or services concerned.
3. their value does not exceed one percent of the Company's annual income".

In turn, Article 28 of the Board's regulations establishes that the Directors must abstain from carrying out professional or commercial transactions, directly or indirectly, with the Company, except in the case of ordinary transactions, completed under standard conditions for customers and of limited importance, understanding these to be transactions on which information is not necessary to express the faithful image of the assets, financial situation and results of the Company".

This is without prejudice to Article 529 ter.1(h) of the Capital Companies Act.

D.2. DESCRIBE ANY TRANSACTIONS THAT ARE SIGNIFICANT, EITHER BECAUSE OF THE AMOUNT INVOLVED OR THE SUBJECT MATTER, ENTERED INTO BETWEEN THE COMPANY OR ENTITIES WITHIN ITS GROUP AND THE COMPANY'S SIGNIFICANT SHAREHOLDERS:

They do not exist.

D.3. DESCRIBE ANY TRANSACTIONS THAT ARE SIGNIFICANT, EITHER BECAUSE OF THEIR AMOUNT OR THE SUBJECT MATTER, ENTERED INTO BETWEEN THE COMPANY OR ENTITIES WITHIN ITS GROUP AND DIRECTORS OR MANAGERS OF THE COMPANY:

They do not exist.

D.4. REPORT ANY MATERIAL TRANSACTIONS CARRIED OUT BY THE COMPANY WITH OTHER ENTITIES BELONGING TO THE SAME GROUP, PROVIDED THAT THESE ARE NOT ELIMINATED IN THE CONSOLIDATION PROCESS AND DO NOT FORM PART OF THE COMPANY'S ORDINARY BUSINESS ACTIVITIES IN TERMS OF THEIR PURPOSE AND CONDITIONS:

Not applicable.

IN ANY CASE, REPORT ANY INTRAGROUP TRANSACTION CONDUCTED WITH ENTITIES ESTABLISHED IN COUNTRIES OR TERRITORIES CONSIDERED AS TAX HAVENS:

They do not exist.

D.5. REPORT ANY MATERIAL TRANSACTIONS CARRIED OUT BY THE COMPANY OR ENTITIES BELONGING TO ITS GROUP WITH OTHER RELATED PARTIES THAT HAVE NOT BEEN REPORTED IN THE PREVIOUS SECTIONS.

Company name of the related party	Brief description of the transaction	Amount (thousands of euros)
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D.6. LIST THE MECHANISMS IN PLACE TO DETECT, DETERMINE AND RESOLVE POTENTIAL CONFLICTS OF INTEREST BETWEEN THE COMPANY AND/OR ITS GROUP AND ITS DIRECTORS, SENIOR MANAGEMENT OR SIGNIFICANT SHAREHOLDERS.

Article 26 of the Regulations of the Board establishes the obligation for the Directors to "Adopt the necessary measures to avoid being in situations where their interests, whether on their own account or otherwise, may conflict with the corporate interests and with their duties towards the Company".

In turn, Article 28 establishes the following obligations of the Directors in the context of their duty to avoid conflicts of interest situations:

"Directors shall inform the Board of Directors of any situation of conflict, direct or indirect, they may have with the interests of the Company and shall abstain from participating in deliberations and voting on agreements relating to matters in which they have personal interests.

The personal interest of the Director shall also be considered to apply when the matter affects persons related to the administrators, whether they are natural or legal persons. Related persons will be considered as those legally qualified as such.

Excluded from the Directors' obligation to abstain from deliberating and voting on matters in which they have personal interests are the agreements or decisions affecting them in their capacity as Directors, such as their appointment or dismissal for roles on the Board or others of a similar nature.

Likewise, the Director shall abstain from:

- a) Carrying out professional or commercial transactions, directly or indirectly, with the Company, except in the case of ordinary transactions, completed under standard conditions for customers and of limited importance, understanding these to be

transactions on which information is not necessary to express the faithful image of the assets, financial situation and results of the Company.

- b) Using the name of the Company or invoking their capacity as administrator to improperly influence how private operations are conducted.

- c) Obtaining advantages or remuneration from third parties other than the Company and its Group associated with the performance of their role, unless they are mere tokens of courtesy.

- d) Engaging in activities on their own account or on behalf of others that involve current or potential effective competition with the Company or that, in any other way, bring them into continuous conflict with the Company's interests.

The Company may exempt the Director from these prohibitions via an agreement adopted by the competent body under the terms established by Law.

The above provisions shall also apply in the event that the beneficiary is a person related to the Director.

In any case, situations involving a conflict of interest of the Company's administrators must be mentioned in the report".

In addition, the Elecnor Code of Ethics establishes, among the principles for action applicable to employees, the following:

"Independence when performing professional activity is an essential basis for performance inspired by freedom of judgement, fairness and business loyalty.

As a general principle to guide actions, any Elecnor employee who has a conflict between their particular or family interests and the interests of the business shall refrain from exercising the activity that would lead to such a conflict, communicating to their immediate superior the characteristics of the matter. Only with the express written permission of the line manager will the employee finally be allowed to perform the activity.

Elecnor employees who participate in the selection processes for suppliers, contractors or external collaborators have the obligation to act with impartiality and objectivity, adopting the criteria that govern the organisation of their selection. Similarly, employees are required to take reasonable steps and act diligently to avoid acquiring material of questionable origin or accepting payments of doubtful origin".

D.7. INDICATE WHETHER THE COMPANY IS CONTROLLED BY ANOTHER ENTITY IN THE MEANING OF ARTICLE 42 OF THE COMMERCIAL CODE, WHETHER LISTED OR NOT, AND WHETHER IT HAS, DIRECTLY OR THROUGH ANY OF ITS SUBSIDIARIES, BUSINESS RELATIONSHIPS WITH SAID ENTITY OR ANY OF ITS SUBSIDIARIES (OTHER THAN THE LISTED COMPANY) OR CARRIES OUT ACTIVITIES RELATED TO THOSE OF ANY OF THEM.

Yes No

Indicate whether the respective areas of activity and any business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries have been defined publicly and precisely:

Yes No

Report the respective areas of activity and any business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries, and identify where these aspects have been publicly reported

They do not exist

Identify the mechanisms in place to resolve potential conflicts of interest between the parent of the listed company and the other group companies:

Mechanisms for resolving possible conflicts of interest

E) RISK MANAGEMENT AND CONTROL SYSTEMS

E.1. EXPLAIN THE SCOPE OF THE COMPANY'S RISK MANAGEMENT AND CONTROL SYSTEM, INCLUDING TAX RISK.

BOARD OF DIRECTORS, CHIEF EXECUTIVE OFFICER

In its monthly meetings, the Board of Directors reviews the Company's key economic indicators, the general market situation, and the position and business strategy of the Company and its Group, to identify any risks in the economic and business environment, adjusting the Company's strategic approach where necessary; all within its general supervisory remit.

In this regard, the Group performs continuous and preventive management of these risks, so that the probability of them occurring and their potential impact, as the case may be, on turnover, profitability and efficiency, reputation and sustainability is reduced to acceptable levels.

To this end, the Group has a structured and dynamic risk management system whose main pillars are as follows:

- Continuous risk identification and assessment and prioritisation in terms of impact and probability of occurrence.
- Identification of the mechanisms and tools in place to manage and control the main risks, and evaluation of their effectiveness.
- Continuous improvement of risk management through the development and implementation of initiatives and projects aimed at improving management mechanisms and tools.
- Ongoing monitoring and oversight of the system.

To ensure better identification and management of the main risks, these are grouped into five major categories:

- Governance risks,
- Strategy, planning and environment risks,
- Operational risks,
- Reporting risks,
- Compliance risks.

On the other hand, the Chief Executive Officer takes decisions following the guidelines established by the Board of Directors in its meetings.

As to the powers granted to the Board of Directors, these are conferred, taking into account the specific functions and needs of the Company's general divisions and sub-divisions and the different business areas.

Decisions on the Company's overall strategy or on the use of its resources, as well as those involving a risk due to the Company becoming indebted – such as the arrangement of credit facilities, loans, guarantees, sureties, asset disposals, etc. – are adopted in resolutions of the entire Board of Directors by an absolute majority of its members.

Management (General Manager, General Deputy Directors and Business Directors) are responsible for the Company's operational and management decisions, such as the signing of contracts, management of human resources, etc., always pursuant to the instructions of the Chief Executive Officer and the strategic guidelines of the Board of Directors.

MANAGEMENT OF RISKS DERIVING FROM THE COMPANY'S PARTICIPATION IN TEMPORARY JOINT OPERATIONS, CONSORTIA AND JOINT VENTURES

The risks that the Company may face for its participation in temporary joint operations, consortia, joint ventures, economic interest groups or any other form of business grouping, whether domestic or foreign, for the execution of a particular work

or project, are controlled through strict compliance by the Business Areas and the General Energy and Major Networks Sub-divisions with the internal protocol established by the Company for any requests, processing and authorisation. This protocol includes the review of the economic and financial risk of any potential partners, as well as their alignment with the compliance principles established by the Elecnor Group. In addition, all requests for participation in tenders or projects made through any of these forms of business partnership are centralised and reviewed by the Legal Department, which is responsible for verifying that all the requirements established by the internal protocol have been met, before they are authorised by the General Manager of Infrastructure and by the Chief Executive Officer.

MANAGEMENT OF RISKS DERIVING FROM THE COMPANY'S CORPORATE PURPOSE IN THE DOMESTIC MARKET

In relation to the specific risks arising from the activity carried out by the Company (construction, operation and maintenance of all kinds of facilities), all branches of the company's activity are adequately insured by contracting the appropriate insurance policies with the necessary coverages. (Public liability insurance, assembly insurance, construction insurance, etc.).

MANAGEMENT OF RISKS DERIVING FROM THE COMPANY'S CORPORATE PURPOSE IN THE INTERNATIONAL MARKET

A significant part of Elecnor's business is conducted outside Spain, so special mechanisms have been put in place to control the potential risks stemming from this activity:

All powers conferred on Company representatives to sign contracts outside Spain or manage such contracts are granted by the Company's CEO on a case-by-case basis for each operation and subject to prior analysis of all the risks that could affect the Company. Monthly meetings of the Board of Directors are held to monitor these activities when they involve significant operations for the Company.

Likewise, all the Company's international business arms, deriving from its corporate purpose, are also adequately insured through arranging the appropriate insurance policies offering the necessary cover. (Public liability insurance, assembly insurance, construction insurance, etc.)

ENVIRONMENTAL RISK MANAGEMENT

Environmental protection and efficient consumption of energy resources are at the top of Elecnor's agenda whilst carrying out all of its business activities. These objectives have put respect for the environment and sustainability at the heart of our culture and values throughout the organisation.

The environmental control mechanisms currently in place at the Company are based on AENOR-certified Environmental Management and Energy Management systems that are ISO 14001 and ISO 50001 compliant. These systems offer excellent benefits, including the analysis and mitigation of environmental risks. Environmental liability insurance has also been taken out covering all the activities of Elecnor and its subsidiaries.

Climate change is a long-standing challenge for Elecnor. Thus, it has calculated its carbon footprint since 2013 according to internationally recognised standards, and has rolled out greenhouse gas (GHG) emission reduction measures across its business. It has also included scope 3 emissions since 2019 and a selection of critical suppliers and subcontractors is performed. Scope 3 refers to processes associated with the Elecnor value chain but occurring in sources that do not belong to it and that it does not control. As a result, suppliers and subcontractors play an important role as part of their activity is included within this scope. The calculation of Scope 3 not only implies a greater degree of involvement in climate change, improving Elecnor's positioning in the market, but also prepares us for adaptation to the new version of the ISO 14064 standard which will make this mandatory in 2022.

In March 2020, AENOR verified for the sixth consecutive year the inventory of greenhouse gas emissions in accordance with the UNE ISO 14064-1:2012 standard, for direct and indirect emissions of all the Company's activities. The Company has been awarded the "Calculate and Reduce" seal from the Spanish Office of Climate Change (OECC by its Spanish acronym), as part

of the process to register its carbon footprint and the carbon offset and absorption projects established by the Ministry for Ecological Transition (MITECO by its Spanish acronym).

As part of its staunch battle against climate change, Elecnor has implemented a Climate Change Strategy since 2018 to reduce its impact, increase its resilience and unlock the potential opportunities arising from climate change, thereby growing as a group in a sustainable manner. Likewise, in 2019, for the second consecutive year, Elecnor has also joined the international sustainability CDP (Carbon Disclosure Project) ranking, earning a B rating. This is international recognition of its strategy to combat climate change because it means that in 2018 and 2019, Elecnor was seen as having among the best levels of climate change management. Elecnor's B score is above average for the electricity sector and for the European region. This international ranking also places great importance on the role of subcontractors and other agents in the value chain and this allows us to consolidate our position in it.

Our Group aims to contribute actively and decisively to a sustainable, low-carbon future in a world in which, increasingly, we must all play an active part in protecting and respecting the environment.

COMPLIANCE RISK MANAGEMENT

The Elecnor Group's Compliance System forms part of Elecnor's principles and values in force since its foundation, and the continuous improvement of its management practices and procedures to enhance its corporate governance. Thus, in the context of the reform of the Spanish Penal Code in 2010 introducing the criminal liability of legal persons for the first time in Spain's legislative system, Elecnor began a process in 2011 to adapt its compliance system to the new circumstances. The aim of this work was to reinforce the Company's guarantee to detect, react to and prevent potential non-compliance and/or criminal acts by its staff and related parties.

The key features of this system are as follows:

- Elecnor Group Code of Ethics (initial approval by Elecnor's Board of Directors in November 2011; last revision approved by Elecnor's Board of Directors in September 2016).
- Elecnor Group Compliance Policy (initial approval by Elecnor's Board of Directors in September 2016; last revision approved by Elecnor's Audit Commission in September 2017).
- Compliance Management System Manual (initial approval by Elecnor's Board of Directors in November 2011; last revision approved by Elecnor's Compliance Commission in November 2018).
- Compliance Commission.
- Crimes, Risk Behaviours and Controls Catalogue (Risks and Controls Matrix).
- Code of Ethics Channel.
- Annual Compliance Report.

All these documents and bodies are approved by the Governing Body (where applicable, through the Audit Commission) or by the Compliance Commission, by delegation of the aforementioned bodies. The Audit Commission oversees the effectiveness of the system through its meetings with representatives of the Compliance Commission and approval of the Annual Compliance Report. In addition, the management team oversees the system through the Compliance Commission and, at least annually, by receiving and reviewing the Annual Compliance Report.

The scope of this system is the set of countries in which Elecnor and its subsidiaries and investees operate, although it is adapted where necessary to the specific circumstances of these countries.

Elecnor's Compliance System is designed to identify and prioritise the compliance risks to which it is exposed. In this sense, Elecnor's objective is that this system is perfectly tailored to the organisation and its specific risks to ensure that it is an effective risk management tool. For this purpose, both the risks identified and their importance are continuously monitored and updated, where appropriate, by the Compliance Commission – a collegiate body entrusted with supervising, monitoring and controlling the Compliance System. The main risks identified and managed through the Compliance System include those related to: bribery, influence peddling and corruption in business; competition regulations; tax and social security (fiscal);

foreign citizens and people trafficking; money laundering and terrorist financing; market scams; industrial and intellectual property; and discovery and disclosure of secrets, etc.

As explained beforehand, the aforesaid Compliance System is underpinned additionally by the raft of procedures, protocols and controls established in the various areas.

The Compliance Commission continuously monitors the Compliance System and periodically verifies, through various audit tests, that the controls associated with the identified compliance risks are effective.

Elecnor's Compliance System is aligned with the highest domestic and international standards in this field, having received certification pursuant to the international ISO 37001 Anti-bribery Management Systems standard and the domestic UNE 19601 Criminal Compliance Management Systems standard.

TAX RISK MANAGEMENT

The Elecnor Group has established a Corporate Tax Policy setting out its Tax Strategy, as well as the principles and core aspects of tax risk management.

As part of this, it has a tax oversight, control and management procedure containing guidelines for identifying, assessing, managing as well as monitoring risks.

Obligations and responsibilities within the organisation are regulated through this strategy, including a description of the measures that must be in place to mitigate any tax risks identified.

Within the cross-cutting Digital Transformation project being developed by the Elecnor Group, different initiatives are being established to support the tax management and control procedure.

INTERNAL AUDIT AND CONTROL SYSTEMS

Internal control in the Elecnor Group rests on two pillars that are considered fundamental to ensuring decisions are made based on accurate information:

The System: a raft of computer applications and procedures.

Internal Audits: audits **arranged** with the business areas covering the most relevant components of working capital such as, work in progress, receivables, inventories, etc. and the recognition of margins, among others. In addition, the Internal Audit area periodically reviews the main procedures and controls in place.

All the internal audits of Elecnor's businesses are scheduled so that at least two audits are conducted per division every year, if not of all of them, then at least of the most important ones. The aim is to have conducted the first audit before the end of the first half of the calendar year, and the second before year-end.

These internal audits are supplemented by the review of other documentation carried out by Central Administration and, above all, by controls over banking transactions involving sharing data with banks (importing of bank entries, expense settlement payments through files, etc.), centralisation of the payment process, and monthly reconciliations of bank balances, among other control mechanisms.

This document includes information on "INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS (ICFR)", which has also been verified by the External Auditor.

As part of the Digital Transformation project, progress has been made during the year to develop and roll out tools for the consolidation and reporting of the annual financial statements and accounting close simulations.

The System

The procedures and manuals that make up the System are designed to ensure there is a general control environment that is fit for purpose and that good governance principles in the field of administration are adhered to.

All tasks are set out in procedures based on **audit criteria**. There is an **operating manual** for each task (explaining the objective pursued, applicable criteria, etc.), along with a **user manual** (which includes the steps to be taken when inputting data into the appropriate computer application).

The **software** used is based on the **FICOS-38** application purchased from Arthur Andersen in 1984, which has been heavily developed to tailor it to the Company's requirements at any point in time (need for more information, changes in accounting standards, etc.).

The IT system works in **real time** and is **end-to-end**. Very powerful interfaces are used to integrate all systems so as to minimise data entry errors.

The initial version of the **FICOS-38** system offers a **General Accounting** system and an **Analytical Accounting** system, serving Elecnor's specific needs and requirements.

Compared to the General Accounting system (covering the Company's assets and liabilities and outward-facing aspects), the Analytical Accounting system can be used to carry out budget controls of overheads or expenses, fixed or structural, through income and expense accounts at various levels (corporation, business area, production centre, work centre), as well as detailed bottom-line analysis (value added at factor cost, Tajo margin, net margin) to meet internal management needs and forecast future scenarios using standards.

The Analytical Accounting system includes a specific module on the perpetual inventory account: the **project costs** system. This system can be used to generate cost reports for different items (labour, materials, sub-contractors, equipment, etc.) for each project in progress and calculate their value at sales price, while also controlling costs and income compared to the estimates made at the start of each project.

This system is used to **recognise results using the Tajo margin**.

The criterion for recognising results is based on the accounting standards in force, as disclosed in the notes to Elecnor's separate and consolidated annual financial statements.

In addition, there is a set of **peripheral systems** created around the primary system. These are designed to manage the various work areas (Treasury, Procurements, Invoicing, Fixed Assets, etc.) and capture data and report back to the primary system **in an integrated and real-time** manner.

Data reliability

The Central Administration departments adhere to permanent audit criteria with respect to transactions reported to the system by the various local offices.

An Ordering System based on segregation of duties (expenses are approved, invoices logged, administrative approvals given and payments ordered by different people in the organisation) and a Collections and Payments Registration System involving the computerised importing of bank statement entries into the system form the basis of controls over the Company's procurements and payments.

Inputting of transactions can be decentralised because all transactions are registered using **standard documentation and transaction keys**. In other words, local offices do not need to have knowledge of accounting. Each document used to input data into the system has mandatory fields (customer code, work centre, project, VAT rate, etc.) which, as systems are integrated, prevents any information mismatches.

On the other hand, the system limits which sources are authorised to make changes to the accounting records (for example: transactions from the fixed assets system cannot be added to the receivables accounts). These restrictions ensure that potential errors are reduced.

Once the "daily close" (validation of transactions) has been performed, all entries are verified by Central Administration and any erroneous entries corrected.

All supporting documentation for the registered transactions is archived at Central Administration and reviewed according to the criteria established in the procedures, in full or randomly depending on the channel through which it has been inputted. A high percentage of transactions are reviewed.

Exceptions to the procedure are registered by inputting "**manual**" entries, solely processed by the corporate departments reporting to the General Internal Audit and Finance Sub-Division and by authorised persons.

As the Group's primary external auditor, **KPMG AUDITORS** through personnel specialised in annual auditing verify that the IT environment ensures data reliability and that no significant risks are detected.

Controlled access

Each local office can only report on the areas of activity within its jurisdiction, while each user only accesses the tasks assigned to them through their **user profile**.

Tasks are organised based on the **segregation of duties** principle.

For security reasons, passwords for local offices to log in to the Central System are automatically changed every two months by the system itself.

The system detects any access made from a different place than usual, even if authorised, by generating a daily list of incidents.

Access security

All access to the system is protected with **firewalls** and **antivirus software** both on **web servers** and local workstations.

Digitalisation

In late 2015, Elecnor launched a process to assess the suitability of its systems and the need to evolve to fulfil business demands today and in the future.

While it was concluded as a result of this analysis that the current systems were robust and adequately met the information and operational needs of the organisation, findings of this assessment included the recommendation to develop existing processes, the organisation (people) and systems, without necessarily having to change ERP. As has already been mentioned, this resulted in the design and roll-out of a Digital Transformation process.

The Group's Digital Transformation process continued throughout 2020, which is involving the re-engineering and digitisation of a significant part of the organisation's processes.

Domestic and foreign subsidiaries

As in the case of the parent company, all or at least the most significant subsidiaries are subject to two internal audits each financial year.

Following the same criterion adopted in Elecnor, the aim is to conduct a first audit before the close of the first half of the year, and a second before the year-end close.

It was considered that it would not be reasonable to roll out the Elecnor IT management system across all the Group's companies on a wholesale basis because of the varying sizes of the subsidiaries compared to Elecnor, the different accounting standards applicable to foreign subsidiaries and the varying management needs.

Two IT solutions were therefore adopted in order to maintain a certain level of standardisation between the systems to be rolled out.

Domestic subsidiaries

The **general accounting** system adopted as a common solution was **SAGE 200**.

An **analytical accounting system** was developed and bolted on to this general accounting system. This secondary system is similar to that used by Elecnor, S.A., which was developed by **IPARTEK** and generates information similar to that produced in Elecnor as per the same criteria.

The Group's Financial Reporting and Consolidation Department and Internal Audit team are responsible for the monitoring and control of all domestic subsidiaries, both ultimately reporting to the General Internal Audit and Finance Sub-Division.

Foreign subsidiaries

In general, the **SCALA** General Accounting System (**ERP**) was rolled out in the foreign subsidiaries, as it allows tax reporting to be tailored to the requirements in each country.

As with the domestic subsidiaries, an analytical accounting module similar to that used in Elecnor – also developed by **IPARTEK** – was also bolted on to the **SCALA** system.

The Financial Reporting and Consolidation Department and Internal Audit team are responsible for the monitoring and control of all foreign subsidiaries, both ultimately reporting to the General Internal Audit and Finance Sub-Division.

Elecnor's Board of Directors monitors each and every subsidiary of the Group.

Internal audit

The Internal Audit area, which lies within the General Internal Audit and Finance Sub-Division, identifies and continuously monitors the main risks to which the organisation is exposed and is responsible, among others, for contributing to the continuous improvement of established control procedures and mechanisms. It also works with the Consolidation and Management Control departments to coordinate the audits of the Business Areas and control and monitor all subsidiaries.

On a regular basis, it informs the Audit Commission of the outcome of its work, making it easier for the Audit Commission to fulfil its own supervisory duties.

External audit

A professional relationship is maintained, at all levels, with the members of the **KPMG Auditors team**.

All the team's work revolves around analysing the organisation's degree of "**internal control**", which is evaluated annually through a **software audit** and a **financial audit** (substantive testing and procedures).

Regarding the financial audit, both the individual annual financial statements and consolidated statements are subject to external audit at the close of each financial year. In addition, the consolidated interim financial statements (first half) are also subject to review by the external auditor.

All testing of procedures is random, which means they must be kept permanently up-to-date.

In all its work, Elecnor's administration adopts the same criteria as those applied by the external auditors, remaining in close contact with them to discuss any matters that could give rise to different interpretations. The criteria to be adopted are agreed in advance.

FINANCIAL RISK MANAGEMENT POLICY

Elecnor is exposed to certain financial risks, which it manages through the grouping of identification, measurement, concentration limitation and supervision systems. The management and mitigation of financial risks is carried out in a coordinated manner by the Corporate Area and the different business units and subsidiaries of the Group. Measures to manage financial risk are approved at the highest decision-making level and in accordance with the established rules, policies and procedures.

Exchange rate risks

The market risk due to exchange rate risk stems from the Group's operations in international markets in the course of its business. Part of the procurement revenue and costs are denominated in currencies other than the reporting currency. Hence, there could be a risk that fluctuations in the exchange rates of these currencies against its functional currency could affect the Group's performance.

In order to manage and minimise this risk, Elecnor uses hedging strategies, given that the objective is to generate results exclusively through the development of the ordinary activities it carries out, and not through speculation on exchange rate fluctuations.

The instruments used to achieve this hedging are basically debt referenced to the contract's collection currency, exchange rate insurance and cross currency swaps through which Elecnor and the financial institution exchange the flows of a loan expressed in euro for the flows of another loan expressed in another currency, as well as the use of "currency baskets" to cover mixed financing indexed to different currencies.

Interest rate risk

Variations in interest rates change the fair value of assets and liabilities that accrue a fixed interest rate, as well as the future flows of assets and liabilities linked to a variable interest rate. Elecnor has external financing to carry out its operations, mainly in relation to the promotion, construction and operation of wind farms, solar projects and electricity infrastructure tenders, which are carried out through project financing. This type of arrangement often requires that some of the interest rate risk be contractually closed by the arrangement of interest rate hedging instruments.

Both project financing and corporate financing are mostly arranged at floating (variable) interest rates, using, where appropriate, hedging instruments so as to minimise the interest rate risk of the financing. The hedging instruments, which are specifically assigned to financial debt, have at most the same nominal value and the same maturity dates as the hedged items, and are basically interest rate swaps (IRSs) whose purpose is to have a fixed interest cost for financing originally arranged at floating interest rates. In any event, interest rate hedges are contracted subject to accounting efficiency criteria.

Other price risks

The Group is also exposed to the risk that cash flows and results will be affected by, inter alia, energy price trends and the price of oil. The Group manages and minimises these risks through the occasional use of hedging strategies.

Liquidity risk

Liquidity risk is mitigated by a policy of maintaining a highly liquid treasury position, holding non-speculative, short-term instruments, such as the temporary acquisition of treasury bills in non-optional reverse repurchase agreements and very short-term US dollar deposits at leading banks, ensuring we can meet our obligations. We also contract credit facilities with a suitable limit and terms to meet projected needs.

In March 2020, it was clear that the COVID-19 pandemic would have a very significant impact on the global economy – although the scale of that impact was unknown – mainly in the following areas:

1. Impact on production volumes globally.
2. Major disruptions to supply and distribution chains.
3. Financial impact on businesses, with all sectors affected, but to varying degrees:
 - Cash tensions in the event of insufficient liquidity.
 - Increased perceived risk and cost of financing.

Within the financial function, the situation and possible scenarios were analysed, in permanent contact with consultants and analysts of financial institutions. The main conclusions were:

Once the measures of governments and the ECB (mainly the EUR 750 billion pandemic Emergency Purchase Programme) were announced, a collapse of the financial system, which could lead to a generalised banking default or the application of “market rupture” clauses, was considered highly unlikely.

There was a market consensus on the importance of having ample liquidity to be able to cope with a very uncertain period, and Elecnor analysed the various alternatives for extending funding limits.

It was concluded that funding limits should be sufficient to cope even in the most adverse estimated cash scenarios, taking into account the possible effects of COVID-19.

However, it should be borne in mind that the funding sources include the promissory notes issued in the Alternative Fixed-Income Market, and that it was not possible at that time to know whether they could be renewed, and it was therefore decided to arrange new bilateral credit lines.

Lastly, Elecnor has continued to secure funding through the Alternative Fixed-Income Market – even though many other issuers are finding it difficult to do so – so current funding limits exceed forecasts and the risk of illiquidity is minimal.

As of 31 December 2020, the Elecnor Group has a solid liquidity position with cash and available lines sufficient to comfortably meet liquidity requirements even in the event of further market contraction.

Credit risk

Our main credit risk relates to counter parties or customers not meeting their contractual obligations with regard to accounts receivable for commercial transactions. In order to minimise this risk, we work with customers with an appropriate credit history; moreover, given the activity and the sectors in which we operate, Elecnor has customers with high credit ratings. However, we use mechanisms such as advances, irrevocable letters of credit and take out credit insurance policies for international sales to non-recurring customers. We also analyse the financial solvency of the customer, stipulating specific contract conditions to ensure collection of monies due.

Under the current regulatory framework for electricity, the electricity generated by our wind farms is sold into the Iberian Electricity Market (MIBEL by its Spanish acronym) and we collect revenues from the market operator, OMIE, subject to a payment guarantees system, and the National Markets and Competition Commission (CNMC), the Spanish energy-market regulator, which reports to the Ministry of Industry. On 1 June, the long-term energy sales contract which P.E. Cofrentes has signed with CEPSA came into force. Ventos do Sul Energia, S.A., Parques Eólicos Palmares, S.A., Ventos da Lagoa, S.A., Ventos do Litoral Energia, S.A. and Ventos dos Índios Energia S.A. (Rio Grande do Sul, Brazil) have signed 20-year electricity sales contracts for their output with the corresponding Brazilian electricity distribution companies. In addition, the wind farms in the São Fernando complex recently built in the Northeast of Brazil are going to sell part of the energy generated in the short-term market (MCP by its Spanish acronym) and through a small number of short-term bilateral contracts with retailers until the entry into force of the long-term power sales contracts (most of them for 20 years) from 2022. Eóliennes de L'Érable has also signed a 20-year contract with the Canadian electricity company Hydro-Québec for the sale of the electricity it generates.

With regard to transmission lines that provide their services in Brazil under concession arrangements, the National Electricity System Operator (ONS) is responsible for the system's collections and payments and informs the concessionaire on a monthly basis of the companies that must pay it: generators, large-scale consumers and distributors connected to the system. Prior to their connection to the system, these companies deposited a guarantee which will be executed in the event of non-payment, resulting in immediate disconnection from the system and distribution of the payment liability among other users of the system. In this way, the concessionaire is guaranteed to be paid by the national electricity system, there having been no default on the part of its users.

In relation to the transmission lines in Chile, the assets currently in operation belong to the National Transmission System, where the National Electricity Coordinator (CEN) is responsible for coordinating the flow of payments to the transmitters. Until December 2018, a scheme was in place whereby generators were responsible for making payments to transmitters. From 2019 onwards, distributors were incorporated into those responsible for making payments and, therefore, from that date onwards, there is a more robust portfolio of payers. The payment guarantee of the national transmission system is underpinned by a CEN procedure that establishes that in the event of possible non-payment by a coordinator (company subject to coordination by the CEN), the defaulting generator is disconnected from the system, distributing the payment obligation among the rest of the coordinated companies.

In addition, in Chile we are building certain assets of the Zonal transmission system, a segment characterised by power lines and substations arranged to supply regulated customers in a specific geographical area. In this case, as with the assets of the National Transmission System, their remuneration is protected by the CEN collection procedure.

Elecnor is always striving to take the utmost measures to mitigate this risk and periodically analyses its exposure to credit risk, making the corresponding accumulated impairment losses.

Regulatory risk

Elecnor pays close attention to regulatory risks, particularly with regard to renewable energy, so as to monitor potential impacts on its consolidated income statement.

In 2020, Order TED/668/2020, of 17 July, was published, reviewing the return on investment for the years 2018 and 2019. This revision arises as a result of RD-Law 15/2018, which waived the tax on the value of production on electricity (7%) during the last quarter of 2018 and the first quarter of 2019, since this exemption was not previously taken into account by the Government in the calculation of the remuneration parameters.

As for wind farms located overseas, Brazil's wind farms have signed long-term (20-year) power purchase-sale contracts with different buyers (Eletrobras, Cámara de Comercialización de Energía Eléctrica, Cemig and distributors), these contracts having been signed in the framework developed by the Federal Government and through private auction. In addition, the first 100% contract-free project in Brazil (24.2MW) that sells its power on the free market has been launched. With respect to the Canadian wind farm, it has signed a 20-year purchase-sale contract with Hydroquebec.

Other risks

In addition to the risks described above, the Elecnor Group is exposed to various risk factors (governance, strategy, planning and environment, operating, reporting and compliance risks) relating both to the industries in which it operates and to the wide range of countries in which it operates, either on a stable basis or through specific projects. The Group, through its Risk Management System, carries out continuous and preventive management of these risks, so as to reduce the likelihood of their occurrence and their potential impact, if any, in terms of turnover, profitability and efficiency, reputation and sustainability, to acceptable levels. The pillars of this Risk Management System are the continuous identification and evaluation of the risks to which the Group is exposed, the improvement of the related management mechanisms and tools and the permanent supervision and monitoring of the whole process.

The Group does not believe that the United Kingdom's departure from the EU (Brexit) will have a significant impact on the Group's financial statements, bearing in mind that it has no activity in that country, estimating that the main impact will come from exchange-rate differences.

The measures used to ensure secure teleworking during the months of the pandemic have been fundamentally: the oversizing of communications, the immediate supply of laptops handed out at multiple sites, secure and robust VPN technologies, making workstations secure through next-generation anti-virus systems, two-factor authentication, training of employees in cybersecurity and above all the human factor.

OCCUPATIONAL HEALTH AND SAFETY (OHS) MANAGEMENT

Work has continued on the commitment contained in our Integrated Environmental Management, Quality and Occupational Health and Safety Policy, approved and implemented in our Group, to continuously improve working conditions in order to raise the level of health and safety protection of everyone involved in our works and projects.

This year, with the outbreak of the COVID-19 pandemic worldwide, the Elecnor Group tackled this threat with the aim of limiting as much as possible the spread of the disease among its employees and subcontracted workers in the workplace.

As a starting point, in March 2020 the Action Plan was drawn up and this formed the cornerstone of all our actions. It was later finalised, fine-tuned and adapted to the changes taking place in the legislation and the following actions were carried out:

- Creation of the Pandemic Monitoring Commission, formed by the Group's Management Team, Risk Prevention Service and Corporate Development. Under the chairmanship of our Chief Executive Officer, it carried out exhaustive monitoring of the situation, with regular meetings in keeping with the way the pandemic was developing.
- Specific protocols for both Sites and for Fixed Work Centres (warehouses, offices, factories, etc.) were produced, which have been translated into the different languages most used in our Group (English, Portuguese, Italian and French).
- It developed its own signage with the image of the Group, also translated into the four languages.
- It provided protective equipment (masks, gloves, disposable suits, waterproof glasses, hand sanitiser, temperature measurement systems when accessing work centres, separator screens for workstations, disposable tissues, paper bins, specific disinfectants, etc.).
- Protocol for the protection of workers especially vulnerable due to their particular physical conditions.
- Testing (serological, PCR, antigens, etc.) to detect possible infections or to shorten the time required to determine whether our workers were sick.
- Management of confirmed cases and the close and casual contacts of confirmed cases.

All of this has enabled us to manage the pandemic effectively within the scope of our Group. The number of infections seen in the workplace has been low and many of these were in situations related to the work environment and not in the performance of the work itself (catching it at breakfast or lunch, when sharing vehicles to travel to or from sites and outside the working hours when workers living away from home to work on projects spend time with their colleagues).

It should be emphasised that at peak points of the waves that have been seen, our productive activity and some of the support actions that we carry out for this, such as training, meetings, safety inspections, etc. have been affected by the restrictions/limitations on mobility or direct lockdowns caused by the pandemic throughout our Group.

It should also be noted that due to the air transport problems caused by the pandemic, a plane had to be chartered for the repatriation of expatriate workers in several African countries.

Throughout the pandemic, special emphasis has been placed on performing work to promote information and awareness for our workers and their families, generating a specific message every Monday from our "Good morning" Intranet, which under the title "Take care of yourself, take care of me" has discussed specific topics in order to send clear and practical messages.

To raise awareness among children, posters were also generated so that families could play "Where's COVID?", like the famous "Where's Wally?" games, which were distributed in paper and computer format in our Group.

At the end of the year, the "Happy and Safe Christmas" competition was also launched, where our workers uploaded a short video/photo, related to Christmas and COVID-19, with the aim of continuing to raise awareness among our operators, but this time with the incentive to win some of the prizes on offer.

In addition to the above description of the actions taken against the COVID-19 pandemic, the following notable activities have been carried out during 2020:

- In the Domestic Market, 15 internal audits were carried out in accordance with the requirements of OHSAS 18001, for a total of 35 days. During these, several Deviation Notes were opened, related to divergent points from the standard, most of them due to specific errors/non-compliance.

In the International Market, 11 internal audits were carried out in accordance with the requirements of OHSAS 18001/ISO 45001, for a total of 35 days.

- In terms of external audits, in Spain those of Elecnor (25 days) and the subsidiaries ATERSA, AUDECA, EHISA, ENERFIN and JOMAR SEGURIDAD (9 days) were carried out, with a satisfactory result, without non-conformity in the multisite certification that includes Elecnor and all the aforementioned subsidiaries, except AUDECA and ENERFIN, which have an independent certificate and also had no non-conformities.

In addition, during this year the External Legal Audit required by the Spanish regulations was carried out in conjunction with the OHSAS Audit, for ELECNOR and the aforementioned subsidiaries, in addition to independent auditing for the subsidiaries AREA 3, DEIMOS SPACE, ELECNOR SEGURIDAD and HIDROAMBIENTE (another 5 days altogether), with a highly satisfactory result on not detecting any non-conformities for the majority of the companies of the Group audited, AREA 3 and HIDROAMBIENTE having a minor non-conformity.

In the International Market, in relation to the external audits of OHSAS 18001/ISO 45001, 7 audits were carried out in various countries, with a total of 15 days employed, with an equally satisfactory result that allowed the existing certificates to be maintained.

- A total of 102 internal site audits were carried out, as a control measure by a central, independent OHS Department, which enables an in-depth analysis of the on-site safety situation.

- More than 75,064 safety inspections have been carried out in the Group to monitor the current conditions in which work is performed. As a result, 3,145 corrective measures were taken to improve safety conditions.

- The scheduled training and informational activities for workers continued, with activities conducted in Spain for an overall group of 15,750 attendees who, for the most part, attended more than one training activity. The total number of training hours in the area of Occupational Health and Safety amounted to 112,141 hours, a decrease of 13.6% compared to the 129,750 hours given in 2019. There are also other technological and management training areas that also have a significant impact on Occupational Health and Safety, which are not included in this total (electrical qualifications/authorisations, work equipment operators, etc.). This reduction has been largely due to the training constraints generated by the COVID-19 pandemic.

The Occupational Health and Safety Information Manual, the main tool for providing information about risks and preventive measures to our workers, was also revised.

In the International Market, training actions have been organised for an overall group of more than 45,012 people, most of whom attended more than one training event. The total number of training hours in the area of Occupational Health and Safety amounted to more than 140,140 hours, a decrease of 3.7% compared to 2019, where 145,000 hours were given, due to the impact of COVID-19.

- In addition to the day-to-day activities determined by the Management System, which enables us to comply with the legislation in force with the numerous tasks that are carried out, we are working on two major lines of action that will enable us to continue to make progress towards our goal of zero accidents:

- The second phase of the "Excellence in Safety" project has continued to be implemented in Spain, as has the internationalisation of the project, although the development of the tasks has been slowed down by the COVID-19 pandemic.

In addition, the Working Groups of Angola, Argentina, Chile and Uruguay have performed much of their work, adapting and implementing many of the actions defined in the PES Project in Spain, after adapting to the characteristics of each country.

• **With regard to the “DIGITAL TRANSFORMATION” project, in 2020**, initiatives that had been planned have been launched or consolidated. Among the most significant of these are as follows:

The tool for carrying out MRPs has been implemented virtually throughout Spain, with an app for carrying them out and a web environment for their management and control. MRPs, which stands for “Main Risk Permits”, are a computerised checklist to be completed before work commences, allowing the brigades to identify key aspects to avoid risks that could cause them serious accidents, and to avoid errors in carrying out the work. They have been adapted to a number of special activities, and an average of about 30,000 MRPs per month were carried out in the last tranche of the year, which has enabled us to identify and eliminate risks present in the work that was going to be carried out. In total, in 2020, a total of 207,453 MRPs have been carried out in Spain.

The Evalu@ application has been developed. This is a web environment producing evidence about the process for classifying new subcontractors that start a commercial relationship with Elecnor in Spain. It also allows for subsequent monitoring of their performance in Health and Safety, receiving inputs from our SegurT (safety inspections) and Notific@ (reporting of incidents, accidents and improvement ideas) tools, to keep the score for each of them up to date. If this score falls to a defined level, the system issues the appropriate alerts that trigger actions on the subcontract in question.

In addition, there have been other more minor initiatives that have helped the development of the activities: restructuring and upgrade of the Intranet, unification of documents and criteria in e-coordina, etc.

Furthermore, in 2020 we began the process of implementing the various computer Health and Safety tools (SegurT, Notific@, MRPs, e-coordina) in different countries in the International Market (Angola, Argentina, Chile, Italy, Panama, United Kingdom, etc.), adapting them to the existing legislation and their specific features, a process that will culminate in future years throughout the International Market.

- Measures to monitor subcontractors have continued, with many of the inspections carried out being directed at work performed by them, with coordination and information meetings being held with them.

Within the **“Excellence in Safety”** project, there is a line of action dedicated to improving the control and monitoring of subcontractors and this has resulted in the launch of the process for evaluating new subcontractors. This is carried out by the OHS technicians with a subsequent monitoring and control system through Evalu@.

- In the International Market, in addition to continuing with the preparation of indexes with the data on subsidiaries and branches and coming closer to mirroring the activities developed in the Domestic Market, and the actions forming part of the PES Project in its internationalisation phase mentioned above, the new OHS Coordinator for the International Area was appointed and started work on the tasks of control and coordination in that market.

All these activities have been reflected in the obtaining **of the best injury frequency index values** since 1967, when these indexes were first compiled by our company.

In the Domestic Market, the injury frequency index closed at 3.5 compared to 4.1 in 2019.

In the International Market, the injury frequency index closed at 1.6 this year, while in 2019 it was 2.4.

With regard to the ELECENOR Group total, the injury frequency index reached a value of 2.7 this year, compared with 3.4 in 2019.

E.2. IDENTIFY THE BODIES WITHIN THE COMPANY RESPONSIBLE FOR PREPARING AND EXECUTING THE RISK MANAGEMENT AND CONTROL SYSTEM, INCLUDING TAX RISK.

The Audit Commission has among its responsibilities the supervision of the effectiveness of the Company’s internal control, internal audit and the risk management systems, both financial and non-financial, as well as the process of preparing and presenting the mandatory financial information, reviewing compliance with regulatory requirements, proper delimitation of the consolidation scope, and proper application of the accounting criteria. In addition, the Audit Commission is responsible for establishing the opportune relationships with the accounts auditors to receive information on those issues related to the process of performing the audit of accounts as well as to discuss with them any significant weaknesses in the internal control system that may have been identified through this audit process.

E.3. INDICATE THE MAIN RISKS, INCLUDING TAX RISKS, AND THOSE DERIVING FROM CORRUPTION (WITHIN THE SCOPE OF THESE RISKS AS SET OUT IN ROYAL DECREE LAW 18/2017), TO THE EXTENT THAT THESE ARE SIGNIFICANT, WHICH MAY AFFECT THE ACHIEVEMENT OF BUSINESS OBJECTIVES.

As indicated in point E.1.

E.4. INDICATE WHETHER THE ENTITY HAS RISK TOLERANCE LEVELS, INCLUDING FOR TAX RISK.

Section E.1. describes all the policies and actions developed by the Company in the area of risk management, to ensure that it has an adequate tolerance level for the risks that may arise in the course of its business.

E.5. INDICATE WHICH RISKS, INCLUDING TAX RISKS, HAVE MATERIALISED DURING THE YEAR.

The following are the policies and actions we consider most relevant:

1.- In relation to Legal Risks

The Company has a Legal Department and legal services in its main Business Areas and Subsidiaries, which provide a multidisciplinary advisory service (corporate, powers of attorney, industrial property, review of contracts, joint ventures-consortia, trials, claims, arbitration, subcontracting, etc.), both for domestic and international business. However, despite this advisory service, the Group is currently involved in several proceedings whose resolution is not expected to affect its profit and loss account.

On 31 May 2017, the CNMC notified the Parent Company of the initiation, together with 15 other companies, of a sanctioning procedure for a possible infringement in the field of construction and maintenance of electrification systems and electromechanical equipment on railway lines. On 14 March 2019, the Council of the CNMC issued a decision reducing the penalty with respect to the draft resolution dated 31 August 2018 to EUR 20.4 million. In May 2019, the Company filed an appeal which was accepted for processing and on 16 July 2019 the Spanish National Court of Justice announced the suspension of the execution of the CNMC’s decision of 14 March 2019, subject to the provision of collateral in the form of a bank guarantee.

On 26 September 2019, the Parent Company received a Measure of Organisation from the Spanish National Court of Justice summoning it to file a lawsuit, which it submitted on 11 November 2019 in a timely and proper manner.

In view of these facts and, based on the assessments of the Company’s legal advisers, despite considering that there are still solid arguments to challenge the CNMC’s inspection activities, due to recent events in the framework of other appeals against the resolution, as well as the development of other proceedings in the Spanish National Court of Justice in the last 12 months, where the arguments presented by the parties have been rejected, thus confirming the CNMC’s decision, the Company’s Directors have recorded a provision to cover this risk for an amount of EUR 20.4 million, on estimating that the probability of the appeal being upheld is less than 50%.

On 17 January 2020, the Central Court of Investigation No. 5 issued an order for the opening of oral proceedings with respect to a former employee of the Group and with respect to the company Deimos Space, S.L., due to its alleged criminal liability as a legal person for possible corruption offences in international commercial transactions and money laundering, and the institution is required to provide bonds amounting to EUR 1,460,000 for civil liability, as well as additional bonds amounting to EUR 10,240,000 and EUR 2,625,000, the latter in order to respond to possible and future pecuniary and commissary responsibilities.

The Group has submitted its shares in the Deimos Group to cover the above bond.

The Group is in complete disagreement with the aforementioned court decision and is exercising its rights in the proceedings, appealing against the bond issued and requesting its full acquittal, as is the former Group employee with their own legal defence, and deems that there is no evidence in these proceedings to support the conviction of Deimos Space, S.L. to a sufficient degree of certainty beyond all reasonable doubt, nor of its former employee, and, therefore, the Directors of the Parent Company, in accordance with the terms of the defence brief presented, consider that the probable result of the oral proceedings will be acquittal, which, consequently, will not entail criminal or civil liability.

On this basis, the Company's Directors do not believe that this will have any impact on the recoverable value of the net assets contributed by the Deimos Group in the amount of EUR 11 million.

In any event, the Group, in the framework of the continuous improvement of its risk management and internal control systems, initiated in 2019 a process of reviewing and improving its compliance system in the field of competition regulations, integrated within its compliance system, in order to adapt it to the current environment, to the expectations and demands of the regulators and to best practices. Deloitte's expert advice has been received for this process. Within the framework of this project there has been a thorough review of the main risks to which Elecnor is exposed in the field of competition law and of the procedures, protocols and controls currently in place. A number of improvements to these have been identified, as well as potential new controls to be developed, which Elecnor is implementing. In addition, in order to strengthen the awareness and knowledge of competition law among its employees, a specific training programme for management (more than 150 people) has been designed and delivered with the support of Deloitte.

2.- In relation to the Fiscal Risks

In 2018, the inspections carried out by the Central Office of High-Income Taxpayers at the Spanish Tax Agency were concluded, with the signing of disputed assessments with the settlement agreements, which entailed an obligation to pay a total amount of EUR 14,208,000.

Contrary to settlement agreements arising from the signed disputed assessments, the Company filed economic-administrative claims with the Central Economic-Administrative Tribunal on 28 December 2018, which were the subject of a request for payment through the provision of a guarantee while the proceedings were being processed. In the current financial year, the Company was notified of the disclosure of the files and the processing of allegations, which were submitted in December.

In addition to the above, the Company continues with the inspection process initiated in 2019 covering the following taxes and periods:

- Income tax for the years 2014 to 2016,
- Value added tax for the tax period 09/2015 to 12/2016,
- Withholdings and payments on account for personal income and professional activities for the tax period 09/2015 to 12/2016,
- Withholdings and payments on account for income from movable capital for the tax period 09/2015 to 12/2016,
- Withholdings and payments on account for property capital income for the tax period 09/2015 to 12/2016 and,
- Withholding taxes on non-residents for the tax period 09/2015 to 12/2016.

In view of this situation, the Company's Directors, in collaboration with its tax advisers, consider that although there are relevant arguments to support the Company's position, following a criterion of prudence they have decided to make a provision this year for the amounts claimed in the contested settlement agreements relating to interpretative discrepancies

in the area of related-party transactions, since they consider that the possibility of retroactive action has been ruled out for 2019 and, therefore, there is a greater probability that the review bodies will validate the Tax Authorities' approach than they would have done otherwise.

In addition, and taking into account the results of the previous inspection, last year and this year a provision has been recorded to cover the potential impact on 2014 to 2020 of the signed disputed assessments due to interpretative discrepancies in related-party transactions, since the same transfer pricing policies were applied as in previous years.

3.- In relation to the Financial Risks

As explained in Notes 4 and 33 of the consolidated annual financial statements for the year ended 31 December 2020, the Elecnor Group has taken a number of measures to mitigate these risks, including liquidity risk: In order to ensure liquidity in the event of any further deterioration in cash generation by the businesses, funding limits were increased showing that even in a low liquidity environment, the Elecnor Group is supported by both fixed income investors and banks at competitive prices.

4.- In relation to the Economic Risks

Certain risks of an economic and financial nature have emerged, most notably those relating to the management, negotiation and collection of claims submitted in the context of project execution, delays in the collection and/or non-payment of commercial debts, the correction of margins expected at the end of the work, the management of discrepancies and disputes at project closure and changes in the exchange rates. The Company, within the framework of its Risk Management System, identifies and continuously monitors these risks, evaluating the impact that they may have on its economic and financial performance, taking the measures that are deemed appropriate, in each case, based on these analyses. In this regard, and by virtue of this ongoing analysis and monitoring, the Company records the appropriate entries and breakdowns in its annual financial statements so that they accurately reflect the impact of these risks, and adjusts its cash forecasts and plans its financial needs and identifies the causes that have given rise to the occurrence of these risks, implementing measures that reinforce its risk monitoring and control activities in a process of continuous improvement.

5.- In relation to Occupational Health and Safety/OHS

During the 2020 financial year, the biggest issue that has been observed in the Group, apart from those arising from the COVID-19 pandemic, is the serious occupational accidents of construction workers, both the Group's own workers and those of subcontractors, in the performance of their tasks, many of which are the result of non-compliance or errors on the part of the workers themselves.

In order to reduce this accident rate, the development of the "Excellence in Safety" project has continued to progress in 2020. The fundamental objective of this project is to achieve a behavioural change in all our workers in order to raise the level of risk perception and reduce the number of accidents. Work has been completed on the second phase of this project in Spain, and it has been largely rolled out to the International Market in the five planned countries (Angola, Argentina, Chile, United Kingdom and Uruguay). The health and safety initiatives developed as part of the "Digital Transformation" Project have also contributed to raising the level of health and safety standards in our works and projects.

In any case, when a significant accident occurs, regardless of the result of the injuries, action plans continue to be implemented in the event of these accidents, with the implementation of additional training measures, work supervision and the organisation of the necessary human and material resources.

6.- In relation to Labour Relations.

It should be noted that during 2020 the Company has been involved in a Labour and Social Security Inspection on the correct contribution for all wage items, as well as the exemptions of non-wage items. This has been closed with an agreement in which the public administration has ratified the correct payment of daily allowances, half-day allowances and travel expenses; but in which the staff classified as structure (National Classification of Economic Activities (C.N.A.E.)) has been studied in depth.

As a result of this, a settlement request amounting to EUR 2,019,861.74 has been received.

In addition to the one discussed above, work inspections are taking place. At the moment there are inspections examining the working day, the correct delivery of all the information to the different Legal Representations of the workers, the adoption of preventive measures against Covid, the correct use of interns, etc.

These Labour Inspections initiated in 2020, despite the increase compared to 2019, do not jeopardise the viability of the company, there being no risk of any significant fine or settlement.

During 2020, the changes to the regulations that began in the previous financial year in matters of work-life balance and equality have continued. This may mean, depending on how the courts interpret it, a new way of understanding labour relations.

We must not forget the exceptional situation during this year caused by the global Covid 19 pandemic. This has led to 14 Temporary Workforce Restructurings as a direct or indirect consequence of the pandemic and these were based on and justified by a regulation drafted for that purpose, which because of its speed has contained several loopholes and provided very little legal certainty, which may lead to future revisions by the public administration. In this respect, since all of them have been implemented through agreement with the social representatives, we are in a safe position

7.- In relation to all the other Compliance risks.

In 2020, there were no compliance risks that had a significant impact on the Group's results, image and/or reputation.

E.6. EXPLAIN THE RESPONSE AND OVERSIGHT PLANS FOR THE COMPANY'S MAIN RISKS, INCLUDING TAX RISKS, AS WELL AS THE PROCEDURES FOLLOWED BY THE COMPANY IN ORDER TO ENSURE THAT THE BOARD OF DIRECTORS RESPONDS TO ANY NEW CHALLENGES THAT ARISE.

The supervision of the Risk Control and Management System indicated in point E.1 is carried out at the highest level in the Company, i.e. by the Chairman, the Chief Executive Officer, the Audit Commission, the Board of Directors and the Management Commission.

Notwithstanding the above, and in order to mitigate or redirect the risks described in section E.5, the Company has the necessary Corporate Organisations, resources and working methods, which analyse, supervise and propose specific actions so that any risks detected affect the Company as little as possible, reporting their conclusions and suggestions to the affected Areas and informing the persons and bodies mentioned in the previous paragraph.

F) INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS RELATING TO THE PROCESS OF PUBLISHING FINANCIAL INFORMATION (ICFR)

Describe the mechanisms forming your company's Internal Control over Financial Reporting (ICFR) system.

F.1. THE ENTITY'S CONTROL ENVIRONMENT

Report on at least the following, describing their principal features:

F.1.1. TUE ÓRGANOS Y/O FUNCIONES SON LOS RESPONSABLES DE. (I) LA EXISTENCIA Y MANTENIMIENTO DE UTHE BODIES AND/OR DEPARTMENTS THAT ARE RESPONSIBLE FOR: (I) THE EXISTENCE AND MAINTENANCE OF AN ADEQUATE AND EFFECTIVE ICFR SYSTEM; (II) ITS IMPLEMENTATION; AND (III) ITS SUPERVISION.

The responsibility for the existence and maintenance of an adequate and effective Internal Control System in relation to the process of issuing Financial Information (ICFR), as well as its supervision, is assumed by the Audit Commission, a body which has delegated the tasks of designing and verifying the effective implementation and operation of the ICFR to Elecnor's General Internal Audit and Finance Sub-Division, by means of the relevant audits.

To this end, the Regulations of the Elecnor Board of Directors expressly establish that one of its functions is to identify the main risks of the Company and to implement and monitor the appropriate internal control and information systems, specifically the supervision of the process for the preparation and submission of the financial information. In addition, these Regulations, the Company's own Articles of Association and the Regulations of the Audit Commission itself establish that the Audit Commission has among its responsibilities the supervision of the effectiveness of the Company's internal control, internal audit and the risk management systems, both financial and non-financial, as well as the process of preparing and submitting the mandatory financial information, reviewing compliance with regulatory requirements, proper delimitation of the consolidation scope and proper application of the accounting criteria. The Audit Commission is also responsible for establishing appropriate relations with the account auditors in order to receive information on any matters that may jeopardise their independence and any other matters related to the account auditing process. In the specific area of auditor independence, the Audit Commission, through the internal procedure established in this respect, is responsible for pre-approving, directly or indirectly through the Internal Audit and from an independent perspective, any proposal for non-audit services submitted by the Group's external auditor. It also obtains, on an annual basis, written confirmation from the auditors of their independence and information on the additional services provided by them, and issues the required report in this respect prior to issuing the account audit report.

F.1.2. INDICATE WHETHER THE FOLLOWING EXIST, ESPECIALLY IN RELATION TO THE DRAWING UP OF FINANCIAL INFORMATION:

- Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) clear definition of lines of responsibility and authority with an appropriate distribution of tasks and functions; and (iii) ensuring that adequate procedures exist for their proper dissemination throughout the entity.

The General Internal Audit and Finance Sub-Division, together with the heads of each department, with regard to functions related to the process of preparing financial information, are responsible for designing the organisational structure and the lines of responsibility and authority in their respective areas of action. Any changes to the organisational structure made during the financial year are reported to the Communications Area, which periodically updates the organisational charts, which are then incorporated into the common computer directory to which all employees have access.

Persons responsible for the administration and recording of transactions with a direct impact on the process of preparing financial information (corporation, delegations and subsidiaries) are functionally dependent on the General Internal Audit and Finance Sub-Division.

- Code of conduct, the body approving this, degree of dissemination and instruction, principles and values covered (stating whether there is specific mention of record keeping and preparation of financial information), body charged with analysing breaches and proposing corrective actions and sanctions.

The Elecnor Group's Compliance System is structured through a series of documents and management tools, including the Code of Ethics and the Group's Compliance Policy. These documents were initially approved by Elecnor's Board of Directors and are available on Elecnor's website, in the Sustainability section, which is available to all employees and interested third parties.

The Code of Ethics and the Compliance Policy are applicable to all the companies that make up the Elecnor Group and to all the businesses and activities it carries out in each country in which it operates.

The Elecnor Group's Code of Ethics and the documents that implement it have the core mission of extending its business philosophy to all employees and collaborators and determining their expected behaviour in matters of an ethical nature, in relation to the organisation's commitments in this field or to the applicable regulations. Among the documents that implement the Code of Ethics is the Compliance Policy, which was approved by the Board of Directors, and which outlines the expected behaviour of Elecnor employees and of the individuals or legal entities routinely associated with the Company in order to guarantee compliance with the law.

Elecnor enforces a zero tolerance policy for malpractices in terms of ethics and integrity, and expects its employees and people with whom it has dealings to conduct themselves in accordance with the principles of its Code of Ethics, the rules on which it is based and the procedures that govern it.

Among the "Principles of Action in relation to shareholders" included in the Code of Ethics, the Elecnor Group includes the commitment to "favour among its shareholders - and, in general, in the investment and financial community - the creation of an opinion based on truthful data and facts regarding the development of its businesses, the main lines of its strategy and its future prospects. To this end, the Elecnor Group assumes as a principle of behaviour the transparency and reliability of financial information and compliance with the applicable regulations. Employees must transmit such information in a truthful, complete and understandable manner... The dissemination of this information is done in an expeditious manner and by means of common and simultaneous access to guarantee equity, mainly communications to the CNMV on relevant facts and press releases to the media".

The body responsible for analysing possible breaches of these principles or of the law is the Compliance Commission, which reports its conclusions to the Audit Commission so that the latter may determine, where appropriate, the possible corrective actions and disciplinary measures to be adopted. The Compliance Commission is the body entrusted with the functions of supervision, monitoring and control of the Compliance System, guaranteeing its permanent review and updating and effective operation, and is currently composed of eight people, from different corporate areas and the legal departments of the different businesses. This body depends organically and functionally on the Audit Commission, to which it periodically reports its activity.

The Compliance Commission is in charge of organising recurring training cycles, which are intended for as many of the organisation's employees as possible, covering the organisation's values and unwanted risk behaviour. Training cycles are carried out through classroom sessions, on-line training or the delivery of outreach brochures. This training plan is part of the organisation's training programme. When new employees are hired, including temporary ones, the Elecnor Group provides them with a copy of the Code of Ethics and the Compliance Policy included in the welcome pack.

- Whistleblower channel allowing notifications to the audit committee of irregularities of a financial and accounting nature, in addition to potential breaches of the code of conduct and unlawful activities undertaken in the organisation, indicating whether this channel is confidential and whether anonymous notifications can be made, protecting the rights of the whistleblower and the person reported.

Employees may communicate any concerns or questions in the area of Compliance or about conduct that is irregular, illegal or contrary to the Code of Ethics, including financial and accounting matters that occur in the course of the activities carried out by the Company, through an email and/or postal address, channels that are fully operational and explained in the Code of Ethics, the Compliance Policy and other communications or publications of a public nature, such as the Integrated Report.

Only named communications are admitted and all of them are analysed and treated in a confidential manner and with respect for the regulations on personal data protection. Notwithstanding the above, and in the case of receiving anonymous communications, these will be analysed by the Compliance Commission, which, in view of the soundness of the arguments, will propose their processing in order to further the investigation. The Elecnor Group does not tolerate any retaliation against people who make use of the procedures established for the communication of irregular behaviour.

The Compliance Commission, which is responsible for processing communications received through this channel in the first instance, will identify and determine the nature and importance of the complaints received. Based on this analysis, it will determine the most appropriate department or unit for their resolution.

- Training and periodic refresher programmes for personnel involved in the preparation and revision of financial information, as well as in the assessment of the ICFR system, covering at least accounting standards, auditing, internal control and risk management.

The training and development policy is integrated into the Human Resources Integrated Management System.

The Department of Performance Management, Training and Development is responsible for designing and configuring training itineraries for Elecnor's structural personnel, based on the results of performance management and the training needs identified by the different areas. In particular, for staff with responsibilities in the financial field or who need to improve their skills in this area, there is a specific financial training programme. In this regard, an advanced course for managers on investor relations and the analysis of financial statements was given as part of this programme during 2020, both focused on staff with financial responsibility, along with a finance course for non-financial staff focused on improving the financial skills of those staff requiring them. Elecnor also provides its employees with regular training in the field of compliance, which, among other issues, provides them with a better understanding of the main risks of this nature and the internal control elements established for their adequate prevention and management.

During the year, and due to the special situation resulting from the Covid-19 pandemic, the portfolio of training itineraries for structural personnel has been transformed, focussing on the use of digital platforms and virtual classroom training to deliver the planned activities.

In addition, the heads of the departments most directly involved in the preparation and review of the financial information as well as in the evaluation of the ICFR maintain ongoing close communication with the external auditors and other accounting experts, who inform them promptly of new developments in accounting matters and risk management and internal control of financial information and provide them with material and assistance for its updating. If necessary, depending on the extent and importance of the new developments, as well as the group concerned, specific courses are designed on the subject.

F.2. ASSESSMENT OF RISKS IN FINANCIAL REPORTING

Report on at least the following:

F.2.1. THE MAIN CHARACTERISTICS OF THE RISK IDENTIFICATION PROCESS, INCLUDING RISKS OF ERROR AND FRAUD, AS REGARDS:

- Whether the process exists and is documented.
- Whether the process covers all the objectives of financial reporting, (existence and occurrence; completeness; valuation; presentation; disclosure and comparability; and rights and obligations), whether it is updated and if so how often.
- The existence of a process for identifying the scope of consolidation, taking into account, among other factors, the possible existence of complex corporate structures or special purpose vehicles.
- Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) to the extent that they affect the financial statements.
- The governing body within the company that supervises the process.

The process of identifying risks in relation to the process of generating and issuing financial information falls within the responsibilities attributed to the General Internal Audit and Finance Sub-Division by the Audit Commission.

This risk identification process has, in summary, the following characteristics:

- An analysis of the consolidated annual financial statements for the year in order to identify the relevant headings in the financial statements and breakdowns.
- On the basis of this information, those processes from which transactions are processed are identified and finally reflected in the aforementioned relevant headings and breakdowns.
- Lastly, the relevant risks that may lead to errors in the process of generating and issuing financial information are identified and prioritised for each of the aforementioned processes. Accordingly, each risk identified relates to one or more of the potential errors in the process of generating and issuing financial information, such as integrity, accuracy, occurrence, cut-off, valuation and allocation, and classification and comprehensibility.

The operation of the ICFR Oversight Model is structured around the Elecnor Group's Annual Internal Audit Work Plan. The Annual Plan is prepared by the General Internal Audit and Finance Sub-Division and presented to the Elecnor Audit Commission for approval. Once approved, the Annual Plan is executed by the corporate areas of the Elecnor Group (General Accounting, Management Control, Consolidation, Financial Area, Internal Audit and Tax Advisory). One of the tasks included in this Annual Plan is the review of significant risks with a potential impact on the financial statements.

The review of the scope of consolidation is carried out twice a year to coincide with the consolidation process. Corporate transactions are approved by the Board of Directors and reported to the General Internal Audit and Finance Sub-Division for the updating of the Group's scope of consolidation.

The General Internal Audit and Finance Sub-Division, in the performance of its tasks, continuously monitors the Group's activity, which enables it to identify any significant risk in the different areas of business and activity that could have a significant impact on the financial statements. These risks, as well as their potential impact on the financial statements, are reported to the Audit Commission by the General Internal Audit and Finance Sub-division in the various meetings held by the former.

F.3. CONTROL ACTIVITIES

Report on whether the company has at least the following, describing their main characteristics:

F.3.1. REVIEW AND AUTHORISATION PROCEDURES FOR FINANCIAL INFORMATION AND A DESCRIPTION OF THE ICFR, TO BE DISCLOSED TO THE SECURITIES MARKETS, INDICATING THOSE RESPONSIBLE, AS WELL AS DOCUMENTATION DESCRIBING THE FLOW OF ACTIVITY AND CONTROLS (INCLUDING THOSE RELATING TO THE RISK OF FRAUD) OF THE VARIOUS TYPES OF TRANSACTIONS WHICH MAY MATERIALLY AFFECT THE FINANCIAL STATEMENTS, INCLUDING ACCOUNTING CLOSING PROCEDURES AND THE SPECIFIC REVIEW OF SIGNIFICANT JUDGEMENTS, ESTIMATES, VALUATIONS AND PROJECTIONS.

With respect to the accounting closing procedure, the Management Control Department, working with the General Accounting Department, annually prepares the closing calendar that includes the closing dates, rules and instructions. This calendar is made available to all staff involved through email and the computer directory. In addition, the Elecnor General Accounting and Management Control departments support the accounting closing process, both monthly and yearly, through closing checklists.

With respect to subsidiaries, the Management Control, Consolidation and Internal Audit Departments permanently monitor the subsidiaries that make up the Elecnor Group, assigning the monitoring of the various investees to the Subsidiary Controllers. On a monthly basis, the aforementioned controllers send the Consolidation and Internal Audit areas the

integration files, which include all relevant information from the subsidiaries. If deemed necessary, subsidiary follow-up meetings are also held.

The Management Control and Consolidation departments prepare all the documentation relating to the analysis of the Group's performance on a monthly basis for presentation to the Board of Directors, which is previously reviewed by the General Internal Audit and Finance Sub-Division.

With regard to the procedures for reviewing and authorising financial information to be published on the securities markets, a distinction is made between three levels of relevant information:

- Annual financial statements and interim financial statements

The head of Elecnor's General Accounting Department is responsible for preparing the individual annual financial statements. The Head of Consolidation is also responsible for preparing the consolidated annual financial statements and the interim consolidated financial statements.

Subsequently, the individual and consolidated annual financial statements are reviewed by the heads of the various corporate areas of Elecnor, by the General Internal Audit and Finance Sub-Division, by the Audit Commission and by the Board of Directors. The Audit Commission receives the annual financial statements sufficiently in advance to ensure their adequate review and meets with the external auditors prior to the Board of Directors' sessions where the annual and interim financial statements are prepared.

- Description of the ICFR

Elecnor periodically reviews the financial information prepared, as well as the description of the ICFR, in order to ensure the quality of the information. The General Internal Audit and Finance Sub-Division is responsible for preparing the description of the ICFR. This process culminates in a review by the Audit Commission and its approval through the Annual Corporate Governance Report that is validated by the Board of Directors.

- Notifications to the CNMV

The department or subsidiary from which the information to be communicated originates prepares a note that is reviewed by the General Secretary and the Communications Area. The relevant information is also reviewed by the General Internal Audit and Finance Sub-Division in the case that it includes financial or accounting information.

- Uploading of information to CNMV applications

The burden of information on CNMV applications is the responsibility of the General Secretary, which is supported in this process by the General Internal Audit and Finance Sub-Division. The validation and sending of this information is the responsibility of the General Secretary, who has exclusive use of a cryptographic card for sending the information.

Elecnor has documented accounting and administrative procedures for "Purchases and Payments", "Contracting, Invoicing and Collection", "Control of Fixed Assets", "Treasury Control" and "Cash Control", among others. These procedures include the type of transactions for each process, the procedures for recording and accounting for them and the corresponding controls as established by Elecnor.

These procedures are reviewed annually by Elecnor's General Accounting Department, which updates them if necessary.

In addition, the General Internal Audit and Finance Sub-Division has a matrix of risks and controls of financial information, which includes controls related to fraud risks. The risks and controls are reviewed within the Annual Internal Audit Plan, and the matrix is updated annually.

With regard to the procedures and controls established in relation to the relevant trials, estimates and projections, the Group has identified the main risks related to these aspects. In particular, the main areas exposed to trials and estimates have been identified as those related to:

- The recognition of income from construction contracts under the percentage-of-completion method.
- The registration of provisions of any nature.

All significant estimates are reviewed by the General Internal Audit and Finance Sub-Division and, where appropriate, are submitted to the Board of Directors for analysis and approval.

Elecnor's Board of Directors meets on a monthly basis. Beforehand, the Group's financial information is analysed by the General Internal Audit and Finance Sub-Division and the Chief Executive Officer.

F.3.2. INTERNAL IT CONTROL POLICIES AND PROCEDURES (ACCESS SECURITY, CONTROL OF CHANGES, SYSTEM OPERATION, OPERATIONAL CONTINUITY AND SEGREGATION OF DUTIES, AMONG OTHERS) WHICH SUPPORT SIGNIFICANT PROCESSES WITHIN THE COMPANY RELATING TO THE PREPARATION AND PUBLICATION OF FINANCIAL INFORMATION.

Currently, Elecnor has a series of controls that mitigate the main risks related to the integrity, availability, validity and confidentiality of accounting and financial information. In addition, Elecnor has procedures related to Information Security and System Operation.

The management of access to the systems is carried out in accordance with procedures established for this purpose.

Elecnor has a documented Contingency Plan in the event of a Disaster, as well as a Backup Policy and Procedures for the organisation's critical systems.

F.3.3. INTERNAL CONTROL POLICIES AND PROCEDURES FOR OVERSEEING THE MANAGEMENT OF ACTIVITIES SUBCONTRACTED TO THIRD PARTIES, AS WELL AS OF THOSE ASPECTS OF ASSESSMENT, CALCULATION OR VALUATION ENTRUSTED TO INDEPENDENT EXPERTS, WHICH MAY MATERIALLY AFFECT FINANCIAL STATEMENTS.

Elecnor participates in different, temporary Joint Ventures (JVs), and, to the extent possible, always aims to ensure that Elecnor itself is responsible for their management and administration, which is achieved in most cases. Once the joint venture has been legally constituted, its Management Commission, in which all the partners participate, meets and agrees on the accounting and analytical criteria for the management of the works. The partner in charge of management sends the monthly financial information (balance sheet and profit and loss account) to the rest of the partners for review.

On 30 June and 31 December, Elecnor integrates the JVs (balance sheet and complete profit and loss account). In any case, the main amounts for the profit and loss account (revenues and net profit) are integrated every month. This process is carried out by the Management Control Department, once the available financial information has been reviewed and the corresponding homogenisation entries have been made in the event that there are accounting criteria different from those used by Elecnor.

With respect to the assessments, judgements or calculations made by third parties, the Elecnor Group arranges interest rate and exchange rate hedging derivatives, the valuation of which is entrusted to leading financial institutions.

The identification of the need or convenience of using a hedging instrument is the ultimate responsibility of the General Internal Audit and Finance Sub-Division. Once the need has been determined, the application for the contract is sent to the Board of Directors for approval. The Board only approves hedging derivatives.

The Treasury Area receives monthly valuations of the derivatives from financial institutions and evaluates their reasonableness. In the event of a discrepancy, the financial institutions are contacted for clarification and, if necessary, to obtain new valuations.

In addition, the Elecnor Group evaluates in each case the desirability of engaging the services of independent experts to support certain valuations of assets or businesses, depending on the importance they may have on the balance sheet and profit and loss account. The reports received from these experts, and the consequences that arise from them, if any, for the financial information, are reviewed by the areas responsible for the preparation of the information (generally, and ultimately, by the General Internal Audit and Finance Sub-Division if they have a significant impact on the preparation of the financial statements and the annual accounts) for the purposes of their validation, paying particular attention to the methodology and main assumptions used.

F.4. INFORMATION AND COMMUNICATION

Report on whether the company has at least the following, describing their main characteristics:

F.4.1. A SPECIFICALLY ASSIGNED FUNCTION FOR DEFINING AND UPDATING ACCOUNTING POLICIES (ACCOUNTING POLICY AREA OR DEPARTMENT) AND RESOLVING DOUBTS OR CONFLICTS ARISING FROM THEIR INTERPRETATION, MAINTAINING A FREE FLOW OF INFORMATION TO THOSE RESPONSIBLE FOR OPERATIONS IN THE ORGANISATION, AS WELL AS AN UP-TO-DATE ACCOUNTING POLICY MANUAL DISTRIBUTED TO THE BUSINESS UNITS THROUGH WHICH THE COMPANY OPERATES.

The responsibility for defining and keeping the Group's accounting policies up to date is attributed to Elecnor's General Internal Audit and Finance Sub-Division. In this regard, a smooth and continuous relationship is maintained with the external auditors and other accounting experts in order to be permanently informed, and in due time, of the main accounting developments, and if relevant and considered appropriate, the opportune mechanisms are established to transfer them to areas of the organisation with responsibilities in the preparation of the financial information.

The Management Control and Consolidation departments carry out permanent monitoring of the subsidiaries and delegations. The resolution of doubts and queries regarding accounting policies is primarily the responsibility of the Corporate Controllers of each of the subsidiaries. In the event that the query is not resolved or there is a conflict of interpretation, these are raised with the Head of Consolidation and/or Internal Audit, both of which are part of the General Internal Audit and Finance Sub-Division.

If necessary, queries are made to the external auditor by the Head of Consolidation of the General Internal Audit and Finance Sub-Division.

F.4.2. MECHANISMS FOR CAPTURING AND PREPARING FINANCIAL INFORMATION IN STANDARDISED FORMATS FOR APPLICATION AND USE BY ALL UNITS OF THE ENTITY OR GROUP, AND SUPPORT ITS MAIN FINANCIAL STATEMENTS AND NOTES, AS WELL AS DISCLOSURES CONCERNING ICFR.

All transactions are recorded at Elecnor on a documentary basis and using an operation key format. Each document used to report data to the system has some mandatory data (customer code, centre, work, VAT rate, etc.). After the "end of day" (transaction validation) is complete, the system reports any erroneous entries, which are verified by the corresponding corporate departments, correcting them if necessary.

As for the reporting tool, a standardised "Consolidation Report Package" is used for all subsidiaries. This "Consolidation Report Package" is reviewed on an annual basis by the external auditor in order to validate that it includes all the required information and breakdowns. Subsidiaries generally report under IFRS. The consolidation process takes place in the Consolidation Department.

The Consolidation Department prepares a schedule and reporting instructions on an annual basis. Each of the subsidiaries, once the closing has been prepared and supervised by each of the heads of the corresponding Accounting and Financial Departments, sends the required information to the Consolidation Department. The reporting instructions establish the obligation for the information included in the report package to be the same as that obtained from the subsidiary's accounting records, as well as the prohibition of including subsequent entries in the accounts after the report package has been sent to Elecnor. If a significant subsequent entry is detected, the Management Control and Consolidation departments are notified and the corresponding report package is modified.

F.5. SUPERVISION OF THE FUNCTIONING OF THE SYSTEM

Report on at least the following, describing their principal features:

F.5.1. THE ACTIVITIES OF THE AUDIT COMMITTEE IN OVERSEEING ICFR AS WELL AS WHETHER THERE IS AN INTERNAL AUDIT FUNCTION ONE OF THE RESPONSIBILITIES OF WHICH IS TO PROVIDE SUPPORT TO THE COMMITTEE IN ITS TASK OF SUPERVISING THE INTERNAL CONTROL SYSTEM, INCLUDING ICFR. ADDITIONALLY, DESCRIBE THE SCOPE OF ICFR ASSESSMENT MADE DURING THE YEAR AND THE PROCEDURE THROUGH WHICH THE PERSON RESPONSIBLE FOR PERFORMING THE ASSESSMENT COMMUNICATES ITS RESULTS, WHETHER THE COMPANY HAS AN ACTION PLAN DETAILING POSSIBLE CORRECTIVE MEASURES, AND WHETHER THEIR IMPACT ON FINANCIAL REPORTING HAS BEEN CONSIDERED.

Among the functions assumed by the Audit Commission is that of periodically reviewing the internal control and risk management systems, so that the main risks are properly identified, managed and reported. Furthermore, its powers include supervising the preparation process and the integrity of the financial information, reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.

In carrying out these functions, the Audit Commission relies on the internal audit function. The Elecnor Group's internal audit function is structured around six major control areas: General Accounting, Management Control, Consolidation, Financial Area, Internal Audit and Tax Advice. These departments act, in their respective areas of competence and under audit criteria, as internal corporate control/audit bodies, carrying on their activities with complete independence from both Elecnor's production departments (business) and the domestic and foreign subsidiaries that comprise the Elecnor Group. The internal audit is integrated within the General Internal Audit and Finance Sub-Division, whose main functions and activities are the supervision of financial information and internal control. The Elecnor Group prepares an Internal Audit Plan, which is presented to the Audit Commission, and a periodic report on the execution of the plan and on the incidents that have occurred at the various meetings of the Audit Commission by the General Internal Audit and Finance Sub-Division.

The Management Control area continuously monitors the different Elecnor organisations, paying particular attention to the most significant sections of the balance sheet and the profit and loss account, such as work in progress (old productions), advance invoicing, customer balances, recognition of margins and provisions, among others. In addition, as part of this ongoing review process, audits are carried out in consultation with the various organisations, which are focussed on these same sections. These internal audits, on-site and at least one per year per organisation, are scheduled to be carried out on a phased basis and always before the end of the financial year. For this programming, an audit schedule is made at the beginning of the year and there is a checklist of tests to be performed.

As with the parent company, all national subsidiaries are subject to an internal audit each financial year before its close.

In any event, in this financial year, and as a result of the mobility restrictions arising from the health emergency (Covid-19), these on-site audits have not been carried out, although this has not affected the control and monitoring of the operations of the different organisations constantly carried out by the Management Control and Consolidation areas.

The Elecnor Group's Audit Commission, with respect to the ICFR, is informed of the internal control structure existing in the organisation, approves the annual internal audit plan, meets at least twice a year with the external auditors and is informed monthly, during the meetings of the Board of Directors, of the developments within the business and its activities. In addition, and if relevant, it is informed of certain judgements or estimates included in the financial information. The Audit Commission reports on all its relevant activities carried out during the year in its annual Activity Report.

F.5.2. WHETHER THERE IS A DISCUSSION PROCEDURE WHEREBY THE AUDITOR (AS DEFINED IN THE SPANISH TECHNICAL AUDIT STANDARDS), THE INTERNAL AUDITOR AND OTHER EXPERTS CAN REPORT TO SENIOR MANAGEMENT AND THE AUDIT COMMITTEE OR DIRECTORS OF THE COMPANY ANY SIGNIFICANT WEAKNESSES IN INTERNAL CONTROL IDENTIFIED DURING THE REVIEW OF THE ANNUAL FINANCIAL STATEMENTS OR ANY OTHERS THEY HAVE BEEN ASSIGNED. ADDITIONALLY, STATE WHETHER AN ACTION PLAN IS AVAILABLE FOR CORRECTING OR MITIGATING ANY WEAKNESSES DETECTED.

The Elecnor Audit Commission meets at least four times a year, in accordance with the provisions of the Regulations of the Board of Directors of the Company, and as many times as required according to the interests of the Company.

During the 2020 financial year, the Audit Commission has held 11 meetings, four of which have been attended by external auditors. The content of these meetings was to:

- Review the planning and scope of audit work.
- Review the annual financial statements and analyse, if they exist, the monitoring weaknesses detected by the external auditor in its review of the main business processes and general controls that are implemented in the Group, as well as the suggested corrective actions. Prior to this meeting, the external auditors meet with the Chairman, the Chief Executive Officer and members of the General Internal Audit and Finance Sub-Division.
- Review the interim financial statements.

F.6. OTHER RELEVANT INFORMATION

There is no additional relevant information to consider that has not been covered by the previous points.

F.7. EXTERNAL AUDITOR'S REPORT

Report:

F.7.1. WHETHER THE ICFR INFORMATION SENT TO THE MARKETS HAS BEEN SUBJECTED TO REVIEW BY THE EXTERNAL AUDITOR, IN WHICH CASE THE ENTITY SHOULD INCLUDE THE CORRESPONDING REPORT AS AN ATTACHMENT. IF NOT, REASONS WHY SHOULD BE GIVEN.

This information in relation to ICFR has been submitted for review by the external auditor.

G) DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Specify the company's degree of compliance with recommendations of the Good Governance Code for listed companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation of the reasons must be included so that shareholders, investors and the market in general have enough information to assess the company's conduct. General explanations are not acceptable.

1. That the articles of incorporation of listed companies should not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of its shares on the market.

Complies Explain

2. That when the listed company is controlled by another entity in the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than the listed company) or carries out activities related to those of any of them it should make accurate public disclosures on:

a) The respective areas of activity and possible business relationships between the listed company or its subsidiaries and the parent company or its subsidiaries;

b) The mechanisms in place to resolve any conflicts of interest that may arise.

Complies Complies partially Explain Not applicable

3. That, during the ordinary General Shareholders' Meeting, as a complement to the distribution of the written annual corporate governance report, the chairman of the Board of Directors should inform shareholders orally, in sufficient detail, of the most significant aspects of the company's corporate governance, and in particular:

a) Changes that have occurred since the last General Shareholders' Meeting.

b) Specific reasons why the company has not followed one or more of the recommendations of the Code of Corporate Governance and the alternative rules applied, if any.

Complies Complies partially Explain

4. That the company should define and promote a policy on communication and contact with shareholders and institutional investors, within the framework of their involvement in the company, and with proxy advisors that complies in all aspects with rules against market abuse and gives equal treatment to similarly situated shareholders. And that the company should publish this policy on its website, including information on how it has been put into practice and identifying the contact persons or those responsible for implementing it.

And that, without prejudice to the legal obligations regarding dissemination of inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through such channels as it may consider appropriate (communication media, social networks or other channels) that helps to maximise the dissemination and quality of information available to the market, investors and other stakeholders.

Complies Complies partially Explain

5. That the Board of Directors should not submit to the General Shareholders' Meeting any proposal for delegation of powers allowing the issue of shares or convertible securities with the exclusion of preemptive rights in an amount exceeding 20% of the capital at the time of delegation.

And that whenever the Board of Directors approves any issue of shares or convertible securities with the exclusion of preemptive rights, the company should immediately publish the reports referred to by company law on its website.

Complies Complies partially Explain

6. That listed companies that prepare the reports listed below, whether under a legal obligation or voluntarily, should publish them on their website with sufficient time before the General Shareholders' Meeting, even if their publication is not mandatory:

a) Report on the auditor's independence.

b) Reports on the workings of the audit and nomination and remuneration committees.

c) Report by the audit committee on related party transactions.

Complies Complies partiall Explain

7. That the company should transmit in real time, through its website, the proceedings of the General Shareholders' Meetings.

And that the company should have mechanisms in place allowing the delegation and casting of votes by means of data transmission and even, in the case of large-caps and to the extent that it is proportionate, attendance and active participation in the General Meeting to be conducted by such remote means.

Complies Complies partially Explain

8. That the audit committee should ensure that the financial statements submitted to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in cases in which the auditor has included a qualification or reservation in its audit report, the chairman of the audit committee should clearly explain to the general meeting the opinion of the audit committee on its content and scope, making a summary of this opinion available to shareholders at the time when the meeting is called, alongside the other Board proposals and reports.

Complies Complies partially Explain

9. That the company should permanently publish on its website the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory fashion.

Complies Complies partially Explain

10. That when a duly authenticated shareholder has exercised his or her right to complete the agenda or to make new proposals for resolutions in advance of the General Shareholders' Meeting, the company:

a) Should immediately distribute such complementary points and new proposals for resolutions.

b) Should publish the attendance, proxy and remote voting card specimen with the necessary changes such that the new agenda items and alternative proposals can be voted on in the same terms as those proposed by the Board of Directors.

c) Should submit all these points or alternative proposals to a vote and apply the same voting rules to them as to those formulated by the Board of Directors including, in particular, assumptions or default positions regarding votes for or against.

d) That after the General Shareholders' Meeting, a breakdown of the voting on said additions or alternative proposals be communicated.

Complies Complies partially Explain Not applicable

11. That if the company intends to pay premiums for attending the General Shareholders' Meeting, it should establish in advance a general policy on such premiums and this policy should be stable.

Complies Complies partially Explain Not applicable

12. That the Board of Directors should perform its functions with a unity of purpose and independence of criterion, treating all similarly situated shareholders equally and being guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, promoting its continuity and maximising the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and conducting itself on the basis of good faith, ethics and a respect for commonly accepted best practices, it should seek to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders that may be affected, as well as the impact of its corporate activities on the communities in which it operates and on the environment.

Complies Complies partially Explain

13. That the Board of Directors should be of an appropriate size to perform its duties effectively and in a collegial manner, which makes it advisable for it to have between five and fifteen members.

Complies Explain

14. That the Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board and that:

a) Is concrete and verifiable.

b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the skills required by the Board of Directors; and

c) Favours diversity of knowledge, experience, age and gender. For these purposes, it is considered that the measures that encourage the company to have a significant number of female senior executives favour gender diversity.

That the result of the prior analysis of the skills required by the Board of Directors be contained in the supporting report from the nomination committee published upon calling the General Shareholders' Meeting to which the ratification, appointment or re-election of each director is submitted.

The nomination committee will annually verify compliance with this policy and explain its findings in the annual corporate governance report.

Complies Complies partially Explain

15. That proprietary and independent directors should constitute a substantial majority of the Board of Directors and that the number of executive directors be kept to a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

And that the number of female directors should represent at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and no less than 30% prior to that date.

Complies Complies partially Explain

The first paragraph of this Recommendation is fully complied with, since the Board of Directors of the Company is composed of a large majority of proprietary and independent directors, with only one executive director.

With regard to the second paragraph, and although the current number of female directors is less than 30%, the Company intends to continue to promote an increase in the presence of female directors on the Board of Directors to be able to comply with the Recommendation without affecting the normal functioning of the Board and the overall suitability of its members for the performance of their functions.

In this regard, on 16 December 2020, the Board of Directors approved the updating of the "Policy for Diversity of the Board of Directors and the Selection of Directors", which establishes the commitment of the Board, with the participation of the Appointments and Remuneration Commission within the framework of its powers, among other aspects, to its role in ensuring that the procedures for selecting directors do not involve any discrimination and, in particular, in facilitating the selection of female directors in a number that will enable a balanced presence of women and men to be achieved, and in general to promoting diversity in the composition of the Board and its Commissions in terms of knowledge, experience, age and gender, among other issues. The Policy also expressly establishes that, in order to promote gender diversity, the Company will seek to establish measures that encourage the Company to have a significant number of female members of the management team, without prejudice to the essential criteria of merit and capacity that must govern all the personnel selection processes of the Company and its Group.

In addition, the Company's procedures for the selection of directors, which is the particular responsibility of the Appointments and Remuneration Commission within the framework of its powers, are based on objective criteria that allow for the most appropriate composition of the Board taking into account the specific features of the Company and its Group, choosing the best people available for it, without any discrimination on the basis of sex or any other factor.

16. That the number of proprietary directors as a percentage of the total number of non-executive directors not be greater than the proportion of the company's share capital represented by those directors and the rest of the capital.

This criterion may be relaxed:

a) In large-cap companies where very few shareholdings are legally considered significant.

b) In the case of companies where a plurality of shareholders is represented on the Board of Directors without ties among them.

Complies Explain

Elecnor is a company with a long tradition in its sector, and since its inception it has been managed by a variety of family groups, the founders of the company. Through the significant shareholder CANTILES XXI, S.L., and the Directors who represent it in the Company, the Family Groups that make it up are represented in the broadest and most diverse manner possible, with a profile that is suitable for the exercise of their obligations and always with the aim of giving value to the shareholder.

Elecnor's Proprietary Directors perform a supervisory task similar to that attributed to Independent Directors. The composition of Elecnor's Board of Directors corresponds to its shareholder structure.

17. That the number of independent directors should represent at least half of the total number of directors.

That, however, when the company does not have a high level of market capitalisation or in the event that it is a large-cap company with one shareholder or a group of shareholders acting in concert who together control more than 30% of the company's share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies Explain

Elecnor is a company with a long tradition in its sector, and since its inception it has been managed by a variety of family groups, the founders of the company. Through the significant shareholder CANTILES XXI, S.L., and the Directors who represent it in the Company, the Family Groups that make it up are represented in the broadest and most diverse manner possible, with a profile that is suitable for the exercise of their obligations and always with the aim of giving value to the shareholder.

Elecnor's Proprietary Directors perform a supervisory task similar to that attributed to Independent Directors. The composition of Elecnor's Board of Directors corresponds to its shareholder structure.

18. That companies should publish the following information on its directors on their website, and keep it up to date:
- a) Professional profile and biography.
 - b) Any other Boards to which the directors belong, regardless of whether or not the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
 - c) Category of directorship, indicating, in the case of individuals who represent proprietary directors, the shareholder that they represent or to which they are connected.
 - d) Date of their first appointment as a director of the company's Board of Directors, and any subsequent re-elections.
 - e) Company shares and share options that they own.
- Complies Complies partially Explain
19. That the annual corporate governance report, after verification by the nomination committee, should explain the reasons for the appointment of any proprietary directors at the proposal of shareholders whose holding is less than 3%. It should also explain, if applicable, why formal requests from shareholders for presence on the Board were not honoured, when their shareholding was equal to or exceeded that of other shareholders whose proposal for proprietary directors was honoured.
- Complies Complies partially Explain Not applicable
20. That proprietary directors representing significant shareholders should resign from the Board when the shareholder they represent disposes of its entire shareholding. They should also resign, in a proportional fashion, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors.
- Complies Complies partially Explain Not applicable
21. That the Board of Directors should not propose the dismissal of any independent director before the completion of the director's term provided for in the articles of incorporation unless the Board of Directors finds just cause and a prior report has been prepared by the nomination committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties inherent to his or her post as a director, fails to complete the tasks inherent to his or her post, or is affected by any of the circumstances that would cause the loss of independent status in accordance with applicable law.
- The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or other similar corporate transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of application of the proportionate representation criterion provided in Recommendation 16.
- Complies Explain
22. That companies should establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which affect them, whether or not related to their actions in the company itself, and which may harm the company's standing and reputation, and in particular requiring them to inform the Board of any criminal proceedings in which they appear as suspects or defendants, as well as of how the legal proceedings subsequently unfold.
- And that, if the Board is informed or becomes aware in any other manner of any of the circumstances mentioned above, it must investigate the case as quickly as possible and, depending on the specific circumstances, decide, based on a report from the nomination and remuneration committee, whether or not any measure must be adopted, such as the opening of an internal investigation, asking the director to resign or proposing that he or she be dismissed. And that

- these events must be reported in the annual corporate governance report, unless there are any special reasons not to do so, which must also be noted in the minutes. This without prejudice to the information that the company must disseminate, if appropriate, at the time when the corresponding measures are implemented.
- Complies Complies partially Explain
23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.
- Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.
- This recommendation also applies to the secretary of the Board of Directors, even if he or she is not a director.
- Complies Complies partially Explain Not applicable
24. That whenever, due to resignation or resolution of the General Shareholders' Meeting, a director leaves before the completion of his or her term of office, the director should explain the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for cessation, in a letter addressed to all members of the Board of Directors.
- And that, without prejudice to all this being reported in the annual corporate governance report, insofar as it is relevant to investors, the company must publish the cessation as quickly as possible, adequately referring to the reasons or circumstances adduced by the director.
- Complies Complies partially Explain Not applicable
25. That the nomination committee should make sure that non-executive directors have sufficient time available in order to properly perform their duties.
- And that the Board regulations establish the maximum number of company Boards on which directors may sit.
- Complies Complies partially Explain
26. That the Board of Directors meet frequently enough to be able to effectively perform its duties, and at least eight times per year, following a schedule of dates and agendas established at the beginning of the year and allowing each director individually to propose other items that do not originally appear on the agenda.
- Complies Complies partially Explain
27. That director absences occur only when absolutely necessary and be quantified in the annual corporate governance report. And when absences do occur, that the director appoint a proxy with instructions.
- Complies Complies partially Explain
28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes at the request of the director expressing them.
- Complies Complies partially Explain Not applicable
29. That the company should establish adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.
- Complies Complies partially Explain

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances make this advisable.

Complies Explain Not applicable

31. That the agenda for meetings should clearly indicate those matters on which the Board of Directors is to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, in exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent should be duly recorded in the minutes.

Complies Complies partiall Explain

The agenda does not explicitly state the points that are for decision, although the Directors receive sufficiently in advance all the necessary information so that they can study the issues and form a reasoned opinion, without prejudice to their right to gather any additional information they consider relevant.

With regard to the second paragraph of the Recommendation, in exceptional cases where the Chairman of the Board submits decisions or agreements not on the agenda for approval by the Board of Directors, this is done for reasons of urgency and on the basis that the Directors have sufficient information and knowledge in the matter to be able to take an informed decision.

32. That directors be periodically informed of changes in shareholding and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies Complies partially Explain

33. That the chairman, as the person responsible for the efficient workings of the Board of Directors, in addition to carrying out the duties assigned by law and the articles of incorporation, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its work; ensuring that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances make this advisable.

Complies Complies partially Explain

34. That when there is a coordinating director, the articles of incorporation or Board regulations should confer upon him or her the following powers in addition to those conferred by law: to chair the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; to reflect the concerns of non-executive directors; to liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and to coordinate a succession plan for the chairman.

Complies Complies partially Explain Not applicable

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account such recommendations regarding good governance contained in this Good Governance Code as may be applicable to the company.

Complies Explain

36. That the Board of Directors meet in plenary session once a year and adopt, where appropriate, an action plan to correct any deficiencies detected in the following:

- a) The quality and efficiency of the Board of Directors' work.
- b) The workings and composition of its committees.
- c) Diversity in the composition and skills of the Board of Directors.
- d) Performance of the chairman of the Board of Directors and of the chief executive officer of the company.
- e) Performance and input of each director, paying special attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the nomination committee.

Every three years, the Board of Directors will rely for its evaluation upon the assistance of an external advisor, whose independence shall be verified by the nomination committee.

Business relationships between the external adviser or any member of the adviser's group and the company or any company within its group must be specified in the annual corporate governance report.

The process and the areas evaluated must be described in the annual corporate governance report.

Complies Complies partially Explain

37. That if there is an executive committee, it must contain at least two non-executive directors, at least one of whom must be independent, and its secretary must be the secretary of the Board.

Complies Complies partially Explain Not applicable

The Executive Commission is composed of an Executive Director, another External Director and four Proprietary Directors, all of them with extensive knowledge of the business and the sector in which the Company operates, this being the essential reason for their appointment as members of the Executive Commission, given the nature of the topics covered in it.

The Company is considering whether the Secretary of this Commission should be the same as that of the Board of Directors, without prejudice to the fact that, as stated in Recommendation 38 below, the Board of Directors is always aware of the matters dealt with and the decisions taken by the Executive Commission.

38. That the Board of Directors must always be aware of the matters discussed and decisions taken by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies Explain Not applicable

39. That the members of the audit committee, in particular its chairman, be appointed in consideration of their knowledge and experience in accountancy, audit and risk management issues, both financial and non-financial.

Complies Complies partially Explain

40. That under the supervision of the audit committee, there should be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies Complies partially Explain

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, for approval by that committee or by the Board, reporting directly on its execution, including any incidents or limitations of scope, the results and monitoring of its recommendations, and present an activity report at the end of each year.

Complies Complies partially Explain Not applicable

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

1. With regard to information systems and internal control:

a) Supervising and evaluating the process of preparation and the completeness of the financial and non-financial information, as well as the control and management systems for financial and non-financial risk relating to the company and, if applicable, the group - including operational, technological, legal, social, environmental, political and reputational risk, or risk related to corruption - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria.

b) Ensuring the independence of the unit charged with the internal audit function; proposing the selection, appointment and dismissal of the head of internal audit; proposing the budget for this service; approving or proposing its orientation and annual work plans for approval by the Board, making sure that its activity is focused primarily on material risks (including reputational risk); receiving periodic information on its activities; and verifying that senior management takes into account the conclusions and recommendations of its reports.

c) Establishing and supervising a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report any potentially serious irregularities, especially those of a financial or accounting nature, that they observe in the company or its group. This mechanism must guarantee confidentiality and in any case provide for cases in which the communications can be made anonymously, respecting the rights of the whistleblower and the person reported.

d) Generally ensuring that internal control policies and systems are effectively applied in practice.

2. With regard to the external auditor:

a) In the event that the external auditor resigns, examining the circumstances leading to such resignation.

b) Ensuring that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

c) Making sure that the company informs the CNMV of the change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

d) Ensuring that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks performed and the development of the company's accounting situation and risks.

e) Ensuring that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, limits on the concentration of the auditor's business, and, in general, all other rules regarding auditors' independence.

Complies Complies partially Explain

43. That the audit committee be able to require the presence of any employee or manager of the company, even stipulating that he or she appear without the presence of any other member of management.

Complies Complies partially Explain

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draw up a prior report to the Board of Directors on the economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies Complies partially Explain Not applicable

45. That the risk management and control policy identify or determine, as a minimum:

a) The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks and risks relating to corruption) which the company faces, including among the financial or economic risks contingent liabilities and other off-balance sheet risks.

b) A risk control and management model based on different levels, which will include a specialised risk committee when sector regulations so require or the company considers it to be appropriate.

c) The level of risk that the company considers to be acceptable.

d) Measures in place to mitigate the impact of the risks identified in the event that they should materialise.

e) Internal control and information systems to be used in order to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

Complies Complies partially Explain

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal risk control and management function should exist, performed by an internal unit or department of the company which is expressly charged with the following responsibilities:

a) Ensuring the proper functioning of the risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks affecting the company.

b) Actively participating in drawing up the risk strategy and in important decisions regarding risk management.

c) Ensuring that the risk management and control systems adequately mitigate risks as defined by the policy laid down by the Board of Directors.

Complies Complies partially Explain

47. That in designating the members of the nomination and remuneration committee - or of the nomination committee and the remuneration committee if they are separate - care be taken to ensure that they have the knowledge, aptitudes and experience appropriate to the functions that they are called upon to perform and that the majority of said members are independent directors.

Complies Complies partially Explain

48. That large-cap companies have separate nomination and remuneration committees.

Complies Explain Not applicable

49. That the nomination committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director be able to ask the nomination committee to consider potential candidates that he or she considers suitable to fill a vacancy on the Board of Directors.

Complies Complies partially Explain

50. That the remuneration committee exercise its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:
- a) Proposing the basic conditions of employment for senior management to the Board of Directors.
 - b) Verifying compliance with the company's remuneration policy.
 - c) Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration systems and their application, as well as ensuring that their individual remuneration is proportional to that received by the company's other directors and senior managers.
 - d) Making sure that potential conflicts of interest do not undermine the independence of external advice given to the committee.
 - e) Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on director remuneration.

Complies Complies partially Explain

51. That the remuneration committee should consult with the chairman and the chief executive of the company, especially on matters relating to executive directors and senior management.

Complies Complies partially Explain

52. That the rules regarding the composition and workings of the supervision and control committees should appear in the regulations of the Board of Directors and that they should be consistent with those applying to legally mandatory committees in accordance with the foregoing recommendations, including:

- a) That they be composed exclusively of non-executive directors, with a majority of independent directors.
- b) That their chairpersons be independent directors.
- c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and require them to render account of their activities and of the work performed in the first plenary session of the Board of Directors held after each committee meeting.
- d) That the committees be allowed to avail themselves of outside advice when they consider it necessary to perform their duties.
- e) That their meetings be recorded and their minutes be made available to all directors.

Complies Complies partially Explain Not applicable

53. That verification of compliance with the company's policies and rules on environmental, social and corporate governance matters, and with the internal codes of conduct be assigned to one or divided among more than one committee of the Board of Directors, which may be the audit committee, the nomination committee, a specialised committee on sustainability or corporate social responsibility or such other specialised committee as the Board of Directors, in the exercise of its powers of self-organisation, may have decided to create. And that such committee be composed exclusively of non-executive directors, with a majority of these being independent directors, and that the minimum functions indicated in the next recommendation be specifically assigned to it.

Complies Complies partially Explain

54. The minimum functions referred to in the foregoing recommendation are the following:
- a) Monitoring of compliance with the company's internal codes of conduct and corporate governance rules, also ensuring that the corporate culture is aligned with its purpose and values.

- b) Monitoring the application of the general policy on communication of economic and financial information, non-financial and corporate information and communication with shareholders and investors, proxy advisors and other stakeholders. The manner in which the entity communicates and handles relations with small and medium-sized shareholders must also be monitored.
- c) The periodic evaluation and review of the company's corporate governance system, and environmental and social policy, with a view to ensuring that they fulfil their purposes of promoting the interests of society and take account, as appropriate, of the legitimate interests of other stakeholders.
- d) Supervision of the company's environmental and social practices to ensure that they are in alignment with the established strategy and policy.
- e) Supervision and evaluation of the way in which relations with the various stakeholders are handled.

Complies Complies partially Explain

55. That environmental and social sustainability policies identify and include at least the following:
- a) The principles, commitments, objectives and strategy relating to shareholders, employees, clients, suppliers, social issues, the environment, diversity, tax responsibility, respect for human rights, and the prevention of corruption and other unlawful conduct.

- b) Means or systems for monitoring compliance with these policies, their associated risks, and management.
- c) Mechanisms for supervising non-financial risk, including that relating to ethical aspects and aspects of business conduct.
- d) Channels of communication, participation and dialogue with stakeholders.
- e) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies Complies partially Explain

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgement of non-executive directors.

Complies Explain

57. That only executive directors should receive variable remuneration linked to corporate results and personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments referenced to the share price and long-term savings plans such as pension plans, retirement schemes or other provident schemes.

Consideration may be given to delivering shares to non-executive directors as remuneration providing this is conditional upon their holding them until they cease to be directors. The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition.

Complies Complies partially Explain

58. That as regards variable remuneration, remuneration policies should incorporate the necessary limits and technical safeguards to ensure that such remuneration is in line with the professional performance of its beneficiaries and not based solely on general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk incurred to achieve a given result.

b) Promote the sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with the company's rules and internal operating procedures and with its risk management and control policies.

c) Are based on balancing the attainment of short-, medium- and long-term objectives, so as to allow remuneration of continuous performance over a period long enough to be able to assess its contribution to the sustainable creation of value, such that the elements used to measure performance are not associated only with one-off, occasional or extraordinary events.

Complies Complies partially Explain Not applicable

59. That the payment of variable remuneration components be subject to sufficient verification that previously established performance or other conditions have effectively been met. Entities must include in their annual report on director remuneration the criteria for the time required and methods used for this verification depending on the nature and characteristics of each variable component.

That, additionally, companies consider the inclusion of a reduction ('malus') clause for the deferral of the payment of a portion of variable remuneration components that would imply their total or partial loss if an event were to occur prior to the payment date that would make this advisable.

Complies Complies partially Explain Not applicable

60. That remuneration related to company results should take into account any reservations that might appear in the external auditor's report and that would diminish said results.

Complies Complies partially Explain Not applicable

61. That a material portion of executive directors' variable remuneration be linked to the delivery of shares or financial instruments referenced to the share price.

Complies Complies partially Explain Not applicable

Although the Articles of Association, in Article 12, provide for the possibility of the Directors being paid by means of remuneration based on the provision of shares or option rights on shares of the Company itself, at the moment the Company has not considered it necessary to establish remuneration for its Executive Director through the provision of shares or financial instruments linked to their value since it considers that the current variable remuneration systems for the Chief Executive Officer are the most appropriate to encourage their motivation and professional performance, as well as their commitment and linking to the interests of the Company and the Group. In particular, the Chief Executive Officer's variable remuneration is linked to predetermined and measurable performance criteria that allow them to be paid for their continuous performance over a period of time sufficient to appreciate their contribution to the creation of sustainable value.

In addition, the length of time in which the current Chief Executive Officer has been linked to the Company allows us to conclude that their long-term interests are sufficiently aligned with those of the Company.

62. That once shares or options or financial instruments have been allocated under remuneration schemes, executive directors be prohibited from transferring ownership or exercising options or rights until a term of at least three years has elapsed.

An exception is made in cases where the director has, at the time of the transfer or exercise of options or rights, a net economic exposure to changes in the share price for a market value equivalent to at least twice the amount of his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to shares that the director may need to sell in order to meet the costs related to their acquisition or, following a favourable assessment by the nomination and remuneration committee, to deal with such extraordinary situations as may arise and so require.

Complies Complies partially Explain Not applicable

63. That contractual arrangements should include a clause allowing the company to demand reimbursement of the variable remuneration components in the event that payment was not in accordance with the performance conditions or when payment was made based on data subsequently shown to have been inaccurate.

Complies Complies partially Explain Not applicable

64. That payments for contract termination should not exceed an amount equivalent to two years of total annual remuneration and should not be paid until the company has been able to verify that the director has fulfilled all previously established criteria or conditions for payment.

For the purposes of this recommendation, payments for contractual termination will be considered to include any payments the accrual of which or the obligation to pay which arises as a consequence of or on the occasion of the termination of the contractual relationship between the director and the company, including amounts not previously vested of long-term savings schemes and amounts paid by virtue of post-contractual non-competition agreements.

Complies Complies partially Explain Not applicable

The amount of the compensation for the Executive Director amounts, as a general rule, to an amount equivalent to two (2) years of their total remuneration, including fixed and variable remuneration, but excluding that obtained in programmes or incentives of an annual or multi-year nature. This is without prejudice to the fact that, depending on the type of event that leads to the termination of the contracts, it may reach an amount equivalent to three (3) years of their total remuneration. All of that taking into account Recommendation 56 of the Code of Good Practice, which establishes that the remuneration of the directors should be that necessary to attract and retain the directors of the desired profile and to reflect the dedication, qualifications and responsibility required of the position.

H) FURTHER INFORMATION OF INTEREST

- 1 If there is any significant aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which it is necessary to include in order to provide a more comprehensive and reasoned picture of the structure and governance practices in the company or its group, describe them briefly below.
- 2 This section may also be used to provide any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not repetitive.

Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if so, include any information required under this legislation that differs from the data required in this report.
- 3 The company may also indicate whether it has voluntarily subscribed to other ethical or best practice codes, whether international, sector-based, or other. In such case, name the code in question and the date on which the company subscribed to it. Specific mention must be made as to whether the company adheres to the Code of Good Tax Practices of 20 July 2010.

In accordance with the provisions of Article 2 of Law 11/2018 of 28 December, which amends the Commercial Code, the consolidated text of the Capital Companies Act approved by Royal Legislative Decree 1/2010 of 2 July and Law 22/2015 of 20 July on the Auditing of Accounts, in the area of non-financial information and diversity and with the amendment made by this Law in sub-section 6 of Article 540.4.c) of the Spanish Capital Companies Act, it is expressly stated that the provisions of points C.1.5 and C.1.6. of this report are exactly applicable to the Commissions of the Board of Directors of the Company and to the Management of the Company.

Shareholders were also provided with the appropriate information on diversity criteria and objectives when electing or reappointing members of the Board of Directors, its Commissions and Management.

As indicated in the course of this report, the Board of Directors of the Company unanimously approved, on 16 December 2020, the revision and amendment of the Regulations of the Board of Directors, the Regulations of the Audit Commission, the Regulations of the Appointments and Remuneration Commission and the Policy for Diversity of the Board of Directors and the Selection of Directors, to adapt them to the new features introduced in the CNMV Code of Good Governance in June 2020.

In addition, the Board of Directors, at its meeting of 25 March 2020, unanimously approved the amendment of the Internal Regulations on Conduct and the development of a Policy of communication, contact and involvement with shareholders, institutional investors, asset managers, financial intermediaries and proxy advisers, which was amended on 16 December 2020 to adapt it to the new Code of Good Governance.

This Annual Corporate Governance Report was approved by the Board of Directors of the company in its meeting held on **24 February 2021**.

Indicate whether any director voted against or abstained from approving this report.

Yes No