Auditor's Report on Elecnor, S.A.

(Along with the annual accounts and management report of the Company Elecnor, S.A. for year ending 31/12/2020)

KPMG

KPMG Auditores, S.L.
Torre Iberdrola
Plaza Euskadi, 5
Planta 17
48009 Bilbao

Auditor's Report on the Annual Accounts issued by an Independent Auditor

To the Shareholders of Elecnor, S.A.

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Elecnor, S.A. (the Company), which comprise the balance sheet as at 31 December 2020, the income statement, the statement of changes in net equity, the statement of cash flows, and the notes for the year then ended.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company as at 31 December 2020 and of its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (identified in Note 2 of the notes to the annual accounts) and, in particular, with the accounting principles and criteria included therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the annual accounts* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the annual accounts in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

SILVINA MARÍA GARRIDO GARDÉ
Traductora-Intérprete Jurada de INGLÉS
N.º 1081

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue from construction contracts See note 4.o to the annual accounts	
Key Audit Matter	*How the Matter was Addressed in Our Audit*
The revenue of Elecnor, S.A. is mainly generated by construction and service provision contracts in which the revenue is recognised based on the percentage of completion method, in other words, on the basis of the degree of fulfilment of the contract at the end of each accounting period, requiring the Company to make estimates of the costs, revenue and results foreseen in each of the contracts in order to determine the revenue to be recognised. The application of this method therefore requires a high degree of judgment on the part of the Directors and comprehensive checks on the estimates made and any deviations that may arise in the course of the contract duration. These estimates must take into account all of the costs and revenues associated with the contracts, including any cost over and above those initially budgeted, the risks for disputed claims, as well as revenue in the process of negotiation or claim to the customer. In this sense, revenue is only recognised when it can be reliably estimated, the company is likely to receive a financial benefit from the transaction and the costs incurred and pending, as well as the degree of execution of the contract, as at year end, **can be reliably estimated**. Owing to the uncertainty associated with the said estimates and the fact that changes in the same might give rise to material differences in the revenue recorded, it has been considered a key audit matter.	Our audit procedures have included the following measures, among others: - Evaluation of the design and implementation of checks and balances related to the revenue valuation and recognition process using the percentage of completion method and to the process for budget control and testing of the key controls identified; - Verification that the methodology used by the Company to determine revenue, calculated on the basis of the proportion of the services performed with respect to the total of the services to be rendered, is one of the methodologies accepted by the applicable financial reporting regulatory framework; - Based on certain quantitative and qualitative selection criteria, we selected a sample of the construction contracts to evaluate the estimates made in the drafting of the forecasts of the results of the contract and in the recognition of revenue. In this sense, we have obtained the contracts and the additional supporting documentation on which these estimates and judgment applied by the Company were based; - Retrospective assessment comparing the margin of the completed contracts in the year with the margin estimated in the previous year for said contracts; - Based on certain quantitative and qualitative selection criteria, evaluation of whether the allowances recognised regarding each of the contracts at year end reasonably reflect present obligations that are likely to generate a future outflow of economic benefits, in accordance with the provisions contained in the contracts and obtaining supporting documentation to justify their recognition and evaluating the judgment applied by the Company in its estimates; and - Evaluation of whether the information disclosed in the annual accounts comply with the requirements of the financial reporting regulatory framework applicable lo the Company.

SILVINA MARÍA GARRIDO GARDÉ
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Other Information: Management Report

Other information comprises only the management report for the 2020 financial year, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

Our audit opinion on the annual accounts does not cover the management report. Our responsibility regarding the information contained in the management report is defined in the regulations that govern auditing, as follows:

a) Determine, solely, whether the non-financial information statement and certain information included in the Annual Corporate Governance Report, as specified in the Audit Law, has been provided in the manner stipulated in the applicable legislation and, if not, to report on this matter.

b) Assess and report on the consistency of the remaining information contained in the management report with the annual accounts, based on knowledge of the Company obtained during the audit of the aforementioned accounts and assess and report on whether the content and presentation of this part of the management report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have verified that the information mentioned in section a) above has been provided in the management report and that the rest of the information contained in the management report is consistent with that disclosed in the annual accounts for 2020 and the content and presentation of the report are in accordance with applicable legislation.

Responsibilities of the Directors and of the Audit Committee for the Annual Accounts

The Company's Directors are responsible for the preparation of the accompanying annual accounts in such a way that they give a true and fair view of the equity, financial position and results of the Company in accordance with the financial reporting framework applicable to the Company in Spain, and for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Company's Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Company's audit committee is responsible for overseeing the preparation and presentation of the annual accounts.

SILVINA MARÍA GARRIDO GARDÉ
Traductora-Intérprete Jurada de INGLÉS
N.º 1081

Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Company's directors[2].

- Conclude on the appropriateness of the Company's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee of Elecnor, S.A. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

SILVINA MARÍA GARRIDO GARDÉ
Traductora-Intérprete Jurada de INGLÉS
N.º 1081

We also provide the Company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated to the Company's audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit committee dated 25 February 2021.

Appointment Period

The Annual General Meeting of Shareholders held on 20 May 2020, appointed our firm as the Auditors of the Company for the term of one year, starting from 31 December 2019.

We were previously designated by means of a resolution adopted by the Annual General Meeting of Shareholders for the period of 3 years with annual renewals, so we have been performing audit work without interruption since the financial year ended on 31 December 2013.

KPMG Auditores, S.L.
Entered on the R.O.A.C. no. S0702
[Signature]
Alberto Fernández Solar
Entered on the R.O.A.C. no. 22472

25 February 2021

[Seal:]

AUDITORS
INSTITUTE OF CHARTERED AUDITORS IN SPAIN

KPMG AUDITORES, S.L.

2021 number 03/21/00277
EUR 96.00

CORPORATE SEAL:
Audit Report subject to Spanish or international auditing regulations.

SILVINA MARÍA GARRIDO GARDÉ
Traductora-Intérprete Jurada de INGLÉS
N.º 1081

Doña Silvina María GARRIDO GARDÉ, Traductora-Intérprete Jurada de INGLÉS, nombrada por el Ministerio de Asuntos Exteriores, Unión Europea y Cooperación, certifica que la que antecede es traducción fiel y completa al INGLÉS de un documento redactado en ESPAÑOL.

En Galicia, a

14 MAYO 2021

SILVINA MARÍA GARRIDO GARDÉ
Traductora-Intérprete Jurada de INGLÉS
N.º 1081

Ms Silvina María GARRIDO GARDÉ, Sworn Translator-Interpreter of ENGLISH, appointed by the Ministry of Foreign Affairs, European Union and Cooperation, does hereby certify that this is a true translation into ENGLISH of a document in SPANISH.

In Galicia, on this

14 MAYO 2021

SILVINA MARÍA GARRIDO GARDÉ
Traductora-Intérprete Jurada de INGLÉS
N.º 1081

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ELECNOR, S.A.

BALANCE SHEET AT 31 December 2020

(Thousands of Euros)

ASSETS	Notes to the Annual Accounts	Year 2020	Year 2019
NON-CURRENT ASSETS		**994,476**	**988,608**
Intangible assets	**Note 6**	**6,075**	**4,766**
Concessions and patents		37	38
Goodwill		515	619
Computer software		5,523	4,109
Property, plant and equipment	**Note 7**	**75,703**	**63,294**
Land and buildings		16,737	16,959
Technical installations and other property, plant and equipment		58,966	46,335
Long-term investments in Group companies and associates		**866,934**	**871,077**
Equity instruments	**Note 9.2**	858,941	860,516
Credits to Group companies	**Notes 9.4 & 19**	7,993	10,561
Long-term financial investments	**Note 9.1**	**7,796**	**7,261**
Equity instruments		1,040	1,040
Credits to third parties		2,176	2,176
Derivatives	**Note 10**	180	23
Other financial assets		4,400	4,022
Deferred tax assets	**Note 16**	**37,968**	**42,210**
CURRENT ASSETS		**1,169,045**	**953,883**
Non-current assets held for sale	**Note 5**	**81**	**10,784**
Inventories		**31,186**	**13,494**
Raw materials and other materials consumed		2,180	2,359
Finished goods – short cycle		639	823
Advances to suppliers		28,367	10,312
Trade and other receivables	**Note 9.5**	**902,261**	**830,513**
Customers, sales and services rendered		857,816	774,940
Customers, Group companies and associates	**Note 19.2**	20,013	18,537
Sundry receivables		1,774	10,530
Personnel		95	159
Current tax assets	**Note 16**	4,177	6,588
Public Administrations, other	**Note 16**	18,386	19,759
Short-term investments in Group companies and associates	**Notes 9.4 & 19**	**31,534**	**8,650**
Credits to companies		28,439	6,887
Other financial assets		3,095	1,763
Short-term financial investments	**Note 9.1**	**7,129**	**1,624**
Credits to companies		13	56
Derivatives	**Note 10**	143	384
Other financial assets		6,973	1,184
Short-term accruals		**1,356**	**1,285**
Cash and cash equivalents		**195,498**	**87,533**
Cash		195,123	87,110
Cash equivalents		375	423
TOTAL ASSETS		**2,163,521**	**1,942,491**

The accompanying notes form an integral part of the annual accounts.

ELECNOR, S.A.

BALANCE SHEET AT 31 December 2020

(Thousands of Euros)

EQUITY AND LIABILITIES	Notes to the Annual Accounts	Year 2020	Year 2019
EQUITY		**593,717**	**591,200**
EQUITY	**Note 11**	**599,569**	**596,828**
Capital		**8,700**	**8,700**
Issued capital		8,700	8,700
Reserves		**586,122**	**584,956**
Legal and statutory		1,743	1,743
Other reserves		584,379	583,213
Own shares and equity		**(21,899)**	**(21,963)**
Profit/loss for the year		**31,633**	**30,122**
Interim dividend		**(4,987)**	**(4,987)**
VALUATION ADJUSTMENTS			
Hedges		**(5,852)**	**(5,628)**
NON-CURRENT LIABILITIES		**443,458**	**323,840**
Long-term provisions	**Note 12**	**44,638**	**40,653**
Other provisions		44,638	40,653
Long-term payables	**Note 13**	**392,364**	**279,421**
Loans and borrowings		381,546	268,826
Finance lease payables	**Note 8**	3,880	4,352
Derivatives	**Note 10**	6,938	6,243
Deferred tax liabilities	**Note 16**	**6,456**	**3,766**
CURRENT LIABILITIES		**1,126,346**	**1,027,451**
Short-term provisions	**Note 12**	**40,255**	**41,518**
Short-term payables	**Note 13**	**118,733**	**132,689**
Bonds and other marketable securities		69,969	69,989
Loans and borrowings		3,769	52,932
Finance lease payables	**Note 8**	461	437
Derivatives	**Note 10**	1,176	1,656
Other financial liabilities		43,358	7,675
Short-term payables to Group companies and associates	**Note 19.2**	**16,883**	**27,612**
Trade and other payables		**948,839**	**823,975**
Suppliers		378,581	336,786
Suppliers, Group companies and associates	**Note 19.2**	27,327	6,722
Sundry payables		36,076	42,693
Personnel		19,096	23,918
Current tax liabilities	**Note 16**	4,111	4,717
Public Administrations, other	**Note 16**	32,732	35,261
Advances from customers	**Note 15**	450,916	373,878
Short-term accruals		**1,636**	**1,657**
TOTAL EQUITY AND LIABILITIES		**2,163,521**	**1,942,491**

The accompanying notes form an integral part of the annual accounts.

ELECNOR, S.A.

INCOME STATEMENT
FOR 2020
(Thousands of Euros)

	Notes to the Annual Accounts	Year 2020	Year 2019
CONTINUING OPERATIONS			
Net turnover	**Note 17.1**	**1,544,049**	**1,368,728**
Sales		1,544,049	1,368,728
Changes in inventories of finished goods		**(184)**	**12**
Self-constructed assets		**3,120**	**2,156**
Materials consumed		**(872,677)**	**(740,717)**
Consumption of raw materials and other consumables	**Note 17.2**	(430,009)	(374,157)
Work carried out by other companies		(442,668)	(366,560)
Other operating income		**8,055**	**8,046**
Non-trading income and other day-to-day income		7,214	7,265
Operating grants included in profit/loss for the year		841	781
Personnel expenses	**Note 17.3**	**(444,545)**	**(428,427)**
Salaries, wages and similar		(345,414)	(336,420)
Employee benefit costs		(99,131)	(92,007)
Other operating expenses		**(203,271)**	**(201,521)**
External services		(183,175)	(182,985)
Taxes		(6,354)	(5,540)
Losses, impairment and changes in trade provisions	**Notes 9 & 12**	(10,195)	(9,886)
Other day-to-day expenses	**Note 7**	(3,547)	(3,110)
Depreciation/Amortisation	**Notes 6 & 7**	**(14,465)**	**(12,975)**
Impairment and profit/loss on disposals of fixed assets	**Note 7**	**670**	**(2,505)**
Profit/Loss on disposals and others		670	(2,505)
PROFIT/LOSS FROM OPERATING ACTIVITIES		**20,752**	**(7,203)**
Finance income		**40,054**	**87,141**
From holdings in equity instruments			
– Group companies and associates	**Note 19.1**	35,569	83,278
Marketable securities and other financial instruments			
– Group companies and associates	**Notes 9 & 19.1**	3,600	3,764
- Third parties	**Note 9**	885	99
Finance expenses	**Note 13**	**(10,198)**	**(13,009)**
Payables to Group companies and associates	**Note 19.1**	(343)	(567)
Payables to third parties		(9,855)	(12,442)
Translation differences		**3,391**	**243**
Impairment and profit/loss on disposals of financial instruments		**(7,234)**	**(12,513)**
Impairment and losses	**Notes 9.2 & 9.4**	(10,704)	(27,372)
Profit/Loss on disposals and others	**Notes 5 & 9.2**	3,470	14,859
FINANCE INCOME/EXPENSES		**26,013**	**61,862**
PROFIT/LOSS BEFORE TAXES		**46,765**	**54,659**
Income taxes	**Note 16**	(15,132)	(24,537)
PROFIT/LOSS FROM CONTINUING OPERATIONS		**31,633**	**30,122**
PROFIT/LOSS FOR THE YEAR		**31,633**	**30,122**

The accompanying notes form an integral part of the annual accounts.

ELECNOR, S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2020

STATEMENT OF RECOGNISED INCOME AND EXPENSES

(Thousands of Euros)

	Notes to the Annual Accounts	Year 2020	Year 2019
PROFIT/LOSS IN THE INCOME STATEMENT (I)		**31,633**	**30,122**
Income and expenses recognised directly in equity:			
- Cash flow hedges	**Note 10**	(2,507)	(3,483)
- Tax effect	**Note 16**	627	871
TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY (II)		**(1,880)**	**(2,612)**
Transfers to the income statement			
- Cash flow hedges	**Note 10**	2,207	2,352
- Tax effect	**Note 16**	(551)	(588)
TOTAL TRANSFERS TO THE INCOME STATEMENT (III)		**1,656**	**1,764**
TOTAL RECOGNISED INCOME AND EXPENSES (I+II+III)		**31,409**	**29,274**

The accompanying notes form an integral part of the annual accounts.

ELECNOR, S.A.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 2020
B) STATEMENT OF TOTAL CHANGES IN EQUITY
(Thousands of Euros)

	Capital	Reserves	Own shares	Profit/Loss for the year	Dividend dividend	Adjustments for adjustments adjustments	TOTAL
BALANCE AT 31 DECEMBER 2018	**8,700**	**567,366**	**(21,884)**	**44,136**	**(4,795)**	**(4,780)**	**588,743**
Total recognised income and expenses	-	-	-	30,122	-	(848)	29,274
Transactions with shareholders:							
– Distribution of profit for 2018							
Reserves	-	17,401	-	(17,401)	-	-	-
Interim dividend	-	-	-	(4,795)	4,795	-	-
Supplementary dividend	-	-	-	(21,940)	-	-	(21,940)
- Transactions with own shares (net) (Note 11.3)	-	189	(79)	-	-	-	110
- Interim dividend	-	-	-	-	(4,987)	-	(4,987)
BALANCE AT 31 December 2019	**8,700**	**584,956**	**(21,963)**	**30,122**	**(4,987)**	**(5,628)**	**591,200**
Total recognised income and expenses	-	-	-	31,633	-	(224)	31,409
Transactions with shareholders:							
– Distribution of profit in 2019 (Note 3)							
Reserves	-	1,249	-	(1,249)	-	-	-
Interim dividend	-	-	-	(4,987)	4,987	-	-
Supplementary dividend	-	-	-	(23,886)	-	-	(23,886)
- Transactions with own shares (net) (Note 11.3)	-	(83)	64	-	-	-	(19)
- Interim dividend	-	-	-	-	(4,987)	-	(4,987)
BALANCE AT 31 December 2020	**8,700**	**586,122**	**(21,899)**	**31,633**	**(4,987)**	**(5,852)**	**593,717**

ELECNOR, S.A.

STATEMENT OF CASH FLOWS FOR 2020

(Thousands of Euros)

	Notes to the Annual Accounts	Year 2020	Year 2019
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**142,294**	**117,948**
Profit/Loss for the year before taxes		46,765	54,659
Adjustments to profit/loss:			
- Depreciation/Amortisation	**Notes 6 & 7**	14,464	12,975
- Changes in provisions		8,650	17,238
- Impairment adjustments		21,323	33,300
- Profit/Loss on derecognitions and disposals of fixed assets		(670)	740
- Finance income		(40,054)	(87,141)
- Finance expenses		10,198	13,009
- Exchange rate differences		(3,391)	(243)
- Profit/Loss on derecognitions and disposals of financial instruments	**Notes 5 & 9**	(752)	(14,859)
- Other income and expenses	**Note 7**	3,547	3,110
Changes in current capital			
- Inventories		(17,692)	9,461
- Trade and other receivables		(80,030)	(103,536)
- Other current assets		(71)	(768)
- Trade and other payables		161,787	129,745
- Other current liabilities		(24)	(5)
- Provisions (payments)		(7,928)	(14,744)
Other cash flows from operating activities			
- Interest paid		(9,560)	(10,908)
- Dividends received		35,569	84,668
- Interest received		4,485	2,513
- Income tax received (paid)		(4,322)	(11,266)
CASH FLOWS FROM INVESTMENT ACTIVITIES (II)		**(57,113)**	**(9,052)**
Payments for investments			
- Group companies and associates		(43,531)	(38,419)
- Intangible assets	**Note 6**	(3,625)	(2,410)
- Property, plant and equipment	**Note 7**	(28,749)	(15,367)
- Other financial assets		(6,124)	(2,702)
Proceeds from divestments			
- Group companies and associates		13,248	49,656
- Property, plant and equipment		733	155
- Non-current assets held for sale	**Note 5**	10,935	-
- Other financial assets		-	35
CASH FLOWS FROM FINANCING ACTIVITIES (III)		**22,784**	**(100,570)**
Proceeds from and payments for equity instruments			
– Acquisition of own equity instruments	**Note 11**	(1,588)	(1,213)
– Disposal of own equity instruments	**Note 11**	1,569	1,323
Proceeds from (payments for) financial liabilities			
- Issuance of bonds and other marketable securities	**Note 13.2**	966,000	1,601,100
- Issuance of loans and borrowings		134,432	67,581
- Issuance of payables to Group companies and associates	**Note 19.2**	14,100	9,000
- Issuance of other payables		-	1,641
- Repayment and cancellation of loans and borrowings		(69,348)	(35,000)
- Repayment and cancellation of payables to Group companies and associates	**Note 19.2**	(24,475)	(29,800)
- Repayment of bonds and other marketable securities	**Note 13.2**	(966,020)	(1,685,927)
- Repayment of other payables		(3,013)	(2,348)
Payments for dividends and remuneration on other equity instruments			
- Dividends	**Note 3**	(28,873)	(26,927)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		**107,965**	**8,326**
Cash and cash equivalents at beginning of period		87,533	79,207
Cash and cash equivalents at end of period		195,498	87,533

The accompanying notes form an integral part of the annual accounts.

1. Nature, Activities of the Company and Composition of the Group

Elecnor, S.A. (hereinafter, the Company) was incorporated for an indefinite period on 6 June 1958.

The Company's statutory activity, according to its bylaws, is:

- Wide-ranging commercial activity in connection with the engineering, design, construction, erection, repair, maintenance and upkeep of all manner of construction projects and installation work in the broadest sense, i.e. the entire execution thereof with or without the supply of materials, on its own account or through third parties, on an exclusive basis or through associations of any kind.

- The provision of public and private services in relation to the collection of all types of waste; sweeping and cleaning of streets; transfer and transport of waste to the place of end disposal; the end disposal of such waste, recycling, treatment and deposit of public, private, industrial, hospital and pathological waste; cleaning, maintenance and upkeep of sewers; and, in general, urban water treatment services and all other ancillary services related directly or indirectly to the aforementioned services in their broadest sense.

- The design, research, development, construction, operation, maintenance and marketing of waste treatment, recovery and elimination facilities, and the purchase and sale of the by-products originating from these treatments.

- the design, research, development, construction, operation, maintenance and marketing of plants and facilities for the treatment of water, wastewater and waste, the recovery and elimination of waste, and the purchase and sale of the by-products originating from these treatments;

- The use, transformation and marketing of water of all types.

The aforementioned business activities can also be fully or partially carried out indirectly by the Company through investments in other companies with a similar statutory activity, both in Spain and abroad. The Company may not carry out any business activity for which specific conditions or limitations are imposed by law, unless it fully meets such conditions.

The Company's registered and tax office is located at Marqués de Mondéjar, 33, in Madrid.

The Company is shareholder in various ventures with other venturers, which are included in the annual accounts in accordance with the criteria set forth in Note 4.b. The information concerning joint ventures incorporated as Temporary Business Associations (UTEs) is presented in Appendix II.

The Company is the head of a group of subsidiaries, and, in accordance with applicable legislation, it discloses consolidated annual accounts separately. The consolidated annual accounts of the Elecnor Group in 2020 were authorised for issue by the Company's Directors at the meeting of the Board of Directors held on 24 February 2021. In accordance with the content of the consolidated annual accounts prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS-EU), consolidated equity at 31 December 2020 amounted to Euros 599,936 thousand (Euros 737,320 thousand at 31 December 2019), consolidated profit/loss attributable to the Parent amounted to Euros 78,303 thousand (Euros 126,377 thousand at 31 December 2019), and the total volume of assets and revenues amounted to Euros 3,046,631 thousand and Euros 2,455,952 thousand, respectively (Euros 2,979,244 thousand and Euros 2,453,726 thousand at 31 December 2019, respectively), and will be deposited with Madrid Company Register within the established legal terms.

The Elecnor Group's consolidated annual accounts for 2019 were approved by the General Shareholders' Meeting of Elecnor, S.A. at their meeting held on 20 May 2020 and have been filed in the Madrid Companies Register.

2. Basis of presentation

2.1. True and fair view

The accompanying annual accounts have been prepared on the basis of the accounting records of Elecnor, S.A. (and of the consolidated temporary business associations (UTEs)). The annual accounts for 2020 were prepared in accordance with applicable commercial legislation and the rules established in the Spanish General Chart of Accounts to provide a true and fair view of the equity and financial position at 31 December 2020 and the results of its transactions, changes in equity and cash flows corresponding to the financial year ended on that date.

The Directors of the Company consider that the annual accounts for 2020, authorised for issue on 24 February 2021, will be approved with no changes by the General Shareholders' Meeting.

2.2. Comparative information

For comparative purposes, the annual accounts include figures for 2019 alongside the 2020 figures for each item in the balance sheet, the income statement, the statement of changes in equity, the statement of cash flows and the notes thereto. The 2019 figures were included in the annual accounts for 2019, which were approved at the Ordinary Annual General Shareholders' Meeting on 20 May 2020.

2.3. Functional currency and presentation currency

The figures disclosed in the annual accounts are expressed in thousands of Euros, the Company's functional and presentation currency.

2.4. Critical aspects of measurement and uncertainty estimates and significant judgements in applying accounting policies

The information contained in the annual accounts is the responsibility of the Company's Directors. The preparation of annual accounts requires the application of significant accounting estimates and judgements, estimates and assumptions in the process of applying the Company's accounting policies. In this connection, there follows a detailed summary of the aspects that have involved the greatest degree of judgement, complexity or in which the assumptions and estimates are not significant for preparing the annual accounts.

Significant accounting estimates and assumptions

- The Company performs a significant portion of its activities in construction contracts with customers. This method is based on performing estimates in relation to the stage of completion of projects. Depending on the method used to determine project progress, significant estimates correspond to costs pending incurring in each contract. In addition, the Company recognises provisions for negative margins when the estimate of total costs exceeds estimated income from contracts. These estimates are subject to changes based on new information regarding the stages of completion.

- Adjustments due to customer insolvencies, the revision of individual balances based on the credit ratings of customers, current market trends and a historical analysis of insolvencies on an aggregate basis involve significant judgements.

- The calculation of provisions for litigation and inspections is subject to considerable uncertainty. If it is likely that there will be an obligation at the end of the year that will imply an outflow of resources, a provision is recognised if the amount can be reliably estimated. Legal processes usually imply complex legal matters and are subject to considerable uncertainty. The Company relies on third-party advice to estimate the probability of the outcome of litigation and inspections.

Changes in estimates

Although the estimates performed by the Company's Directors were calculated based on the best information available at 31 December 2020, it is possible that future events might oblige their modification in the next few years. The effect on the annual accounts of modifications that, in the event, may derive from adjustments over the next few years would be recognised prospectively.

3. Distribution of Profit/Loss

The proposed distribution of the Company's profit/loss for 2020, to be presented to the General Shareholders' Meeting, is as follows:

	Euros
Basis of distribution	
Profit for the year	31,632,749.89
Voluntary reserves	1,249,867.75
Total	**32,882,617.64**
Distribution	
Voluntary reserves	2,759,499.61
Capitalisation reserves Law 27/2014	1,249,867.75
Interim dividend	4,986,840.00
Supplementary dividend	23,886,410.28
Total	**32,882,617.64**

The appropriation of the Company's profit and reserves for the year ended on 31 December 2019, approved by shareholders at their General Meeting of 20 May 2019, was as follows:

	Euros
Basis of distribution	
Profit for the year	30,123,118.03
Voluntary reserves	2,150,562.05
Total	**32,273,680.08**
Distribution	
Voluntary reserves	1,249,867.75
Capitalisation reserves Law 27/2014	2,150,562.05
Interim dividend	4,986,840.00
Supplementary dividend	23,886,410.28
Total	**32,273,680.08**

At the General Shareholders' Meeting held on 20 May 2020 a supplementary dividend of Euros 23,886 thousand (Euros 0.33 per share) was approved, taking into account the interim dividend of Euros 4,987 thousand out of profit for 2019 paid in December 2019.

At the meeting held on 28 October 2020, the Board of Directors of the Company agreed to distribute an interim dividend for 2020 of Euros 4,987 thousand (Euros 4,987 thousand for 2019), which was recognised as a reduction in equity under "Interim dividend" on the liability side of the accompanying balance sheet, which was paid on 9 December 2020.

These distribution amounts did not exceed the profit obtained in the last year by the Company, having deducted the estimated Corporate Income Tax payable on said profit, in accordance with the provisions of article 277 of the Revised Spanish Companies Act.

The provisional accounting statement prepared in accordance with legal requirements evidencing the existence of sufficient liquidity for the distribution of the dividend was as follows:

WORKING CAPITAL POSITION AT 30 September 2020

(Thousands of Euros)

(Excluding inventories and accruals)

	Thousands of Euros
Realisable values -	
Customers	769,111
Other accounts	136,472
	905,583
Short-term payables -	
Suppliers	285,906
Short-term loans	307,860
Other accounts	176,108
	769,874
Total working capital	**135,709**
Cash available:	
Cash on hand and at banks (including foreign currency)	167,685
Total cash available	**167,685**
Gross interim dividend proposed-	
(Euros 0.05732 for 87,000,000 shares)	4,987
% of net profit at the end of the year	93.17%
% of working capital + cash available	1.64%

At 31 December, the amounts of reserves not available for distribution are as follows:

	Thousands of Euros	
	2020	2019
Reserves not available for distribution:		
Legal reserve	1,743	1,743
Goodwill reserve	516	619
Capitalisation reserve	6,559	4,408
Differences for adjustments of share capital to euros	15	15
	8,833	**6,785**

Profit recognised directly in equity cannot be distributed, either directly or indirectly.

4. Accounting and Measurement Standards

In preparing its annual accounts for 2020, the Company has applied the main accounting and measurement standards in accordance with the Spanish General Chart of Accounts, as follows:

a) Business combinations

Business combinations from 1 January 2010 are recognised by applying the acquisition method established in Accounting and Measurement Standard 19 of the Spanish General Chart of Accounts, as amended by article 4 of Royal Decree 1159/2010, approving the standards for preparing consolidated annual accounts and amending the Spanish General Chart of Accounts.

In business combinations, except mergers, spin-offs and non-monetary contributions of a business between Group companies, the Company applies the acquisition method.

The acquisition date is the date on which the Company obtains the control of the acquired business.

b) Jointly-controlled operations and assets

Joint ventures are those in which there is a contractual or statutory agreement to share the control over an economic activity, in such a way that strategic operating and financial decisions concerning the activities require the unanimous consent of the Company and the remaining venturers.

In jointly-controlled operations and assets, the Company recognises in the annual accounts the assets that are under its control, the liabilities in which it has incurred and the proportionate part in accordance with its interest percentage in the jointly-controlled assets and the jointly-incurred liabilities; and the part of the proceeds of the sale of goods or provision of services and the expenses incurred by the joint venture. Moreover, the statement of changes in equity and the statement of cash flows also include the proportionate part corresponding to the Company pursuant to the agreements reached.

The transactions, balances, income, expenses and reciprocal cash flows were eliminated in proportion to the Company's interest in the joint ventures.

Profit or loss not realised in non-monetary contributions or descendent transactions by the Company with joint ventures are recognised based on the substance of the transactions. In this connection, in the event that the transferred assets are maintained in the joint ventures and the Company has substantially transferred the risks and rewards inherent to ownership thereof, it only recognises the proportionate part of the profit or loss that correspond to the rest of venturers. Moreover, losses not realised are not eliminated to the extent that they constitute evidence of an impairment in the value of the transferred asset.

Profit or loss on transactions between joint ventures and the Company are only recognised in the proportion thereof that corresponds to the rest of venturers, applying the same recognition criteria in the case of losses as are described in the previous paragraph.

The Company has made the necessary valuation and timing adjustments to integrate the joint ventures in the annual accounts.

The information concerning jointly-controlled economic activities pertaining to Temporary Business Associations (UTEs) is presented in Appendix II.

c) Intangible assets

Assets under Intangible assets are recognised at their acquisition price or production cost. Intangible assets are presented in the balance sheet at cost less amortisation and cumulative impairment adjustments.

Subsequent costs incurred on intangible assets are recognised as an expense, unless they increase the expected future economic benefits attributable to the assets.

Computer software

The Company recognises under this heading the costs incurred in acquiring and developing software. Maintenance costs of computer software are recognised in the income statement for the year in which they are incurred. Computer software is amortised using the straight-line method over a period of 3 years.

Goodwill

Goodwill is measured as outlined in the section on business combinations.

The Company allocates the goodwill resulting from business combinations to each of the Cash-Generating Units (CGU) that are expected to benefit from the synergies from the combination and determines the useful life thereof separately for each CGU. After initial recognition, goodwill is measured at cost less amortisation and cumulative impairment adjustments. The Company amortises goodwill over the course of its useful life, which is 10 years.

Impairment

The Company measures and determines the intangible assets' impairment adjustments and reversals in accordance with the criteria set forth in section e) Impairment of non-financial assets carried at amortised or depreciated cost.

d) Property, plant and equipment

Initial recognition

Property, plant and equipment are accounted for at acquisition price or production cost and include updates conducted in accordance with various applicable legal provisions (Royal Decree-Law 7/1996). Property, plant and equipment are presented in the balance sheet at cost less depreciation and cumulative impairment adjustments.

Improvements to properties under operating leases that are definitively added to the leased property are capitalised as higher costs under the relevant heading and depreciated over the contractual term or, if shorter, the estimated useful life of the asset.

Self-constructed property, plant and equipment is capitalised under “Self-constructed assets” in the income statement and recognised at accumulated cost; i.e., external costs plus in-house costs, determined on the basis of materials consumed, direct labour costs incurred and overall manufacturing costs calculated using absorption rates similar to those used for the measurement of inventories.

With regard to “Hand and machine tools” recognised under Property, plant and equipment (Note 7), the Company performs an annual adjustment based on a physical count under “Other operating expenses - Other day-to-day expenses” in the income statement, directly removing said amount from the cost of the asset account. In 2020, this kind of write-off amounted to Euros 3,547 thousand (Euros 3,110 thousand in 2019).

Depreciation

Property, plant and equipment is depreciated by distributing the depreciable amount using the straight-line method over its useful life.

The Company determines depreciation of property, plant, and equipment by applying the following criteria:

	Years of Useful Life
Buildings	25
Technical installations and machinery	8-10
Furniture and fixtures	10
Information technology equipment	4- 7
Motor vehicles	6-10

The Company reviews the residual value, useful life and depreciation method of the property, plant, and equipment at the end of each financial year. Any changes to the initially established criteria are recognised as a change in estimate.

Subsequent costs

Subsequent to the initial recognition of the asset, the Company only capitalises those costs incurred that imply an increase in its capacity, productivity or lengthening of useful life, and the carrying amount of the replaced items must be derecognised. In this connection, the costs deriving from the daily upkeep of property, plant and equipment are recognised as they are incurred.

The replacement of items of property, plant and equipment that may potentially be capitalised implies reducing the carrying amount of the items replaced.

Impairment

The Company measures and determines the property, plant and equipment's impairment adjustments and reversals in accordance with the criteria set forth in section e) Impairment of non-financial assets carried at amortised or depreciated cost.

e) Impairment of non-financial assets carried at amortised or depreciated cost

The Company evaluates whether there are indications of possible impairment losses on non-financial assets subject to amortisation or depreciation to verify whether the carrying amount of these assets exceeds the recoverable amount, understood as the higher between fair value less the costs to sell and value in use.

Impairment losses are recognised in the income statement.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs.

A Cash-Generating Unit (CGU) is the smallest identifiable group of assets that generates cash flows that are largely independent of the cash flows from other assets or group of assets.

Impairment losses for the CGU are allocated, first, to reduce the value of any goodwill allocated to the cash-generating unit; and then, to the other non -current assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU, while not reducing the carrying amount of an asset below the highest of its fair value less costs to sell, its value in use and zero.

Reversal of the impairment loss is recognised with a credit in the income statement. However, reversal of the impairment loss cannot exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset.

f) Non-current assets held for sale

The Company recognises under this heading non-current assets or disposal groups of items whose carrying amount will be recovered primarily through a sale transaction, rather than through continuing use. To be classified as non-current assets or disposal groups as held for sale, they must be available in their current state for immediate disposal, subject only to the usual and widely accepted terms of sale transactions, and the derecognition of the asset must also be considered to be highly probable.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the carrying amount and fair value less the costs of sale and are not depreciated.

g) Leases

The Company classifies leases as finance leases when substantially all the risks and rewards incidental to ownership of the leased asset are transferred to the lessee under the terms and conditions of the lease at the start of the lease period, otherwise they are classified as operating leases.

Finance leases

At the start of the lease period, the Company recognises an asset and liability as the lower of the fair value of the leased asset or the current value of the minimum lease payments. Initial direct costs are included as the higher asset value. Minimum payments are divided between the financial charge and the reduction of the outstanding debt. Finance expenses are allocated to income statement, by applying the effective interest rate method.

The accounting principles applied to the assets used by the Company pursuant to lease agreements classified as finance leases are those outlined in section d) Property, plant, and equipment. Nevertheless, if there is no reasonable certainty that the Company will obtain ownership at the end of the asset lease period, they are amortised over the shorter of the useful life or the term thereof.

Operating leases

The payments from operating leases are recognised as an expense on a straight-line basis over the lease term.

Any collection or payment that may be made upon contracting an operating lease will be treated as an advanced collection or payment that will be taken to profit and loss throughout the period of the lease, as the profits from the leased asset are assigned or received.

h) Financial instruments

Recognition

The Company recognises a financial instrument when it becomes a party to the contract or legal transaction, in accordance with the terms set out therein.

Classification and separation of financial instruments

Financial instruments are classified on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument.

The Company classifies financial instruments in the various categories based on the characteristics and intentions of the Company at the time of their initial recognition.

At 31 December 2020 and 2019, financial assets relate entirely to loans and receivables booked at amortised cost or cost/carrying amount, except for hedge derivatives that are accounted for at their fair value.

Offsetting principles

The Company only offsets financial assets against financial liabilities when it has a legally enforceable right to offset the amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Loans and receivables

Loans and receivables comprise trade and non-trade receivables with fixed or determinable payments that are not quoted in an active market other than those classified in other categories of financial assets. These assets are initially recognised at fair value, including transaction costs incurred, and are subsequently measured at amortised cost using the effective interest method.

However, financial assets with no established interest rate, the amount of which is due or receivable in the short term and where the effect of discounting is not material are measured at their nominal amount.

Investments in Group companies, associates and jointly-controlled entities

Group companies are understood to be companies over which the Company exercises control, either directly or indirectly through subsidiaries, as provided in article 42 of the Commercial Code, or companies that are controlled by any means by one or several physical or legal persons acting jointly or under single management through agreements or statutory clauses.

Control is the power to govern the financial and operating policies of an entity or business so as to obtain profits from its activities, considering potential voting rights held by the Company or third parties that are exercisable or convertible at the end of each reporting period for these purposes.

Associates are companies over which the Company, either directly or indirectly through subsidiaries, exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the company but is not control or joint control over those policies. The existence of potential voting rights that are exercisable or convertible at the end of each reporting period, including potential voting rights held by the Company or other companies, are considered when assessing whether an entity has significant influence.

Jointly-controlled entities are those managed jointly by the Company or one or more Group companies, including parent entities or physical persons, and one or more third parties external to the Group.

Investments in Group companies, associates and jointly-controlled entities are initially recognised at cost, which is equivalent to the fair value of the consideration paid, including for investments in associates and jointly-controlled entities the transaction costs incurred and subsequently measured at cost, less cumulative impairment adjustments. Investments in Group companies acquired prior to 1 January 2010 include in the acquisition cost the transaction costs incurred.

Non-monetary contributions in exchange for investments in the equity of other companies

In non-monetary business contributions, including investments in Group companies, Group companies themselves, investments in equity received are measured on the transaction date, at the carrying amount of the equity items delivered or the representative amount of the interest percentage equivalent to the carrying amount of the net assets of the investment contributed, in the consolidated annual accounts of the Group, in accordance with the Standards for Preparing Consolidated Annual Accounts. Any difference between the carrying amount of investments received and the carrying amount of the equity items delivered is recognised in reserves.

Interest and dividends

Interest is recognised using the effective interest rate method.

Dividends from investments in equity instruments are recognised when the Company is entitled to receive them. If dividends paid unequivocally come from profit generated prior to the acquisition date because amounts have been distributed in excess of the profits generated by the investee since the acquisition, they are deducted from the carrying amount of the investment.

Derecognition of financial assets

Financial assets are derecognised when the associated rights to receive cash flows have expired or been transferred and the Company has substantially transferred the risks and rewards deriving from their ownership.

The Company applies the weighted average price criterion to measure and derecognise the cost of equity or debt instruments belonging to homogeneous portfolios and having the same rights.

Impairment of financial assets

A financial asset or a group of financial assets is impaired and impairment losses have been incurred when there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company follows the criterion of recognising the pertinent impairment adjustments on loans and receivables when debtor insolvency has prompted a reduction or delay in estimated future cash flows.

Moreover, in the case of equity instruments, there is impairment when the carrying amount of the asset becomes non-recoverable due to a prolonged or significant decline in its fair value.

- Impairment of financial assets measured at amortised cost

The amount of the impairment loss of financial assets measured at amortised cost is measured as the difference between the asset's carrying amount and the current value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The impairment loss is recognised against profit and loss and is reversible in subsequent years, if the reduction may objectively be linked to an event subsequent to its recognition. However, the reversal is capped at the amortised cost of the assets had the impairment loss not been recognised.

- Investments in Group companies, associates and jointly-controlled entities measured at cost.

Impairment is calculated as the difference between the carrying amount of the investment and its recoverable amount, the latter of which is understood as the higher of the asset's value in use and fair value less costs to sell.

In this connection, value in use is calculated as a function of the Company's interest in the current value of estimated cash flows in ordinary activities and the final disposal or the estimated flows expected from the distribution of dividends and resulting from the final disposal of the investment.

However, in certain cases, barring better proof of the recoverable amount of the investment, in estimating the impairment of this kind of asset, the investee's equity is taken into consideration, corrected for any unrealised gains existing at the measurement date and in accordance with generally applicable accounting principles and standards in Spain. If the investee forms a subgroup of companies, the equity shown in the consolidated annual accounts is taken into account, provided that these annual accounts have been authorised for issue. Otherwise, the equity reflected in the separate annual accounts is considered.

In subsequent years, reversals of impairment in the form of increases in the recoverable amount are recognised, up to the limit of the carrying amount that would have been determined for the investment if no impairment had been recognised.

Financial liabilities

Financial liabilities, including trade and other payables, that are not classified as held for trading or financial liabilities at fair value through the income statement are initially recognised at fair value less, in the event, transaction costs that are directly attributable to their issuance. Subsequent to initial recognition, liabilities classified under this heading are measured at amortised cost using the effective interest rate method.

However, financial liabilities with no established interest rate, the amount of which is due or payable in the short term and where the effect of discounting is not material, are measured at their nominal value.

Confirming

The Company has arranged confirming lines with various financial institutions to manage supplier payments. Trade payables the settlement of which is managed by financial institutions are shown under “Trade and other payables” on the balance sheet until such time as they have been settled, cancelled or expired.

Income received from financial institutions in consideration for the assignment of business due to acquisition of invoices or payment documents from customers are recognised on accrual under “Other operating income” in the income statement.

Moreover, bank borrowings as a result of the assignment of trade payables are recognised as trade payables advanced by credit institutions, under “Trade and other payables” in the balance sheet.

Guarantees

Guarantees delivered are measured in accordance with the criteria set forth for financial assets.

Derecognitions and modifications of financial liabilities

The Company derecognises a financial liability or a portion thereof when it has fulfilled the obligation contained in the liability or when it is legally released from the principal responsibility contained in the liability either pursuant to judicial proceedings or by the creditor.

The exchange of debt instruments between the Company and the counterparty or substantial modifications to initially recognised liabilities are recognised as an extinguishment of the original financial liability and recognition of a new financial liability, provided the instruments have substantially different terms.

The Company considers that the terms are substantially different if the current value of the cash flow discounted under the new terms, including any fees paid net of any fees received, and using for the purpose of the discount the original effective interest rate, differs by at least 10 per cent from the current discounted value of the remaining cash flows of the original financial liability.

If the exchange is recognised as the extinguishment of the original financial liability, the costs or fees are recognised in the income statement. Otherwise, the costs or fees adjust the liability’s carrying value and are amortised using the amortised cost method during the remaining life of the modified liability.

The Company recognises the difference between the carrying amount of the financial liability or a part thereof cancelled or assigned to a third party and the consideration paid as a charge or credit against the income statement.

Hedge accounting

Derivative financial instruments that meet hedge accounting criteria are initially recognised at fair value.

The Company uses cash flow hedges.

At the inception of the hedge the Company formally designates and documents the hedging relationships and the objective and strategy for undertaking the hedges. Hedge accounting is only applicable when the hedge is expected to be highly effective at the inception of the hedge and in subsequent years in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, throughout the period for which the hedge was designated (prospective analysis), and the actual effectiveness is within a range of 80%-125% (retrospective analysis) and can be reliably measured.

- Cash flow hedges

The Company books as income and expenses recognised in equity the gains or losses from fair value measurement of the hedge instrument corresponding to the part identified as effective hedge.

The separate equity component associated with the hedged item is adjusted to the lower of the cumulative gain or loss on the hedging instrument from inception of the hedge and cumulative change in the fair value of the hedged item (i.e. the current value of the hedged expected future cash flows from inception of the hedge).

In hedges of planned transactions that give rise to the recognition of a financial asset or liability, the associated gains or losses that were recognised in equity are reclassified to profit and loss in the same year or years during which the asset acquired or liability assumed affects profit and loss and under the same heading of the income statement.

i) Own equity instruments held by the Company and shares in the Parent

The acquisition by the Company of equity instruments is presented separately at acquisition cost as a decrease in the shareholders' equity in the balance sheet. No profit or loss was recognised in the income statement for transactions with own equity instruments.

The acquisition of shares in the Parent is recognised and measured as provided in section h) Investments in Group companies, associates and jointly-controlled entities, with the relevant amount being allocated to the legal reserve.

j) Inventories

Inventories are initially measured at acquisition or production cost.

Acquisition cost includes the amount invoiced by the seller after deducting any discount, price cut or other similar item and the interest on the nominal amount of debits, plus additional expenses incurred until the goods are ready for sale and expenses directly attributable to the acquisition.

Advances on inventories are initially recognised at cost. In subsequent years and provided that the period between payment and receipt of the inventories exceeds one year, advances accrue interest at the supplier's incremental rate.

When the cost of inventories exceeds net realisable value, inventories are written down to net realisable value.

The previously recognised adjustment is reversed against profit or loss, if the circumstances that caused the impairment have ceased to exist or when there is clear evidence of an increase in net realisable value as a result of changes in economic circumstances. The impairment reversal is limited to the lower between cost and the new net realisable value of inventories.

Inventories impairment adjustments and reversals are recognised under Changes in inventories of finished goods and work in progress and Materials consumed, depending on the type of inventories.

k) Foreign currency transactions and balances

Foreign currency transactions and balances

Foreign currency transactions were translated into Euros by applying to the amount in foreign currency the spot exchange rate on the dates on which the transactions were carried out.

Where there are different exchange rates, the rate that best reflects the value at which the transactions will be settled is used.

Monetary assets and liabilities denominated in foreign currencies have been translated into Euros at the closing rate, while non-monetary assets and liabilities measured at historical cost have been translated at the exchange rates at the transaction dates.

Exchange gains and losses emerging when foreign currency transactions are settled and in translating monetary assets and liabilities denominated in foreign currencies into Euros are recognised in profit or loss.

l) Income tax

Income tax revenue or expenses include both current and deferred taxes.

Current income tax assets or liabilities are measured by the amounts expected to be paid to or recovered from the taxation authority, based on the prevailing tax rules and rates or on those that have been approved and are pending publication at the end of the year.

Current or deferred income tax is recognised in profit and loss unless there is a transaction or economic event that has been recognised in the same financial year or another year, against equity or from a business combination.

Recognition of deferred tax liabilities

The Company recognises deferred tax liabilities in all cases except those arising from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither accounting profit/loss nor taxable income.

Recognition of deferred tax assets

The Company recognises deferred tax assets provided that it is likely that sufficient taxable profits will be obtained in the future to offset those items, or when tax legislation allows for the future conversion of deferred tax assets into an enforceable credit in respect of the Public Administration.

The Company only recognises deferred tax assets deriving from tax loss carryforwards to the extent that it is likely that the Company will have future taxable profits against which the tax assets can be utilised within the legally established period, up to a maximum of ten years, unless they are likely to be recovered in a longer period, when tax legislation allows them to be utilised in a longer period or does not establish any time limits in this connection.

At the end of each reporting period the Company reviews the recognised deferred tax assets, making any appropriate adjustments to the extent that there is uncertainty regarding their future recovery. Likewise, at the end of each year, the deferred tax assets not recognised on the balance sheet are evaluated and these are recognised to the extent that their recovery with future taxable profit becomes likely.

In determining future taxable profit, the Company takes into account tax planning opportunities, provided it intends to adopt them or is likely to adopt them.

Measurement of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured by the applicable tax rates in the years in which the assets are expected to be realised or the liabilities paid, based on prevailing rules and rates or those that have been approved and are pending publication and having considered the fiscal consequences deriving from the manner in which the Company expects to recover the assets or settle the liabilities. In this connection, the Company has considered the deduction due to the reversal of temporary measures pursuant to transitory provision thirty-seven of Corporate Income Tax Law 27/2014, of 27 November, as an adjustment in the tax rate applicable to the deductible temporary difference associated with the non-deductibility of amortisations performed in 2013 and 2014.

Classification

Deferred tax assets and liabilities are recognised in the balance sheet as non-current assets or liabilities, irrespective of the expected date of realisation or settlement.

m) Cash and cash equivalents

Cash and cash equivalents include cash on hand and sight bank deposits placed with credit institutions. This heading also includes other highly liquid short-term investments which can be readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Accordingly, this heading includes investments that are due within less than three months from their acquisition date.

n) Provisions and contingencies

In preparing the annual accounts, the Company's Directors distinguish between:

- Provisions: current obligations, whether legal, contractual, implicit or tacit, as a result of a past event; recognised by the Company when there is likely to be an outflow of resources requiring future profits to cancel the obligation; and it is possible to reliably estimate the amount of the obligation.

- Contingent liabilities: possible obligations arising from past events, the materialisation of which will be confirmed only by the occurrence or non-occurrence of one or more future events beyond the control of the Company.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the year, taking into account all risks and uncertainties surrounding the amount to be recognised as a provision and, where it is material, the financial effect of discounting provided that the expenditure to be made each period can be reliably estimated.

Provisions are reversed against profit and loss when it is not likely to be an outflow of resources to extinguish the obligation.

Unless these are considered as remote, contingent liabilities are not recognised in the annual accounts, but are instead disclosed in the notes to the annual accounts.

Tax provisions

Tax provisions related to the estimated amount of taxes payable determined on the basis of the general criteria set forth above. Provisions are allocated against income tax for the annual rate, to finance expenses for late payment interest and to other profit/loss for fines. The effect of changes in estimated provisions from prior years are recognised under their related headings except when correcting an error.

Provisions for termination benefits

Involuntary termination benefits are recognised when the Company has a detailed formal plan and it has raised a valid expectation that it will carry out the process by starting to implement the plan or announcing its main features to those affected by it.

In 2020, the amount recognised in this connection under "Personnel expenses – Wages, salaries and similar" in the accompanying income statement amounted to approximately Euros 4,028 thousand (approximately Euros 2,903 thousand in 2019). Furthermore, on 31 December 2020 it had booked a provision for this item amounting to Euros 3,498 thousand (Euros 2,420 thousand in 2019). The Company's Directors consider that potential future staff cuts will not have a material impact on the accompanying annual accounts.

o) Construction contracts and income from the sales and services rendered

Construction contracts and services rendered

Income from construction contracts include the initial amount of the agreed income, any changes to the scope of the contractual work and the amounts linked to claims and incentives, provided that these can be reliably measured and it is likely to obtain them.

The costs of construction contracts include costs directly linked to the contract, those relating to the contract activity in general that might be attributable thereto and any other cost that may be passed on to the customer on the basis of the contract terms.

Ordinary income and costs associated with a construction contract are recognised considering their stage of completion at the end of the year, when they can be reliably estimated. In this regard, in fixed-price contracts, this happens when the amount of income, the stage of completion, the attributable costs and the cost yet to be incurred can be reliably estimated; attributable costs can be clearly identified, so that real costs can be compared with the estimates; and the economic benefits deriving from the contracts are likely to be received.

The Company determines the stage of completion of the contracts in accordance with the proportion of contract costs incurred in the work carried out on that date with respect to the total estimated contract costs. The Company makes periodic reviews to estimate pending costs.

Changes to estimated contract income and costs are recognised prospectively in the current year and in future years as a change in estimates.

Estimated losses from construction contracts are recognised immediately as expenses in the year.

p) Environment

The Company takes measures to prevent, reduce or repair the damage caused to the environment by its activities.

Expenses derived from environmental activities are recognised as Other operating expenses in the year in which they are incurred.

Items of property, plant and equipment acquired by the Group for consistent use in its activity and whose main purpose is to minimise the environmental impact of its activity and protect and improve the environment, including the reduction and elimination of future pollution from the Company's activities, are recognised as assets, applying the measurement, presentation and disclosure criteria described in section d) Property, plant and equipment.

q) Transactions between Group companies

Transactions between Group companies, except those relating to mergers, spin-offs and non-monetary business contributions, are recognised at the fair value of the consideration delivered or received. The difference between that value and the amount agreed is recognised in accordance with the underlying economic substance.

5. Non-current assets held for sale

The Company, at 31 December 2019, classified investments in Group companies and associates and loans to companies that operate water treatment plants amounting to Euros 10,687 thousand (Euros 10,362 thousand in investments in Group companies and associates and Euros 325 thousand in loans) as held for sale, on the basis of sale agreements signed on 11 July 2019. The sale transactions were effected on 30 July 2020, having obtained all pertinent authorisations, resulting in a capital gain of Euros 752 thousand recorded under "Impairment and result from disposals of financial instruments - Results from disposals and others" of the attached income statement.

6. Intangible assets

Details of "Intangible assets" were as follows:

2020

	Thousands of Euros				
	Administrative Concessions	Computer software	Goodwill	Commercial rights	Total
COST:					
Balance at 31 December 2019	**79**	**12,938**	**1,031**	**2,228**	**16,276**
Additions	-	3,625	-	-	3,625
Disposals	-	(70)	-	(141)	(211)
Balance at 31 December 2020	**79**	**16,493**	**1,031**	**2,087**	**19,690**
ACCUMULATED DEPRECIATION:					
Balance at 31 December 2019	**(41)**	**(8,829)**	**(412)**	**(2,228)**	**(11,510)**
Charges	(1)	(2,211)	(104)	-	(2,316)
Disposals	-	70	-	141	211
Balance at 31 December 2020	**(42)**	**(10,970)**	**(516)**	**(2,087)**	**(13,615)**
Net cost at 31 December 2020	**37**	**5,523**	**515**	**-**	**6,075**

2019

	Thousands of Euros				
	Administrative Concessions	Computer software	Goodwill	Commercial rights	Total
COST:					
Balance at 31 December 2018	**79**	**10,563**	**1,031**	**2,228**	**13,901**
Additions	-	2,410	-	-	2,410
Disposals	-	(35)	-	-	(35)
Balance at 31 December 2019	**79**	**12,938**	**1,031**	**2,228**	**16,276**
ACCUMULATED DEPRECIATION:					
Balance at 31 December 2018	**(39)**	**(6,903)**	**(309)**	**(2,228)**	**(9,479)**
Charges	(2)	(1,961)	(103)	-	(2,066)
Disposals	-	35	-	-	35
Balance at 31 December 2019	**(41)**	**(8,829)**	**(412)**	**(2,228)**	**(11,510)**
Net cost at 31 December 2019	**38**	**4,109**	**619**	**-**	**4,766**

The Company's fully amortised Intangible assets at 31 December 2020 amounted to Euros 10,928 thousand (Euros 8,780 thousand at 31 December 2019), approximately, and correspond mainly to computer software and commercial rights.

At the end of 2020 and 2019, the Company has no investments commitments in intangible assets.

7. Property, plant and equipment

Details of "Property, plant and equipment" were as follows:

2020

	Thousands of Euros					
	Land	Buildings	Technical Installations and Machinery	Hand and machine tools (Note 4.d) Furniture and fixtures	Other Property, Plant and Equipment	Total
COST:						
Balance at 31 December 2019	**14,649**	**9,039**	**107,364**	**17,586**	**13,039**	**161,677**
Additions	-	17	19,824	6,189	2,146	**28,176**
Disposals	-	-	(2,900)	(3,651)	(1,952)	**(8,503)**
Balance at 31 December 2020	**14,649**	**9,056**	**124,288**	**20,124**	**13,233**	**181,350**
ACCUMULATED DEPRECIATION:						
Balance at 31 December 2019	**-**	**(3,376)**	**(78,609)**	**(4,600)**	**(8,423)**	**(95,008)**
Charges	**-**	(231)	(8,818)	(1,145)	(1,955)	**(12,149)**
Disposals	**-**	-	2,842	104	1,947	**4,893**
Balance at 31 December 2020	**-**	**(3,607)**	**(84,585)**	**(5,641)**	**(8,431)**	**(102,264)**
CUMULATIVE IMPAIRMENT:						
Balance at 31 December 2019	**(1,432)**	**(1,921)**	**-**	**(22)**	**-**	**(3,375)**
Impairment losses	-	(8)	-	-	-	(8)
Irreversible impairment losses	-	-	-	-	-	-
Balance at 31 December 2020	**(1,432)**	**(1,929)**	**-**	**(22)**	**-**	**(3,383)**
Net cost at 31 December 2020	**13,217**	**3,520**	**39,703**	**14,461**	**4,802**	**75,703**

2019

	Thousands of Euros					
	Land	Buildings	Technical Installations and Machinery	Hand and machine tools (Note 4.d) Furniture and fixtures	Other Property, Plant and Equipment	Total
COST:						
Balance at 31 December 2018	**14,649**	**10,257**	**106,545**	**16,292**	**9,770**	**157,513**
Additions	-	34	9,278	4,640	3,889	**17,841**
Disposals	-	(1,252)	(8,459)	(3,346)	(620)	**(13,677)**
Balance at 31 December 2019	**14,649**	**9,039**	**107,364**	**17,586**	**13,039**	**161,677**
ACCUMULATED DEPRECIATION:						
Balance at 31 December 2018	**-**	**(4,186)**	**(77,083)**	**(4,288)**	**(6,658)**	**(92,215)**
Charges	**-**	(307)	(7,725)	(509)	(2,368)	**(10,909)**
Disposals	**-**	1,117	6,199	197	603	**8,116**
Balance at 31 December 2019	**-**	**(3,376)**	**(78,609)**	**(4,600)**	**(8,423)**	**(95,008)**
CUMULATIVE IMPAIRMENT:						
Balance at 31 December 2018	**(1,432)**	**(467)**	**(1,245)**	**(22)**	**-**	**(3,166)**
Impairment losses	-	(1,765)	-	-	-	(1,765)
Irreversible impairment losses	-	311	1,245	-	-	1,556
Balance at 31 December 2019	**(1,432)**	**(1,921)**	**-**	**(22)**	**-**	**(3,375)**
Net cost at 31 December 2019	**13,217**	**3,742**	**28,755**	**12,964**	**4,616**	**63,294**

The additions for 2020 and 2019 are mainly the machinery necessary for the works done by Elecnor, S.A. Furthermore, in 2020, the company's Oman branch made investments of Euros 8,969 thousand in the development of its activity.

At 31 December 2020 and 2019, the Company did not have individually significant items of property, plant and equipment.

Cost disposals in 2020 and 2019 include the annual adjustment of machine tools that implied an expense of Euros 3,547 thousand and Euros 3,110 thousand, respectively, recognised under Other day-to-day management expenses in the accompanying income statement.

The cost of property, plant and equipment which, at 31 December 2020 and 2019, is fully depreciated and in use as follows:

	Thousands of Euros	
	2020	2019
Buildings, technical installations and machinery	53,282	50,048
Furniture and fixtures	2,102	2,110
Information technology equipment	3,236	3,049
Motor vehicles and others	512	517
	59,132	**55,724**

The Company's procedures include taking out insurance policies to cover possible risks to which various items within its property, plant and equipment are exposed. At 31 December 2020 and 2019, the policies taken out covered the net carrying amount of the property, plant and equipment.

As indicated in Note 8, at the end of 2020 and 2019 the Company had finance lease agreements pertaining to its property, plant and equipment.

At the end of 2020 and 2019, the Company had no significant investments commitments in property, plant and equipment.

Moreover, at 31 December 2020 and 2019, the Company had the following items of property, plant and equipment located abroad:

_2020_

	Thousands of Euros		
Country	Cost	Accumulated depreciation	Net
Angola	1,709	(521)	1,188
Dominican Republic	996	(632)	364
Mexico	276	(276)	-
Brazil	255	(254)	1
Italy	5,987	(3,715)	2,272
Ghana	1,060	(391)	669
Mauritania	403	(185)	218
Cameroon	1,622	(624)	998
Panama	1,260	(604)	656
Senegal	-	-	-
El Salvador	953	(118)	835
Oman	8,969	(1,804)	7,165
Mozambique	346	(26)	320
Other	1,031	(394)	637
	24,867	**(9,544)**	**15,323**

2019

Country	Thousands of Euros		
	Cost	Accumulated depreciation	Net
Venezuela	242	(242)	-
Angola	1,504	(560)	944
Dominican Republic	1,223	(610)	613
Mexico	615	(589)	26
Brazil	254	(254)	-
Italy	5,767	(2,807)	2,960
Ghana	982	(136)	846
Mauritania	448	(111)	337
Cameroon	499	(128)	371
Panama	1,445	(315)	1,130
Senegal	240	(46)	194
El Salvador	120	(32)	88
Other	241	(125)	116
	13,580	**(5,955)**	**7,625**

8. Leases

Finance leases – Lessee

At the end of 2020 and 2019, as a finance lessee, the Company recognised finance leases as follows:

2020

	Thousands of Euros		
	2020		
	Land	Buildings	Total
Cost	6,651	2,480	9,131
Accumulated depreciation	-	(1,347)	(1,347)
Total	**6,651**	**1,133**	**7,784**

2019

	Thousands of Euros		
	2019		
	Land	Buildings	Total
Cost	6,651	2,480	9,131
Accumulated depreciation	-	(1,248)	(1,248)
Total	**6,651**	**1,232**	**7,883**

The Company’s only finance lease agreement at the end of 2020 and 2019 corresponds to its offices in Bilbao, signed on 11 June 2007, and recognised in the gross amount of Euros 9,131 thousand, an amount that corresponds to the updated value on the date of signing the minimum payments agreement for the duration of the contract term.

Said contract expires in 2027 and payment will be over 240 monthly instalments.

The contract is subject to annual increases indexed to Euribor + 55 basis points and the Company has arranged a swap to hedge against interest rate fluctuations which expires on the same date as the contract (Note 10).

At the end of 2020 and 2019, the Company has contractually agreed the following minimum finance lease payments with lessors (including, if any, purchase options), based on the leases currently in force, without taking into account any shared expenses passed on, future CPI increases or future contractual lease payment reviews:

	Thousands of Euros			
	2020		2019	
Finance leases minimum payments	Nominal amount	Current value	Nominal amount	Current value
Less than one year	700	461	705	437
Between 1 and 5 years	2,758	2,124	2,775	2,027
More than 5 years	1,862	1,756	2,545	2,325
Total	**5,320**	**4,341**	**6,025**	**4,789**

The reconciliation between the amount of future minimum lease payments and their current value is as follows:

	Thousands of Euros	
	2020	2019
Future minimum payments	4,420	5,125
Purchase option	900	900
Unaccrued finance expenses	(979)	(1,236)
Current value	**4,341**	**4,789**

<u>Operating leases – Lessee</u>

In addition, in 2020 and 2019 the operating lease expenses included under “Other operating expenses – External services” in the accompanying income statement amounted to approximately Euros 49,813 thousand and Euros 46,948 thousand, respectively. At the end of 2020 and 2019, the Company’s most significant operating leases were for machinery and motor vehicles, and buildings used to carry out its business activities. This amount includes machinery and motor vehicle leases which, due to their inherent activity, are leased for the duration of the works, and amount to Euros 40,325 thousand (Euros 38,609 thousand in 2019).

At the end of 2020 and 2019, the Company has contractually agreed the following minimum lease payments with lessors, based on the leases currently in force, without taking into account any shared expenses passed on, future CPI increases or future contractual lease payment reviews:

	Thousands of Euros	
	Nominal amount	
Non-cancellable future minimum payments	2020	2019
Less than one year	7,164	6,719
Between 1 and 5 years	10,949	9,660
More than 5 years	10,439	9,321
Total	**28,552**	**25,700**

9. Investments in equity instruments of Group companies, associates and multi-group companies, Financial investments and Trade receivables

9.1. Long- and short-term financial investments

The amounts under the headings "Long-term financial investments" and "Short-term financial investments" in the balance sheets at 31 December 2020 and 2019 are as follows:

Category	Thousands of Euros			
	2020		2019	
	Non-current	Current	Non-current	Current
Equity instruments	1,040	-	1,040	-
Credits	2,176	438	2,176	487
Deposits and securities	4,400	6,973	4,022	1,184
Derivatives (Note 10)	180	143	23	384
Impairment adjustments	-	(425)	-	(431)
Total	**7,796**	**7,129**	**7,261**	**1,624**

Non-current "Deposits and securities" in the above table at 31 December 2020 and 2019 corresponds to security and other deposits delivered in relation to the various operating leases entered into by the Company (Note 8).

The current "Deposits and securities" heading in the table prior to 31 December 2020 corresponds mainly to a deposit maturing in the short term and accruing an interest rate of 1.7%.

9.2. Investments in equity instruments of Group companies, associates and multi-group companies

The breakdown of non-current investments in equity instruments of Group companies, associates and multi-group companies at 31 December 2020 and 2019 is as follows:

	Thousands of Euros				
	Balance 31/12/2019	Additions	Derecognitions	Transfers	Balance 31/12/2020
Group companies:					
Interests	482,639	3,756	-	5,974	492,369
Disbursements pending	(1,964)	-	64	-	(1,900)
Impairment adjustments	(43,675)	(2,371)	-	(11,867)	(57,913)
	437,000	**1,385**	**64**	**(5,893)**	**432,556**
Associates:					
Interests	16,469	-	-	-	16,469
Disbursements pending	(2)	-	-	-	(2)
Impairment adjustments	(902)	-	-	-	(902)
	15,565	**-**	**-**	**-**	**15,565**
Jointly-controlled entities:					
Interests	407,951	2,869	-	-	410,820
	407,951	**2,869**	**-**	**-**	**410,820**
Total	**860,516**	**4,254**	**64**	**(5,893)**	**858,941**

The most significant information concerning interests in Group companies, jointly-controlled entities and associates at the end of 2020 and 2019 is shown in Appendix I to these annual accounts.

Equity instruments

The main movements in 2020 under "Equity instruments" in the above table were as follows:

- Contribution of partners the Group company Eledepa, S.A. for Euros 1,665 thousand (2,000 thousand US Dollars).
- Shareholder contributions to the multi-group company Celeo Concesiones e Inversiones, S.L.U. amounting to Euros 2,869 thousand.
- The Company has reclassified the impairment recorded in the loan granted to the Company Elecnor Perú S.A.C to participation impairment for Euros 11,867 thousand and the value of the loan receivable for Euros 5,974 thousand. This reclassification has not had an impact on the attached income statement.

The main movements in 2019 under "Equity instruments" in the above table were as follows:

- Shareholder contributions to the subsidiary Celeo Concesiones e Inversiones, S.L.U. amounting to Euros 6,967 thousand.

- On 30 July 2019, the Company granted a loan to Celeo Concesiones e Inversiones, S.L.U. amounting to Euros 10,000 thousand, which was capitalised in the same year.

- On 17 December 2019, the Company signed a shareholders' agreement with APG to jointly control the subgroup Celeo Concesiones, pursuant to which the Company would hold a 51% interest in Celeo Concesiones e Inversiones, S.L. This agreement implied a loss of the control hitherto held by the Elecnor Group over the subgroup Celeo Concesiones. This new agreement was instrumented by means of the contribution by APG to the subgroup Celeo Concesiones of 49% of the interests it hitherto held in the subgroup Celeo Redes plus a cash payment of Euros 42,912 thousand to the Company for a 3.51% interest in Celeo Concesiones e Inversiones, S.L., affording it a 49% interest in the subgroup Celeo Concesiones. This sale of interests implied a reduction in the value of the interest of Euros 28,053 thousand, applying the weighted average cost method, and the recognition of income amounting to Euros 14,859 thousand under Impairment and profit/loss on disposal of financial instruments – Profit/loss on disposals and others in the accompanying income statement for 2019.

- On 10 July 2019, Sociedad Aguas Residuales Pirineos, S.A., agreed to reduce share capital by Euros 1,635 thousand by means of reimbursing the amount of shareholder contributions in a proportionate manner, which reduced the amount of the interest by Euros 817 thousand.

- On 11 July 2019, the Company signed sale agreements over participations in Sociedad Aragonesa de Aguas Residuales, S.A. and Sociedad Aguas Residuales Pirineos, S.A. the cost of which came to Euros 6,600 thousand and Euros 3,762 thousand, respectively. Since the sale transactions were effective in the first half of 2020, once all the relevant permits were obtained, at 31 December 2019, the Company classified its investments in these companies as non-current assets held for sale in the amount of Euros 10,362 thousand (Note 5).

- According to the minutes of 4 April 2019, Electrificaciones del Norte Elecnor, S.A. agreed to a share capital increase that was fully subscribed by the Company in the amount of Euros 13,485 thousand.

- According to the deed of 28 October 2019, the Company dissolved Elecfrance, S.A.S.U., whose investment cost totalled Euros 1,179 thousand and which was impaired in the amount of Euros 568 thousand. This operation implied a loss of Euros 577 thousand recognised under Impairment and profit/loss on disposals of financial instruments – Impairment and losses, in the accompanying income statement.

The functional currency of foreign interests is the currency of the countries in which their registered offices are located.

Provision for impairment of equity instruments

In accordance with the criteria set forth in Note 4.h, the Company assesses impairment and, where appropriate, calculates the relevant amounts, when there is objective evidence that the future cash flows from its investments in equity instruments are being reduced.

Details of provisions for impairment of equity instruments at 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	2019
Omninstal Electricidade, S.A.	1,996	1,996
Elecnor de Argentina, S.A.	16,127	16,127
Elecven, S.A.	2,216	2,216
Montelecnor, S.A.	13,224	13,224
Elecnor Energie and BAU GmbH	1,367	1,145
Elecnor South África, Ltd.	2,138	2,138
Elecnor Perú, S.A.C.	17,958	5,593
Elecnor Angola, S.A. Group	802	-
Betonor, S.L.	420	-
Parque Eólico Montañes, S.L.	427	-
Other	2,140	2,138
	58,815	**44,577**

In 2019, given the situation of Elecnor Perú, S.A., the Company allocated an impairment of Euros 5,593 thousand in the value of its interest and the loan granted to that company in the amount of Euros 11,867 thousand (Note 9.4). Elecnor Perú, S.A.C. had a contract with Consorcio Constructor Ductos del Sur to build the Gasoducto Sur Peruano (Southern Peruvian Gas Pipeline) which was cancelled in 2017, with Euros 27 million pending payment to the company, of which Euros 25 million are payable by the Odebrecht Group in 2021. Due to Odebrecht's financial difficulties and the fact that Elecnor Perú, S.A.C. does not currently have any other contracts in execution, the Company booked an impairment based on the underlying carrying amount of that company and considering that it is unlikely to recover the amount payable from Odebrecht. In 2020, the Company transferred the impairment of the credit recorded in 2019 to investment impairment as detailed in the previous section "Equity instruments".

Moreover, due to the recurring losses and weak equity position of Elecven, S.A., the Company impaired the entire amount of its interest in that company in 2019.

In 2020, no significant impairment losses on investments in group companies, associates and multi-group companies were registered.

9.3. Information on the nature and level of risk of financial instruments

Elecnor, S.A. is exposed to certain financial risks, which it manages by grouping together its systems for identifying, measuring and supervising risks and limiting the concentration thereof. Financial risk management and containment is performed on a coordinated basis by Corporate Management and the various Business Units and Subsidiaries that comprise the Group. Financial risk management activities are approved at the highest executive level, in accordance with the rules, policies and procedures in place.

Market risk

Foreign currency risk

Market risk due to foreign currency risk arises from transactions that the Group performs on the international markets in the course of its business. Certain income and costs of materials consumed are denominated in currencies other than the Euro. For this reason, the risk of fluctuating exchange rates of these currencies could have an impact on the Company's profits.

In order to manage and minimise this risk, the Company uses hedging strategies (see note 10), since its objective is to generate profits only through its ordinary business, and not by speculating in relation to exchange rate fluctuations.

The instruments used to achieve this hedge are essentially borrowings tied to the contract's collection currency, foreign currency hedges and swaps, whereby Elecnor, S.A. and the bank exchange the cash flows arising from a loan expressed in Euros for the flows of another loan expressed in the currency in question, as well as the use of "currency baskets" in order to hedge mixed financing tied to various currencies.

Interest rate risk

Interest rate fluctuations change the fair value of assets and liabilities that accrue interest at fixed rates and the future cash flows from assets and liabilities indexed to floating interest rates. Elecnor, S.A. has external financing to carry out its operations under the form of a "Syndicated Loan". The hedging instruments, which are specifically assigned to financial debt instruments and are limited to the same nominal value as the latter and the same maturity dates as the hedged items, are essentially IRSs, the aim of which is to convert loans originally arranged at floating rates to fixed rates. In any case, the interest rate hedges arranged are all effective for accounting purposes.

Liquidity risk

Liquidity risk is mitigated through a policy of holding cash and highly liquid non-speculative short-term instruments, such as the acquisition of treasury bills under non-optional repurchase agreements and very short-term US Dollar deposits, through leading credit institutions in order to be able to meet its future commitments and the arrangement of committed credit facilities of sufficient amount to cover its projected needs.

In March 2020, it became obvious that the pandemic would have an unforeseeable but in any case, profound impact on global economic performance, especially in terms of:

1. Impact on global production volumes.
2. Major disruption in supply and distribution chains.
3. Financial impact on companies, affecting all sectors, albeit to very different degrees:
    - Cash stresses in the event of having insufficient liquidity.
    - Increase in perceived risk and in the cost of financing.

The financial department analysed the situation and the potential scenarios, in permanent contact with advisers and analysts from financial institutions. The main conclusions were:

- Once governments and the ECB had announced measures (in the latter case, primarily the Euros 750 billion pandemic emergency purchase programme, or PEPP), a collapse of the financial system leading to widespread bank default or the application of market disruption clauses was considered highly unlikely.
- There was a market consensus concerning the importance of having considerable liquidity to tackle a period of maximum uncertainty, so Elecnor examined the various alternatives to raise its financing limits.

The conclusion was that the existing financing limits should be sufficient to tackle even the most adverse scenarios in cash forecasting, having updated the potential effects of COVID-19.

Nevertheless, it had to be taken into account that the financing sources include promissory notes issued in the MARF, and that, at the time, it was not possible to know if they could be renewed, so the company decided to arrange new bilateral loans.

Ultimately, the MARF did continue to provide financing, and although many issuers are struggling to place debt in this market, Elecnor is not among them, so its current financing limits exceed the forecasts and liquidity risk is negligible.

At 31 December 2020, the Company has a solid liquidity position, with sufficient cash and available credit facilities to comfortably meet liquidity requirements even if markets contract.

Credit risk

The main credit risk arises from trade receivables, when the counterparty or customer does not meet their contractual obligations. To mitigate this risk, the Group operates with customers that have adequate credit records. In view of its activities and the sectors in which it operates, Elecnor, S.A. has customers with very high credit ratings. However, in the case of non-recurring international sales to customers, mechanisms such as advances, irrevocable letters of credit and insurance policies are used to ensure collection. Furthermore, the financial solvency of customers is analysed, and specific terms and conditions are included in contracts, aimed at guaranteeing customer payments of the stipulated price.

Other risks

In addition to the risks outlined above, the Company is exposed to various risk factors (governance, strategic, planning and economic environment, operating, reporting and compliance risks) linked to the sectors in which it operates and the long list of countries in which it operates, either consistently or by means of one-off projects. The Company uses its Risk Management System to continually manage and prevent these risks, reducing to acceptable levels the probability of their materialising and mitigating their potential impact, where applicable, on business volume, profitability and efficiency, reputation, and sustainability. The pillars of this Risk Management System are the ongoing identification and assessment of the risks to which the Company is exposed, the improvement of related management mechanisms and tools and the permanent oversight and monitoring of the entire process.

The technological means used to safely and successfully deal with the months of the pandemic lockdowns were mainly: over-dimensioning communications, immediately buying in laptops and distributing them at various work centres, establishing secure and robust VPN technologies, securing workplaces with next-generation anti-virus treatments, dual-factor authentication, training employees with regard to cybersecurity and, in particular, the human factor.

9.4 Financial investments in Group companies and associates

Details of “Long- and short-term investments in Group companies and associates”, except Investments in equity instruments, on the assets side of the balance sheet at 31 December 2020 and 2019, is as follows:

Category	Thousands of Euros			
	2020		2019	
	Non-current	Current	Non-current	Current
Credits to companies	7,993	46,833	22,428	20,118
Other financial assets	-	6,264	-	1,763
Impairment adjustments	-	(21,563)	(11,867)	(13,231)
Total	**7,993**	**31,534**	**10,561**	**8,650**

Long-term credits to Group companies

The balance as of 31 December 2020 and 2019 corresponds wholly to the credit receivable from Gasoducto de Morelos S.A.P.I. de C.V.

In 2012, the Company made various contributions to subsidiary Gasoducto de Morelos S.A.P.I. de C.V. for future capital increases amounting to a total of approximately USD 33,483 thousand, some of which were instrumented through various loans whose balance at 31 December 2020 and 2019 amounted to Euros 7,993 thousand and Euros 10,561 thousand, respectively, and which accrue interest at an annual rate of 7.5%. In 2020 the Company received approximately Euros 2.6 million in payments relating to these credits (Euros 5.8 million in 2019).

On 3 May 2017, the Company and Elecnor Perú, S.A.C. agreed to raise the ceiling of the credit granted in 2016 from an initial amount of US dollars 10,500 thousand to US dollars 14,000 thousand, due to that company's financing needs. This credit accrued fixed annual interest at a rate of 2%, payable half-yearly. The duration of this credit was of one year, extendable monthly, although the Company reclassified it in 2018 to non-current assets since its collection is subject to the receipt of that company's trade receivables, estimated for 2021. During financial year 2019, the receivable balance of Euros 11,867 thousand was fully impaired (see note 9.2) and in 2020 it was reclassified to investment impairment in equity instruments.

Short-term credits to Group companies

The breakdown by company of "Short-term investments in Group companies and associates – Credits to Group companies" under current assets at 31 December 2020 and 2019, is as follows:

	Thousands of Euros	
	2020	2019
Elecdor, S.A.	1,133	1,230
Jomar Seguridad, S.L.	300	-
Enerfin Enervento Exterior, S.L.	23,800	-
IQA Operations Group Ltd.	1,101	-
Elecnor Senegal, S.A.	1,961	-.
Celeo Apolo FV, S.L.	75	-
Elecnor, INC	-	4,936
Audeca, S.L.	-	600
Gasoducto de Morelos S.A.P.I. de C.V.	-	118
Other	69	3
	28,439	**6,887**

On 27 February 2018, the Company granted Elecnor INC a credit of up to USD 2,000 thousand. This credit accrued fixed annual interest at a rate of 1.5%, payable half-yearly. This credit was for one year, renewable each year, and was cancelled in its entirety in 2020.

On 29 September 2016, the Company and Duro Felguera, S.A. (shareholders in Dunor Energía S.A.P.I. de CV) agreed to grant a credit to Dunor Energía S.A.P.I. de CV amounting to a total of USD 13,700 thousand, granted proportionately by each shareholder. The term of this credit is of one year, and it may be extended annually. The Company impaired the outstanding balance at 31 December 2019, of Euros 6,422 thousand, since it considered it unlikely to be recovered due to the recurring losses and the company's weak equity position. In 2020, the Company had to make further contributions of Euros 8,332 thousand to Dunor Energía S.A.P.I. de CV due to its poor financial position, impairing this since it does not expect to recover anything considering that this company has one sole project that it has completed. Of this amount, the Company recorded Euros 3,169 thousand as "Other financial assets" of a current account that it maintains with Dunor Energía S.A.P.I. de CV over the payment of loans and borrowings that the Company has had to face as guarantor.

In 2020, the company granted Enerfin Enervento Exterior, S.L.U. two credits for Euros 13,300 thousand and Euros 21,000 thousand on 30 June and 9 November, respectively. These credits accrue annual interest of 2% and are for one year, renewable each year. The pending amount of these credits as of 31 December 2020 is Euros 23,800 thousand.

9.5. Trade and other receivables

Details of trade and other receivables at 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	2019
Group (note 19.2)		
Customer	16,229	15,113
Impairment adjustments	(949)	(1,729)
Associates and multi-group companies (note 19.2)		
Customer	6,265	6,128
Impairment adjustments	(1,532)	(975)
Non-related		
Customer	928,006	839,238
Other receivables	2,580	11,351
Personnel	95	159
Public Administrations, Corporate Income Tax (Note 16)	4,177	6,588
Public Administrations, other (note 16)	18,386	19,759
Impairment adjustments	(70,996)	(65,119)
Total	902,261	830,513

The analysis of movements in 2020 and 2019 under changes in allowance accounts related to impairment losses due to credit risk of trade and other receivables is as follows:

	Thousands of Euros		
	Current		
	Customer	Receivables	Total
Balance at 31 December 2018	(85,788)	(5,730)	(91,518)
Charges	(6,844)	(76)	(6,920)
Applications	25,135	4,963	30,098
Reversals	495	22	517
Balance at 31 December 2019	(67,002)	(821)	(67,823)
Charges	(13,228)	(19)	(13,247)
Applications	6,232	-	6,232
Reversals	2,607	34	2,641
Other	(1,280)	-	(1280)
Balance at 31 December 2020	(72,671)	(806)	(73,477)

At 31 December 2020, non-related customer receivables included Euros 91,503 thousand in unprovisioned debt past due (Euros 85,655 thousand in 2019), of which Euros 21,245 thousand is past over one year due (Euros 22,206 thousand in 2019).

The carrying amount of financial assets. recognised in the balance sheet at amortised cost does not present significant differences with respect to their fair value.

Net income and expense by categories of financial assets at 31 December 2020 amounted to an expense of Euros 6,121 thousand and corresponds to finance income from loans and receivables applying the amortised cost method totalling Euros 4,485 thousand and impairment losses on loans and receivables totalling Euros 10,606 thousand (expense of Euros 2,540 thousand at 31 December 2019 corresponding to finance income on receivables applying the amortised cost method totalling Euros 3,863 thousand and impairment losses on loans and receivables totalling Euros 6,403 thousand).

9.6 Amounts denominated in foreign currencies

The breakdown at 31 December 2020 and 2019 of the main monetary financial assets denominated in foreign currency is as follows:

2020

	Thousands of Euros					
	Long-term credits to Group companies	Long-term financial investments	Trade and other receivables	Short-term investments in Group companies	Short-term financial investments	Cash and cash equivalents
AOA	-	229	39,807	-	-	529
BOB	-	-	472	-	3	286
DOP	-	41	11,223	-	4,349	369
DZD	-	787	16,132	-	-	107
GBP	-	-	-	1,101	-	31
GHS	-	11	7,203	-	-	242
GMD	-	-	1,205	-	-	-
GNF	-	3	2,742	-	-	80
HNL	-	2	2,344	-	-	856
HTG	-	-	12,744	-	-	-
JOD	-	-	5,226	-	5	81
KWD	-	-	1,423	-	-	314
MAD	-	-	297	-	-	3,898
MRO	-	-	5,649	50	-	178
MXN	-	-	322	-	-	333
NOK	-	-	9,719	-	-	3,308
OMR	-	142	28,607	-	-	3,789
USD	7,993	37	32,784	2,856	12	13,437
VES	-	-	1	3	-	1
XAF	-	47	11,087	-	-	857
XOF	-	-	1,125	509	-	-
Other	-	83	2,479	-	-	2,712
TOTAL	**7,993**	**1,382**	**192,591**	**4,519**	**4,369**	**31,408**

2019

	Thousands of Euros					
	Long-term credits to Group companies	Long-term financial investments	Trade and other receivables	Short-term investments in Group companies	Short-term financial investments	Cash and cash equivalents
AOA	-	95	14,229	-	-	1,974
BOB	-	-	452	-	3	826
DOP	-	42	26,355	1	3	4,859
DZD	-	943	19,741	-	-	30
GHS	-	12	5,778	-	-	239
GMD	-	-	601	-	-	-
GNF	-	-	1,593	-	-	-
HNL	-	5	4,195	-	-	611
HTG	-	-	12,921	-	-	-
JOD	-	-	8,695	-	6	157
KWD	-	-	1,589	-	-	-
MAD	-	-	302	-	-	3,970
MRO	-	1	11,056	-	-	701
MXN	-	2	567	-	-	808
NOK	-	-	7,394	-	4	5,999
OMR	-	-	13,380	-	-	791
USD	10,561	49	41,134	7,499	7	13,360
XAF	-	30	4,813	-	-	3,578
XOF	-	17	3,028	-	-	865
Other	-	44	401	3	3	370
Total	**10,561**	**1,240**	**178,224**	**7,503**	**26**	**39,138**

10. Derivative financial instruments

The Company uses derivative financial instruments to cover the risks to which its business activities, transactions and future cash flows are exposed, mainly risks as a result of changes in exchange rates and interest rates. Details of hedging instruments in force at 31 December 2020 and 2019 are as follows:

Interest rate swaps**:**

	Thousands of Euros					
	2020			2019		
Year of contract	Notional amount	Measurement of swaps floating to fixed rate	Measurement of swaps floating to floating rate	Notional amount	Measurement of swaps floating to fixed rate	Measurement of swaps floating to floating rate
2015	-	-	-	145,000	(1,510)	291
2016	145,000	(592)	(48)	80,000	(862)	(168)
2017	80,000	(2,061)	77	45,000	(1,967)	(14)
2018	-	(4,106)	66	-	(2,757)	(219)
2019	-	(567)	37	-	(75)	(1)
Total	**225,000**	**(7,326)**	**132**	**270,000**	**(7,171)**	**(111)**

The total amount of cash flow hedges recognised in equity at 31 December 2020 was an expense of Euros 2,507 thousand, before the tax effect (an expense of Euros 3,483 thousand, before the tax effect, at 31 December 2019).

The total amount of cash flow hedges transferred from income and expenses recognised in equity to finance expenses in the income statement was Euros 2,207 thousand, before the tax effect (Euros 2,352 thousand, before the tax effect, at 31 December 2019).

Interest rate swaps do not exceed the nominal amount of outstanding principals of hedged financing and their settlement dates coincide with the settlement dates of the financing they cover.

In 2019, the Company arranged interest rate hedges tied to the syndicated financing obtained the previous year, pursuant to the novation contract of 14 November 2018, and described in Note 13. Specifically, these are 8 interest rate swaps of an initial nominal amount of Euros 1.5 million and a maximum nominal amount of Euros 54 million with 8 banks and a basis swap transaction for an initial nominal amount of Euros 1.5 million and a maximum nominal amount of Euros 54 million, in which floating interest rates are swapped. The maturities and interest settlement dates of the swaps coincide with those of the agreements to which they are assigned. These contracts were arranged in June 2019, their start date is 19 January 2021, and they expire on 19 July 2024.

During 2020 the company arranged no interest rate hedges associated with the syndicated financing, as no novation was signed in the year.

Interest rate swaps assigned to the lease agreement**:**

	Thousands of Euros			
	2020		2019	
Year of contract	Notional amount	Measurement of swaps floating to fixed rate	Notional amount	Measurement of swaps floating to fixed rate
2018	4,391	(203)	4,840	(180)

Exchange rate hedging instrument:

	Thousands of Euros	
Year	2020	2019
Notional amount (USD sale) (*)	2,100	7,100
Exchange rate measurement	143	107
Notional amount (USD purchase) (*)	6,207	1,678
Exchange rate measurement	(537)	(146)
Notional amount (GBP) (*)	-	120
Exchange rate measurement	-	9

(*) Figures expressed in the pertinent currency

The Company has fulfilled the requirements set forth in Note 4.h to be able to classify as hedges the financial instruments detailed. Specifically, they have formally been designated as such and the coverage has been verified to be effective. In this regard, no transactions are planned that affect those others for which a hedge accounting policy was adopted.

In addition to exchange rate insurance, in 2020, the Company, in order to reduce exchange rate risk in its net monetary flows in dollars, performed a number of cross-currency swaps with credit institutions whereby the Company and the bank exchanged the flows of a loan expressed in euros for the flows of another loan expressed in dollars, settling the resulting difference on maturity. The Company translates the loan into dollars (plus the accrued interest) at the closing exchange rate and compares it with the loan in Euros (plus the accrued interest), and the net value (i.e. the difference) is recognised under “Cash and cash equivalents”, “Long-term financial investments – Other financial assets” or “Long-term payables – Loans and borrowings” or “Short-term payables – Loans and borrowings”, depending on whether the difference is positive or negative and on the maturity thereof, giving rise to a balancing entry under translation differences. As of 31 December 2020 and 2019, there are no active cross currency swap operations, since all expired in the same year.

11. Equity

The composition and movement of equity is presented in the statement of changes in net equity.

11.1. Capital

At 31 December 2020 and 2019, the share capital of Elecnor, S.A. was represented by 87,000,000 book entry shares, each with a par value of Euros 0.10, fully subscribed and paid in.

The shares of the Company are listed on the Spanish electronic trading system.

At 31 December 2020 and 2019, the Company’s shares were held as follows:

Interest %	2020	2019
Cantiles XXI, S.L.	52.76%	52.76%
Santander Asset Management, S.A., SGIIC	3.09%	3.09%
Other (*)	44.15%	44.15%
	100.00%	**100.00%**

(*) All with an interest % of less than 3%.

11.2. Reserves

Details of “Reserves” are as follows:

	2020						
	Thousands of Euros						
	Legal and statutory reserve	Voluntary reserves	Capitalisation reserve	Goodwill reserve	Differences for adjustments of capital to euros	Profit/loss for the year	Total
Balance at 31 December 2019	1,743	578,171	4,408	619	15	30,122	615,078
Profit for 2020	-	-	-	-	-	31,633	31,633
Distribution of profit for 2019							
Voluntary reserves	-	1,249	-	-	-	(1,249)	-
Dividends	-	-	-	-	-	(28,873)	(28,873)
Transfers	-	(2,048)	2,151	(103)	-	-	-
Profit/loss on disposal of own shares	-	(83)	-	-	-	-	(83)
Balance at 31 December 2020	1,743	577,289	6,559	516	15	31,633	617,755

	2019						
	Thousands of Euros						
	Legal and statutory reserve	Voluntary reserves	Capitalisation reserve	Goodwill reserve	Differences for adjustments of capital to euros	Profit/loss for the year	Total
Balance at 31 December 2018	1,743	561,737	3,149	722	15	44,136	611,502
Profit for 2019	-	-	-	-	-	30,122	30,122
Distribution of profit for 2018							
Voluntary reserves	-	17,401	-	-	-	(17,401)	-
Dividends	-	-	-	-	-	(26,735)	(26,735)
Transfers	-	(1,156)	1,259	(103)	-	-	-
Profit/loss on disposal of own shares	-	189	-	-	-	-	189
Balance at 31 December 2019	1,743	578,171	4,408	619	15	30,122	615,078

a. Legal reserve

The legal reserve has been allocated in accordance with article 274 of Spanish Companies Act, which establishes that, in any event, a figure equal to 10% of the profit for the year must be earmarked to the reserve until it reaches at least 20% of share capital.

The legal reserve can be used to increase capital provided that the balance left on the reserve is at least equal to 10% of the nominal amount of the total capital after the increase. Except for the aforementioned purpose, unless the legal reserve exceeds 20% of the share capital it may only be used to offset losses if no other reserves are available.

At 31 December 2020 and 2019, the Company has appropriated to this reserve the minimum amount required by the Spanish Companies Act.

b. Goodwill reserve

The goodwill reserve was appropriated in compliance with article 273.4 of the Revised Spanish Companies Act, which requires companies to transfer profits equivalent to 5% of goodwill to a non-distributable reserve until this reserve reaches an amount equal to goodwill recognised in the balance sheet. In the absence of profit, or if profit was insufficient, freely available reserves were to be used. This reserve has been freely available since 1 January 2016, for the amount exceeding the net carrying amount of the goodwill recorded in the balance sheet.

c. Voluntary reserves

Voluntary reserves are freely available.

d. Capitalisation reserve

The capitalisation reserve has been appropriated in accordance with article 25 of the Corporate Income Tax Law, which requires that an amount equal to the reduction in taxable income for the year be appropriated to the reserve. The amount by which taxable income may be reduced is equal to 10% of the increase in equity, as defined in the aforementioned article. In no case may the amount of the reduction exceed 10% of the taxable income for the tax period prior to the reduction, before the integration referred to in article 11.12 of the Law and before offsetting tax loss carryforwards. However, if the reduction cannot be applied due to insufficient taxable income, the outstanding amounts may be applied in the tax periods ending in the two years immediately after the end of the tax period in which the reduction entitlement was generated, together with any reduction applicable in that period, subject to the limit indicated. The reserve is non-distributable and the increase in equity must be maintained for a five-year period from the end of the tax period in which the reduction is generated, unless accounting losses are incurred.

11.3. Own shares

According to the minutes of the General Shareholders' Meeting of 16 May 2017, the Board of Directors is authorised to acquire own shares in the Company on behalf of the latter or of subsidiaries, up to a maximum established by law and in mandatory legal provisions at each given time and which, at present, in combination with those already held by the Company, may not exceed 10% of its share capital, with a minimum acquisition price of the nominal value of the shares and a maximum price that may not exceed 30% of its share price, over a period of five years, superseding and leaving without effect the authorisation granted in the General Shareholders' Meeting of 23 May 2012.

At 31 December 2020 and 2019, the Company held own shares amounting to Euros 21,899 thousand and Euros 21,963 thousand, respectively, which are booked under "Own shares and equity" in equity in the balance sheet.

Movement of own shares and movement in 2020 and 2019 is as follows:

	No. of Shares
Own shares at 31 December 2018	**2,336,496**
Acquisition of own shares	104,509
Sale of own shares	(120,196)
Own shares at 31 December 2019	**2,320,809**
Acquisition of own shares	175,097
Sale of own shares	(174,964)
Own shares at 31 December 2020	**2,320,942**

In 2020, the Company acquired 175,097 own shares and sold 174,964 own shares, for an approximate global amount of Euros 1,588 thousand and Euros 1,569 thousand, respectively, giving rise to a loss of Euros 83 thousand which was recognised directly against Reserves (in 2019, the Company acquired 104,509 own shares and sold 120,196 own shares, for an approximate global amount of Euros 1,213 thousand and Euros 1,323 thousand, respectively, obtaining a profit of Euros 189 thousand which was recognised directly against Reserves).

All the own shares held by the company at 31 December 2020 and 2019 represented 2.67% of the total share capital of Elecnor, S.A. at those dates.

12. Provisions

The breakdown of "Long-term provisions" and "Short-term provisions" of non-current and current liabilities in the balance sheet at the end of 2020 and 2019, and the movements in 2020 and 2019, are as follows:

	Thousands of Euros					
Provisions	Balance at 31/12/2019	Charges	Reversals	Application	Transfers	Balance at 31/12/2020
Other employee benefits	4,057	2,351	-	(2,472)	-	3,936
Provisions for litigation and other responsibilities	78,114	21,454	(13,155)	(5,456)	-	80,957
Total	**82,171**	**23,805**	**(13,155)**	**(7,928)**	**-**	**84,893**

	Thousands of Euros					
Provisions	Balance at 31/12/2018	Charges	Reversals	Application	Transfers	Balance at 31/12/2019
Other employee benefits	4,131	2,055	-	(2,129)	-	4,057
Provisions for litigation and other responsibilities	56,808	50,451	(16,526)	(12,733)	114	78,114
Total	**60,939**	**52,506**	**(16,526)**	**(14,862)**	**114**	**82,171**

On 31 May 2017, Spanish National Markets and Competition Commission (CNMC) notified the Company, that it was opening disciplinary proceedings against it and another 15 companies, for a potential infringement in the sphere of the construction and maintenance of electrification systems and electromechanical equipment in railway lines. On 14 March 2019, the CNMC Council issued a resolution reducing the fine with respect to that proposed in the resolution of 31 August 2018 to Euros 20.4 million. In May 2019, the Company lodged an appeal and on 16 July 2019 the National Court (*Audiencia Nacional*) suspended execution of the CNMC resolution of 14 March 2019, dependent upon the presentation of bank guarantees.

On 26 September 2019, the Company received an incidental request of the National Court to bring proceedings, said proceedings having been brought in proper and timely manner on 11 November 2019.

On 22 June 2020, the Company filed a claim before the National Court; the judgment is pending.

In light of these events, and based on the assessment of the Company's legal advisers, although they consider that there are still solid arguments to challenge the CNMC's inspection, due to recent events in connection with other appeals against the Resolution, and the developments in other proceedings in the National Court in the last 2 years when the arguments presented by the parties have been rejected and the CNMC's decision confirmed, the Directors of the Company booked a provision of Euros 20.4 million to cover this risk, since they estimate that there is a probability of the appeal prospering of less than 50%. This provision is maintained as of 31 December 2020 as there has been no event in the last year to change the Company's estimates.

Furthermore, under Provisions for litigation and other liabilities at 31 December 2020 the tax provision was recognised on the basis of what has been described in note 16.

Lastly, Provisions for litigation and other liabilities at 31 December 2020 includes the Company's best estimate with regard to penalties and other contingencies in relation to the execution of various projects, mainly abroad, whose disbursement is estimated to take place in the short term, including provisions for negative works margins the amounts of which are individually not material making up a total amount of Euros 11,556 thousand (Euros 9,298 thousand at 31 December 2019), save a work in Mozambique, where an estimated loss of Euros 5,363 thousand is expected. Reversals in 2020 and 2019 correspond to penalties and other contingencies in relation to the execution of various projects that were completed in 2020 and 2019, respectively, in a manner favourable to the Group.

Other employee benefits include the cost payable by the Company to early-retiring employees using the replacement contract modality.

13. Financial debts

13.1. Classification and maturity of financial liabilities

The classification of financial liabilities by categories and classes under "Long- and short-term payables" in current and non-current liabilities at the end of 2020 and 2019 is as follows:

Category	2020 Thousands of Euros					
	Non-current			Current		
	At amortised cost or cost	At fair value	Total	At amortised cost or cost	At fair value	Total
Trade and other payables						
Bonds and other marketable securities	-	-	-	69,969	-	69,969
Loans and borrowings	381,546	-	381,546	3,769	-	3,769
Finance lease payables (Note 8)	3,880	-	3,880	461	-	461
Other financial liabilities	-	-	-	43,358	-	43,358
Hedge derivatives (Note 10)	-	6,938	6,938	-	1,176	1,176
Total	**385,426**	**6,938**	**392,364**	**117,557**	**1,176**	**118,733**

Category	2019 Thousands of Euros					
	Non-current			Current		
	At amortised cost or cost	At fair value	Total	At amortised cost or cost	At fair value	Total
Trade and other payables						
Bonds and other marketable securities	-	-	-	69,989	-	69,989
Loans and borrowings	268,826	-	268,826	52,932	-	52,932
Finance lease payables (Note 8)	4,352	-	4,352	437	-	437
Other financial liabilities	-	-	-	7,675	-	7,675
Hedge derivatives (Note 10)	-	6,243	6,243	-	1,656	1,656
Total	**273,178**	**6,243**	**279,421**	**131,033**	**1,656**	**132,689**

The breakdown by maturity of "Long-term payables" is as follows:

2020

Category	Thousands of Euros					
	2022	2023	2024	2025	2026 and thereafter	Total
Loans and borrowings	21,301	60,783	290,853	8,609	-	381,546
Finance lease payables (Note 8)	494	518	543	569	1,756	3,880
Derivatives (Note 10)	2,669	2,477	1,683	109	-	6,938
Total	**24,464**	**63,778**	**293,079**	**9,287**	**1,756**	**392,364**

2019

Category	Thousands of Euros					
	2021	2022	2023	2024	2025 and thereafter	Total
Loans and borrowings	1,561	21,474	31,361	205,823	8,607	268,826
Finance lease payables (Note 8)	472	495	518	543	2,324	4,352
Derivatives (Note 10)	1,562	1,761	1,667	1,165	88	6,243
Total	**3,595**	**23,730**	**33,546**	**207,531**	**11,019**	**279,421**

The amount of net income and expense by category of financial liabilities at 31 December 2020 was Euros 10,198 thousand and corresponds to finance expenses from Trade and other payables amounting to Euros 7,991 thousand and reclassification from equity to profit and loss for Hedge derivatives amounting to Euros 2,207 thousand, applying the amortised cost method (Euros 13,009 thousand and corresponding to finance expenses from Trade and other payables amounting to Euros 10,657 thousand and reclassification from equity to profit and loss for Hedge derivatives amounting to Euros 2,352 thousand, applying the amortised cost method, in 2019).

13.2. Payables

Details of payables are as follows:

	Thousands of Euros			
	Non-current		Current	
	2020	2019	2020	2019
Promissory notes	-	-	69,969	69,989
Loans and borrowings	381,546	268,826	2,701	51,631
Interest	-	-	1,068	1,301
Finance lease payables (Note 8)	3,880	4,352	461	437
Financial instruments, hedge derivatives (note 10)	6,938	6,243	1,176	1,656
Suppliers of fixed assets	-	-	4,655	5,237
Other	-	-	38,703	2,438
Total	**392,364**	**279,421**	**118,733**	**132,689**

Loans and borrowings - syndicated loan

On 21 July 2014, Elecnor arranged syndicated financing of Euros 600 million with a group of 19 banks, which replaced the Euros 401 million that had been drawn down at that date in the syndicated financing arranged in 2012. This financing was structured into two tranches: one loan tranche totalling Euros 300 million, repayable in instalments, and a revolving credit tranche with a limit of Euros 300 million, maturing in July 2019.

On 27 June 2019, Elecnor signed a fifth novation of this agreement, subscribed by all 14 lenders. This renewal entailed the addition as a borrower of Electrificaciones del Ecuador (Elecdor), the division of the credit tranche (tranche B) into two sub-tranches, one sub-tranche (sub-tranche B1) with a ceiling of Euros 134.2 million available for Elecnor and one sub-tranche (sub-tranche B2) with a ceiling of USD 75 million available for both Elecnor and Elecdor.

The Company analysed whether or not the conditions had been substantially modified and concluded that there was no extinguishment of the original liabilities in any of the years.

With respect to interest rate hedging, swaps had been arranged prior to the novation to cover the loan for 70% of the loan calendar generated by the novation of 2018. In June 2019, it was decided to hedge the interest rate risk of the remaining 30%, for which purpose another 8 interest rate swaps (IRSs) were arranged, with an initial notional amount of Euros 1.5 million and a maximum notional amount of Euros 54 million and a new basis swap with an initial notional amount of Euros 1.5 million and a maximum notional amount of Euros 54 million. At 31 December 2019, there were 39 IRSs and 5 basis swaps, assigned mainly to hedging interest rate risk in syndicated financing and, to a lesser extent, to hedging interest rate risk on promissory note issuance in the Alternative Fixed Income Market (MARF). The maturities and interest settlement dates of the swaps coincide with those of the financing agreements to which they are assigned (Note 10).

In 2020, Elecnor did not arrange a novation of the syndicated loan, so the financing calendar remains unchanged. Therefore, no new swaps were arranged in connection with the loan (since the calendar remains the same).

This syndicated financing bears interest indexed to Euribor for the interest term chosen by the borrower (1, 3 or 6 months) for drawdowns in euros and to Libor for the interest period chosen by the borrower (1, 3 or 6 months), plus a spread tied to the net financial debt/(EBITDA + dividends from projects) ratio. The Company has undertaken to comply with different ratios over the term of the bank financing agreement ((Net financial debt/EBITDA), (EBITDA/Net finance expenses), and (Net financial debt/Equity)), which will be calculated on the basis of the Elecnor Group's consolidated figures. Non-compliance could be cause for terminating the contract, although, at 31 December 2020, all the ratios linked to this financing were compliant.

At 31 December 2020, the drawn down amount of the syndicated financing agreement totals Euros 341 million and corresponds to Euros 200 million of the loan tranche, Euros 134 million of the credit tranche in euros and Euros 7 million of the credit tranche in US Dollars (Euros 257 million at 31 December 2019, Euros 200 million corresponding to the loan tranche and Euros 30 million to the credit tranche and Euros 27 million of the credit tranche in US Dollars).

The aforementioned syndicated financing agreement (loan tranche and credit tranche) in 2020 accrued interest at an average rate of 1.99%, amounting to a total of Euros 5,102 thousand in interest, considering the effect of the Euros 2,207 thousand in hedges booked by the Group under "Finance expenses" in the accompanying consolidated income statement for 2020 (Euros 5,182 thousand in interest in 2019, which included a finance expense for hedges totalling Euros 2,273 thousand).

Moreover, at 31 December 2020, the credit tranche accrued finance expenses relating to availability fees amounting to Euros 479 thousand (Euros 689 thousand in 2019).

Loans and borrowings - other debts

Current and non-current loans and borrowings corresponded entirely to a financing agreement for Euros 9,200 thousand, arranged on 18 August 2017, with the European Energy Efficiency Fund, S.A., SICAV-SIF, maturing in 2031 and linked to the assignment of future credit rights of the Company. The amount outstanding at 31 December 2020 is approximately Euros 7,586 thousand (Euros 8,350 thousand at 31 December 2019).

Moreover, on 13 March 2018, the Company arranged a financing agreement through a policy for the assignment of credit rights with the Efficiency Solutions fund, amounting to Euros 11,500 thousand, and maturing in June 2027. The amount outstanding at 31 December 2020 is approximately Euros 8,168 thousand (Euros 9,311 thousand at 31 December 2019).

In 2020 these borrowings accrued interest of Euros 744 thousand (Euros 818 thousand in 2019).

Promissory notes

At the beginning of 2020, Elecnor, S.A. had issued promissory notes on the Alternative Fixed Income Market (MARF) for an amount of Euros 70 million (Euros 155 million in 2019). New issues in 2020 totalled Euros 996 million while maturities totalled Euros 996 million. The outstanding balance at 31 December 2020 was therefore Euros 70 million, reflecting 700 securities with a nominal value of Euros 100 thousand each.

At the beginning of 2019, Elecnor, S.A. had issued promissory notes on the Alternative Fixed Income Market (MARF) for an amount of Euros 155 million. New issues in 2019 totalled Euros 1,601 million while maturities totalled Euros 1,686 million. The outstanding balance at 31 December 2019 was therefore Euros 70 million, reflecting 700 securities with a nominal value of Euros 100 thousand each.

The promissory note programmes in force in 2020 and 2019 provided for a maximum number of outstanding issues at all times of Euros 300 million.

In 2020, these promissory notes accrued interest and fees totalling Euros 829 thousand (Euros 1,161 thousand in 2019) which the Company recognised under “Finance expenses” in the accompanying income statement.

Credit facilities

Furthermore, the Company has credit facilities granted with the following limits (excluding the credit facility of tranche B of the syndicated loan):

	Thousands of Euros			
	2020		2019	
Category	Limit	Amount not drawn down	Limit	Amount not drawn down
Credit facilities	221,000	190,569	111,000	61,087
Total	**221,000**	**190,569**	**111,000**	**61,087**

Excluding tranche B of the syndicated financing, at 31 December 2020 Elecnor, S.A. had 10 open credit facilities with financial institutions, with a maximum total limit of Euros 221 million. These bilateral credit facilities bear interest indexed to EURIBOR/LIBOR plus a market spread, and most of them mature at one year, or at a maximum three years with automatic annual renewals (7 credit facilities at 31 December 2019).

All the above financing facilities have a personal guarantee attached.

This bank financing accrued interest during 2020 of approximately Euros 462 thousand, which the Company recognised under “Finance expenses” in the accompanying income statement (approximately Euros 380 thousand in 2019).

Other

This heading, as of 31 December 2020, mainly includes an advance received by the Company for a job that will be done with another partner abroad for Euros 36,310 thousand. The Company expects to deliver the job to said partner in 2021 once it has made the pertinent guarantees. To date, the Company has received 100% of the advance of Euros 72,620 thousand as all the guarantees have been made (its own and those of the other party).

In addition, in 2020 the company set up a Securitisation Fund ‘Elecnor Eficiencia Energética 2020’, to which it has assigned the credit claims derived from the contracts for the management of energy services and maintenance of public street lighting installations which Elecnor executes for 43 municipalities and public entities in Spain. By means of this new structure, the Company obtains advantageous financing conditions for investment in the assigned contracts in the amount of Euros 50 million as a result of the future receipt rights assignment. The securitisation fund issued 7-year bonds worth Euros 50 million, which are subscribed and fully paid in, and which are trading in Spain’s Alternative Fixed Income Market (MARF). The Company has not drawn down any amount of this financing as of 31 December 2020.

13.3. Amounts denominated in foreign currencies

The breakdown at 31 December 2020 and 2019 of the main financial liabilities denominated in foreign currency is as follows, in Thousands of Euros:

2020

Currency	Loans and borrowings	Trade and payables
BOB	-	143
DOP	-	9,865
DZD	-	10,339
GMD	-	821
GHS	-	1,013
HNL	-	597
HTG	-	2,897
JOD	-	2,986
MRO	-	925
NOK	-	5,302
OMR	-	21,885
USD	7,414	12,752
VES	-	341
XOF	-	1,056
Other	-	5,162
Total	**7,414**	**76,084**

2019

Currency	Loans and borrowings	Trade and payables
BOB	-	234
DOP	-	11,429
DZD	-	17,012
GMD	-	451
GHS	-	1,596
HNL	-	446
HTG	-	2,601
JOD	-	5,082
MRO	-	2,048
NOK	-	4,158
OMR	-	786
USD	26,848	14,681
VES	-	766
XOF	-	2,095
Other	-	2,644
Total	**26,848**	**66,029**

14. Information on the average supplier payment period. Additional Provision Three. "Duty of Information" pursuant to Law 15/2010 of July 5

Information on the average supplier payment period in 2020 and 2019 is as follows:

	Days	
	2020	2019
Average supplier payment period	60	65
Transactions paid ratio	67	73
Transactions payable ratio	35	42
	Expressed in Thousands of Euros	
Total payments made	992,593	776,103
Total payments outstanding	258,201	237,042

15. Advances from customers

The breakdown of this heading of current liabilities on the balance sheet at the end of 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Advance invoices	353,249	304,212
Advances from customers	97,667	69,666
	450,916	**373,878**

Advance invoices comprise invoices on account issued in accordance with the timing conditions specified in the agreements for works currently in progress.

Advances from customers basically reflect payments made in advance by customers prior to the start of the related contracts. These advances are discounted from invoices issued during the execution of the contracts and tend to be linked to projects carried out abroad.

As of 31 December 2020 Customer Advances includes Euros 36,310 thousand from what is discussed in note 13.2 "Others".

16. Taxation

16.1. Current balances with Public Administrations

The breakdown of balances with Public Administrations at the end of 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Assets:		
Current tax assets	4,177	6,588
Value Added Tax and similar	12,439	12,230
Withholdings	3,301	4,415
Other	2,646	3,114
	22,563	**26,347**
Liabilities:		
Current tax liabilities	4,111	4,717
Value Added Tax and similar	13,244	18,778
Social Security	10,668	9,118
Withholdings	8,519	6,937
Other	301	428
	36,843	**39,978**

In its estimated corporate income tax settlement for 2020, the Company applied withholdings and payments on account performed in the year amounting to approximately Euros 74 thousand and Euros 2,155 thousand, respectively (approximately Euros 14 thousand and Euros 3,546 thousand, respectively, in 2019).

The Company has the following years open to inspection by the taxation authority in respect of the main taxes applicable to it:

Tax	Years open to inspection
Corporate Income Tax (*)	2014-2019
Value Added Tax	2015-2020
Personal Income Tax	2015-2020
Social Security	2015-2020
Capital Gains Tax	2015-2020
Non-residents	2015-2020

(*) The deadline for filing Corporate Income Tax returns is 25 calendar days after the six months subsequent to conclusion of the tax periods, so corporate tax corresponding to 2020 will not be open to inspection until 25 July 2021.

On 10 February 2021, based on its request of 28 December 2020, the Company received notification from the tax authority that it will be taxed under the consolidated tax regime from 1 January 2021 with the rest of the national companies of the Group taxed under state regulations.

Inspections conducted by the Tax Authority’s Large Taxpayers Division at the Company, and commenced by notification on 1 July 2016, concluded in 2018.

Said inspections encompassed the following taxes and periods:

- Corporate Income Tax for the tax periods 2011 to 2013,
- Value Added Tax for the tax periods 06/2012 to 12/2014,
- Withholdings and payments on account for earnings for personal work and professional activities for the tax periods 06/2012 to 12/2014,
- Withholdings and payments on account for capital gains for the periods 06/2012 to 12/2014,
- Withholdings and payments on account for real estate earnings for the tax periods 06/2012 to 12/2014,
- Withholdings on account for non-residents tax for the tax periods 06/2012 to 12/2014,

The aforementioned inspections concluded in 2018 and the Group signed statements of conformity for a total payment of Euros 10,915 thousand in tax, late payment interest and, where applicable, fines, the expense of which is recognised in the accompanying income statement; it also signed statements of disconformity whose settlement implies a payment obligation totalling Euros 14,208 thousand.

On 28 December 2018, the Company filed economic-administrative appeals against the settlement agreements derived from the statements of disconformity before the Central Economic-Administrative Court, which were the subject of a request for suspension while the proceedings were underway.

On 23 November 2020, the Company was notified that the files were accessible, and of the procedure for allegations, which were submitted on 17 December 2020.

In light of this situation, the Company's Directors, in cooperation with its tax advisers, and consider that although there are weighty arguments to underpin the position of the Company, decided in 2019 to allocate a provision for the amounts claimed in the appealed settlement agreements in connection with differences in interpretation in respect of related party transactions amounting to Euros 7,559 thousand, since they consider that in 2019 retroactivity had been ruled out and, accordingly, the reviewing bodies are more likely to approve the Tax Authority's position than not (note 12), and considering the impact for the rest of years open to inspection, should the Tax Authority apply the same criteria for the years open to inspection.

In addition to the foregoing, on 29 October 2019, the Company received a notification of the commencement of an inspection in relation to the following taxes and years:

- Corporate Income Tax for the tax periods 2014 to 2016,
- Value Added Tax for the tax periods 09/2015 to 12/2016,
- Withholdings and payments on account for earnings for personal work and professional activities for the tax periods 09/2015 to 12/2016,
- Withholdings and payments on account for capital gains for the periods 09/2015 to 12/2016,
- Withholdings and payments on account for real estate earnings for the tax periods 09/2015 to 12/2016,
- Withholdings on account for non-residents tax for the tax periods 09/2015 to 12/2016,

However, the Administration's entitlement to verify or investigate tax loss carryforwards offset or pending offsetting, deductions for double taxation and deductions to encourage certain activities applied or pending application prescribes after 10 years from the day after the end of the established period for filing the tax return or self-assessment for the tax period in which the Company's entitlement to offsetting or application was generated. Once that period has elapsed, the Company must accredit tax losses or deductions by presenting the settlement or self-assessment and the accounts, and also evidencing that they have been filed during the aforementioned period in the Companies Register.

Due to the treatment permitted by prevailing fiscal legislation, additional tax liabilities that cannot be objectively quantified could arise in the event of inspection. In any case, the Company's Directors consider that the aforementioned taxes have been correctly paid and therefore, even in the event of discrepancies in the interpretation of prevailing fiscal legislation of certain transactions, they consider that any such liabilities that could arise would not have a significant effect on the accompanying annual accounts.

16.2. Reconciliation between accounting profit/loss and taxable income

The reconciliation between accounting profit/loss and taxable income for Corporate Income Tax purposes is as follows:

2020

	Thousands of Euros		
	Increase	Decrease	Total
Accounting profit/loss before taxes			**46,765**
Permanent differences:			
Income obtained abroad	23,315	(20,430)	2,885
Dividends (Note 19)	-	(35,569)	(35,569)
Capitalisation reserve	-	(2,132)	(2,132)
Non-deductible expenses	10,010	-	10,010
Gains on financial investments	-	(729)	(729)
Portfolio provision	3,237	-	3,237
Temporary differences:			
Originating in previous years:			
Fixed assets	254	(163)	91
Other provisions (Note 12)	-	(6,792)	(6,792)
Originating in the current year:			
Insolvency provision	3,774	-	3,774
Credit impairment (Note 9.5)	8,339	-	8,339
Other provisions (Note 12)	-	(10,693)	(10,693)
Offsetting of tax losses			**(5,330)**
Taxable income			**13,856**

2019

	Thousands of Euros		
	Increase	Decrease	Total
Accounting profit/loss before taxes			**54,659**
Permanent differences:			
Income obtained abroad	18,634	(9,148)	9,486
Dividends (Note 19)	-	(83,278)	(83,278)
Capitalisation reserve	-	(353)	(353)
Non-deductible expenses	34,340	-	34,340
Gains on financial investments	-	(14,859)	(14,859)
Portfolio provision	9,303	-	9,303
Temporary differences:			
Originating in previous years:			
Fixed assets	505	(289)	216
Other provisions (Note 12)	-	(26,121)	(26,121)
Originating in the current year:			
Insolvency provision	2,630	-	2,630
Other provisions (Note 12)	24,848	-	24,848
Offsetting of tax losses			**(2,806)**
Taxable income			**8,065**

Applicable fiscal legislation in 2020 and 2019 provides for certain credits whose aim is, in certain circumstances, to avoid double taxation of income obtained abroad, in connection with both permanent establishments located in foreign countries and dividends paid by non-resident subsidiaries. When applying these two tax credits, the Company has made the adjustments indicated in the tables above to the basis for calculating Corporate Income Tax in 2020 and 2019.

On 31 December 2020, Law 11/2020 of 30 December, on the General State Budgets for 2021 was published, which includes certain changes to the Corporation Income Tax Law. The main change to the Corporation Income Tax Law is the elimination of the total tax exemption of dividends and capital gains, which remains at 95%. This tax change has not had any impact on the attached annual accounts.

16.3. Tax recognised in Equity

The breakdown of tax recognised directly in Net Equity in 2020 and 2019 is as follows:

2020

	Thousands of Euros		
	Increases	Decreases	Total
Deferred tax:			
Originating in previous years:			
Measurement of cash flow hedges	-	76	76
Total deferred tax			**76**
Total tax recognised directly in equity			**76**

2019

	Thousands of Euros		
	Increases	Decreases	Total
Deferred tax:			
Originating in previous years:			
Measurement of cash flow hedges	-	283	283
Total deferred tax			**283**
Total tax recognised directly in equity			**283**

In both 2020 and 2019, tax recognised directly in net equity corresponds to the tax effect of fair value measurement of derivative instruments in force at the close of each of those years.

16.4. Reconciliation between the accounting profit/loss and the Corporate Income Tax expense

The reconciliation between the accounting profit/loss and the Corporate Income Tax expense for 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Accounting profit/loss before taxes	**46,765**	**54,659**
Rate of 25%	11,691	13,665
Permanent differences:		
Impairment of investments in Group companies	809	2,326
Dividends	(8,892)	(20,820)
Profit/loss on disposals of investments in Group companies and associates	(182)	(3,715)
Capitalisation reserve	(533)	(88)
Income obtained abroad	721	2,371
Other non-deductible expenses	2,503	8,585
Tax branches	7,047	4,569
Prior years' adjustments	(249)	(623)
Other	2,217	18,267
Total tax expense recognised in the income statement	**15,132**	**24,537**

As established by applicable legislation, taxes cannot be deemed as definitively settled until the tax returns filed have been audited by taxation authority or until relevant statute of limitations has concluded.

Other non-deductible expenses at 31 December 2019 corresponded to the impairment of the loan granted to Elecnor Perú SAC (Note 9) and the provision for the fine imposed by the CNMC (Note 12).

Others in 2020 and 2019 mainly includes the effect of the tax provision (note 12 and 16.1).

16.5. Deferred tax assets

The breakdown of the balance of this account at the end of 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Temporary differences (prepaid taxes)		
Provisions for PV plants	232	232
Remuneration provision	3,694	5,332
Insolvency and credit provisions	7,695	4,843
Other provisions	8,325	11,021
Fair value measurement of derivative instruments (Note 10)	2,029	1,975
Corporate transactions	739	739
Other	992	983
Tax credits and deductions	14,262	17,085
Total	**37,968**	**42,210**

The aforementioned deferred tax assets have been recorded in the balance sheet as the Company's Directors consider that, taking into account the positive tax bases that it generates, there is no doubt about their recoverability.

16.6. Deferred tax liabilities

The breakdown of the balance of this account at the end of 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Temporary differences		
Fair value measurement of derivative instruments (Note 10)	82	103
Corporate transactions	515	515
Accelerated amortisation	99	162
Other	5,760	2,986
Total	**6,456**	**3,766**

Deferred tax assets and liabilities that are expected to be realised or reversed in periods of less than 12 months are not significant.

17. Income and expenses

17.1. Net turnover

The breakdown of the turnover in 2020 and 2019, by both geographic areas and products, is as follows:

	Thousands of Euros	
By geographical area	2020	2019
Domestic	1,079,540	987,643
International	464,509	381,085
Total	**1,544,049**	**1,368,728**
By product or activity		
Electricity	583,190	457,194
Power generation	227,966	230,404
Telecommunications	190,985	206,738
Construction, environment and water	148,523	98,189
Maintenance	164,861	167,389
Facilities	145,086	122,306
Gas	28,897	37,227
Railways	54,541	49,281
Total	**1,544,049**	**1,368,728**

17.2. Materials consumed

The breakdown of Consumption of goods, Raw materials and other materials consumed for 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Consumption of raw materials and others		
Domestic purchases	323,005	300,820
EU purchases	36,829	23,853
Imports	74,078	52,977
Discounts and returns	(4,081)	(3,315)
Changes in inventories	178	(178)
	430,009	**374,157**

17.3. Personnel expenses

The breakdown of “Personnel expenses” in the accompanying income statements for 2020 and 2019 is as follows:

	Thousands of Euros	
	2020	2019
Salaries and wages	345,414	336,420
Social Security	94,190	86,782
Other employee benefits expenses	4,941	5,225
	444,545	**428,427**

17.4. Transactions denominated in foreign currencies

Details of income and expenses denominated in foreign currency at 31 December 2020 and 2019 are as follows:

	Thousands of Euros	
	2020	2019
Income		
Net sales	652,933	562,162
Rendering of services	50	439
Financial Instruments		
Finance income	172	5
Dividends	20,008	24,007
Other	447	2,387
	673,610	**589,000**
Expenses		
Net purchases	(116,698)	(105,451)
Expenses on operating leases	(6,750)	(6,611)
Other services received	(27,831)	(30,087)
Personnel expenses	(28,194)	(28,414)
Financial Instruments		
Finance expenses	(90)	(117)
Taxes	(10,287)	(9,657)
Other	(6,924)	(3,812)
	(196,774)	**(184,149)**

18. Information on employees

The average headcount, by professional category, in 2020 and 2019 was as follows:

	Average headcount	
	2020	2019
Management	125	122
Executive	779	685
Technician	2,234	1,921
Basic	8,036	7,192
Total	**11,174**	**9,920**

Of the average headcount at Elecnor, S.A. in 2020, 4,983 employees had temporary contracts (4,743 in 2019).

Moreover, the breakdown by gender at the end of 2020 and 2019, specified by professional category, of staff and Directors is as follows:

Category	2020		2019	
	Male	Female	Male	Female
Directors	13	2	13	2
Management	107	14	107	13
Executive	683	155	555	126
Technician	1,531	875	1,345	765
Basic	8,188	408	6,978	351
Total	**10,522**	**1,454**	**8,998**	**1,257**

The average number of Company employees with a disability equal to or higher than 33% (or equivalent local rating) in 2020 and 2019, detailed by professional category, is as follows:

Category	2020	2019
Technical area	5	6
Administration	8	7
Specialists	35	34
Total	**48**	**47**

19. Related Party Balances and Transactions

19.1. Related Party Transactions

The Company's transactions with Group companies, associates and multi-group companies are as follows:

2020

	Thousands of Euros			
	2020			
	Group companies	Group associates	multi-group companies	Total
Income				
Sales	16,488	14,632	15	31,135
Other operating income	3,078	96	97	3,271
Financial Instruments				
Finance income	2,313	811	476	3,600
Dividends	34,132	-	1,437	35,569
Profits on disposals	3,470	-	-	3,470
	59,481	**15,539**	**2,025**	**77,045**
Expenses				
Materials consumed	(101,501)	-	-	(101,501)
External services	(3,484)	-	(338)	(3,822)
Personnel expenses	(16)	-	-	(16)
Adjustments to customers	-	-	(557)	(557)
Financial Instruments				
Finance expenses	(343)	-	-	(343)
Impairment and losses				
Equity instruments	(2,371)	-	(8,333)	(10,704)
Credits	-	-	-	-
	(107,715)	**-**	**(9,228)**	**(116,943)**
	(48,234)	**15,539**	**(7,203)**	**(39,898)**

2019

	Thousands of Euros			
	2019			
	Group companies	Group associates	multi-group companies	Total
Income				
Sales	17,414	14,922	-	32,336
Other operating income	3,020	190	116	3,326
Financial Instruments				
Finance income	1,827	1,382	555	3,764
Dividends	81,799	1,479	-	83,278
Profits on disposals (Note 9)	14,859	-	-	14,859
	118,919	**17,973**	**671**	**137,563**
Expenses				
Materials consumed	(20,938)	-	-	(20,938)
External services	(4,539)	-	-	(4,539)
Personnel expenses	(3)	-	-	(3)
Adjustments to customers	(893)	-	(975)	(1,868)
Financial Instruments				
Finance expenses	(567)	-	-	(567)
Impairment and losses				
Equity instruments	(9,080)	(3)	-	(9,083)
Credits	(11,867)	-	(6,422)	(18,289)
	(47,887)	**(3)**	**(7,397)**	**(55,287)**
	71,032	**17,970**	**(6,726)**	**82,276**

Materials consumed with group companies as of 31 December 2020 includes Euros 74,056 thousand with the group company Aplicaciones Técnicas de la Energía, S.L. (Euros 7,922 thousand at 31 December 2019) for the supply of panels for the construction of the Perseo Fotón photovoltaic solar plants in Castilla la Mancha and the construction of the Sunflower Solar Park in the Dominican Republic.

Financial Instrument Expenses - impairment of credits with joint ventures as of 31 December 2020 and 2019, corresponds entirely to the impairment of Company credits with Dunor Energía S.A.P.I. de CV in view of the company's financial position, described in note 9.4.

Financial Instrument Expenses - impairment of credits with group companies as of 31 December 2019 for Euros 11,867 thousand corresponded to the impairment of the Company credit maintains with Elecnor Perú, S.A.C. in view of this company's financial position, described in note 9.2.

19.2. Related party balances

The breakdown of balances with Group companies, associates and multi-group companies at 31 December 2020 and 2019 is as follows:

2020

	Thousands of Euros			
	2020			
	Group companies	Group associates	multi-group companies	Total
Long-term investments in Group companies and associates				
Equity instruments	432,556	15,565	410,820	858,941
Credits to companies	-	7,993	-	7,993
Total non-current assets	**432,556**	**23,558**	**410,820**	**866,934**
Advances to suppliers	4,861	-	-	4,861
Trade and other receivables				
Customers, short-term Group companies and associates	15,280	256	4,477	20,013
Short-term investments in Group companies and associates				
Credits to companies	28,298	66	75	28,439
Other financial assets	3,028	-	67	3,095
Total current assets	**51,467**	**322**	**4,619**	**56,408**
Total assets	**484,023**	**23,880**	**415,439**	**923,342**
Short-term payables to Group companies and associates	(16,878)	(5)	-	(16,883)
Trade and other payables				
Suppliers, Group companies and associates	(27,327)	-	-	(27,327)
Total current liabilities	**(44,205)**	**(5)**	**-**	**(44,210)**
Total liabilities	**(44,205)**	**(5)**	**-**	**(44,210)**

2019

	Thousands of Euros			
	2019			
	Group companies	Group associates	multi-group companies	Total
Long-term investments in Group companies and associates				
Equity instruments	437,000	15,565	407,951	860,516
Credits to companies	-	10,561	-	10,561
Total non-current assets	**437,000**	**26,126**	407,951	**871,077**
Advances to suppliers	2,297	-	-	2,297
Trade and other receivables				
Customers, short-term Group companies and associates	13,384	5,055	98	18,537
Short-term investments in Group companies and associates				
Credits to companies	6,770	117	-	6,887
Other financial assets	1,691	-	72	1,763
Total current assets	**24,142**	**5,172**	**170**	**29,484**
Total assets	**461,142**	**31,298**	**408,121**	**900,561**
Short-term payables to Group companies and associates	(27,607)	(5)	-	(27,612)
Trade and other payables				
Suppliers, Group companies and associates	(6,722)	-	-	(6,722)
Total current liabilities	**(34,329)**	**(5)**	**-**	**(34,334)**
Total liabilities	**(34,329)**	**(5)**	**-**	**(34,334)**

On 11 July 2019, the Group company Ehisa Construcciones y Obras, S.A. granted the Company a mercantile loan amounting to Euros 5,000 thousand, with a term of one year that may be extended annually, accruing interest at a fixed annual rate of 1.5%. In 2020, the company repaid Euros 3,625 thousand of this loan. Furthermore, on 26 November 2020, arranged a new mercantile loan was arranged for Euros 2,000 thousand, with a term of one year that may be extended annually, accruing interest at a fixed annual rate of 2%.

On 30 September 2019, the Group company Hidroambiente S.A.U. granted the Company a mercantile loan amounting to Euros 1,000 thousand, with a term of one year that may be extended annually, accruing interest at a fixed annual rate of 1.5%. In 2020, the company repaid this loan in full and on 30 July 2020, it took out a new commercial loan for Euros 4,267 thousand, for one year renewable each year and accruing a fixed annual interest of 1.5%, which was repaid in full by 31 December 2020. The Company therefore has no outstanding debt with the Hidroambiente S.A. Group company as of 31 December 2020.

On 29 June 2018, Enerfin Sociedad de Energía, S.L.U. granted the Company a loan amounting to Euros 44,900 thousand, with a term of one year that may be extended annually, accruing interest at a fixed annual rate of 1.5%, the drawn down amount of which at 31 December 2020 and 2019 was Euros 3,100 thousand. In addition, in 2020, the Group company Enerfin Sociedad de Energía, S.L.U. granted the Company two loans amounting to Euros 12,100 thousand with a term of one year that may be extended annually, accruing interest at a fixed annual rate of 2%. In 2020, Euros 10,100 thousand of these loans was repaid.

In 2019, Enerfin Enervento Exterior, S.L.U. a member of the group Enerfin Sociedad de Energía, S.L., granted the Company a mercantile loan of Euros 7,000 thousand, with a term of one year that may be extended annually, accruing interest at a fixed annual rate of 1.5%, which had been fully drawn down in 2020. In turn, at 31 December 2020, the company maintains a credit of Euros 23,800 thousand with Enerfin Enervento Exterior, S.L.U. for various loans granted in the year. 2020

On 28 May 2018, the Group company Aplicaciones Técnicas de la Energía, S.L. granted the Company a mercantile loan amounting to Euros 6,000 thousand, with a term of one year that may be extended annually, accruing interest at a fixed annual rate of 2%. In 2019, Euros 500 thousand of this loan was repaid. On 19 December 2019, the Company arranged a new mercantile loan for Euros 3,500 thousand, with a term of one year that may be extended annually, accruing interest at a fixed annual rate of 2%. In 2020, the Company repaid Euros 2,750 thousand of these loans, so the balance pending is Euros 6,250 thousand.

Furthermore, group company suppliers at 31 December 2020 include a balance of Euros 10,767 thousand with the group company Aplicaciones Técnicas de la Energía, S.L. for the projects described in note 19.1.

Finally, at 31 December 2020 and 2019 the Company had an account payable to the Directors amounting to Euros 2,415 thousand and Euros 2,438 thousand, respectively.

19.3. Remuneration of the Board of Directors

a) Remuneration and other benefits-

In 2020 the members of the Company's Board of Directors received remuneration amounting to Euros 4,938.1 thousand for all items (Euros 5,199.6 thousand in 2019). This remuneration includes that earned in their capacity as management personnel.

The Company has paid approximately Euros 13.1 thousand for life insurance arranged for former or current members of its Board of Directors (Euros 4.1 thousand in 2019).

At 31 December 2020 and 2019, the Company does not have any pension obligations with former or current members of the Board of Directors nor has it extended any guarantees on their behalf or granted any loans thereto.

At 31 December 2020 and 2019, the Board of Directors of the Company is formed by 15 individuals, two of whom are female.

At 31 December 2020 and 2019, the amount paid by the Company with regard to public liability insurance for all or some of the directors in relation to damage caused due to acts or omissions in discharging their duties was not significant.

Moreover, and in line with the measures in place for the Company's employees, the members of the Board of Directors agreed to reduce their remuneration during this period.

b) Conflicts of interest concerning the Directors-

The members of the Board of Directors of Elecnor, S.A. and their related parties have had no conflicts of interest requiring disclosure in accordance with article 229 of the Revised Spanish Companies Act.

c) Transactions other than ordinary business or under terms differing from market conditions carried out by the Directors-

In 2020 and 2019 the Directors of the Company have not carried out any transactions other than ordinary business or applying terms that differ from market conditions with the Company or any other Group company.

19.4. Remuneration to the Management Team

In 2020, the Company's Management Team received remuneration amounting to Euros 5,728 thousand (Euros 4,661 thousand in 2019).

The stated total remuneration includes fixed remuneration, annual variable remuneration and variable remuneration for compliance with the 2017-2019 Strategic Plan.

At 31 December 2020 and 2019, the Company does not have any material pension obligations with management nor has it extended any guarantees on their behalf or granted any advances or loans thereto.

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 furlough schemes and working hours reductions implemented by the Company to combat the COVID-19 crisis (from 13 April to 31 May 2020), in solidarity with the rest of the workforce.

20. Bonds and guarantees

At 31 December 2020 and 2019, the breakdown of bonds and guarantees for bids, completion or performance, generally provided by banks on behalf of the Company in respect of third parties, is as follows:

	Thousands of Euros	
	2020	2019
Completion bonds	802,181	498,153
Advances on contracts	335,083	203,054
Performance bonds	172,940	130,701
Bid bonds	64,589	63,033
Standby	17,028	25,209
	1,391,821	**920,150**

At 31 December 2020 and 2019, the Company had provided bonds to the customer Empresa de Transmisión Eléctrica, S.A. for Euros 67 million and Euros 33 million, respectively. It had also provided guarantees to the customer Toabré for Euros 26 million in both years.

Furthermore, in 2020 it provided guarantees to customers AB Lietuvos Gelezinkeliu, Mataquito Transmisora de Energía and Nesf in the respective amounts of Euros 84 million, Euros 65 million and Euros 74 million.

The Company's Directors consider that any liabilities that might arise from the bank guarantees provided would not give rise to significant losses in the accompanying annual accounts.

Contingencies-

On 17 January 2020, the Central Court of Instruction No. 5 issued an order decreeing the commencement of a trial concerning a former employee of the subsidiary Deimos Space, S.L., the latter for alleged criminal liability as a legal person for possible crimes of corruption in international commercial transactions and money laundering, requiring that the company provide a guarantee of Euros 1,460 thousand to cover civil liability, and additional guarantees of Euros 10,240 thousand and Euros 2,625 thousand to cover possible future pecuniary sanctions and confiscations.

The Company presented the shares it owns in the Deimos Group to cover the aforementioned guarantee.

The Group is in complete disagreement with the legal decision and is exercising its rights in the proceedings, appealing the guarantee amount required and requesting its free acquittal, as is the former Company employee and the latter's legal team, and it considers that there has been no proof in the proceedings to presume with a sufficient degree of certainty, beyond all reasonable doubt, that either Deimos Space, S.L. or its former employee will be sentenced, so that the Directors of the Company, in accordance with the terms of the plaintiff's defence writ presented on 4 March 2020, consider that the probable result of the trial will be an acquittal, and that therefore no criminal or civil liability will be enforced.

On this basis, the Company's Directors do not estimate that this will have any impact on the recoverable value of the investment in Deimos Space, S.L. (Note 9.2).

21. Temporary Business Associations (UTEs)

The balance sheets and income statements of the Temporary Business Associations in which Elecnor, S.A. is involved are proportionately consolidated in the accompanying annual accounts, in accordance with the provisions for adaptation of the Spanish General Chart of Accounts to the construction sector.

Details of UTEs and the Company's interest percentage therein at 31 December 2020 and 2019, the amount of revenues from construction work performed in 2020 and 2019 and the order book at said dates are attached as Appendix II to these annual accounts.

Details of the contribution of UTEs to the various headings in the accompanying balance sheet and income statement at 31 December 2020 are as follows:

ASSETS	Thousands of Euros	LIABILITIES	Thousands of Euros
Property, plant and equipment	453	Profit/loss for the year	4,849
Inventories	3,975	Provision for liabilities and charges	1,985
Receivables	50,708	Short-term payables	79,397
Temporary investments	11		
Cash	31,084		
Total	**86,231**	**Total**	**86,231**

Details of the contribution of UTEs to the various headings in the accompanying balance sheet and income statement at 31 December 2019 were as follows:

ASSETS	Thousands of Euros	LIABILITIES	Thousands of Euros
Property, plant and equipment	615	Profit/loss for the year	(7,652)
Inventories	1,546	Short-term payables	85,087
Receivables	52,083		
Temporary investments	(430)		
Cash	23,621		
Total	**77,435**	**Total**	**77,435**

The heading "Inventories" at 31 December 2020 includes advance payments by Temporary Business Associations to their suppliers amounting to Euros 3,776 thousand (Euros 1,425 thousand at 31 December 2019).

Furthermore, the heading "Short-term payables" in the attached table includes advance invoices and advances from customers amounting to Euros 21,715 thousand (Euros 27,198 thousand in 2019).

Below is a breakdown of the UTEs' contributions to the various headings of the income statement:

Income statement	Thousands of Euros	
	2020	2019
Net turnover	78,800	71,611
Materials consumed	(59,494)	(50,220)
Non-trading income	188	1,015
Personnel expenses	(4,201)	(6,594)
External services	(10,816)	(14,589)
Taxes	(843)	(1,593)
Losses, impairment and changes in trade provisions	(902)	(2,125)
Depreciation and amortisation charge	(294)	(2,414)
Impairment and profit/loss on disposal of fixed assets	608	(6)
Finance income	78	25
Finance expenses	(99)	(116)
Translation differences	2,438	(1,081)
Foreign tax expense	(614)	(1,565)
Total	**4,849**	**(7,652)**

22. Order book

Details, by line of business, of the Elecnor, S.A.'s order book at 31 December 2020 and 2019, excluding UTEs, are as follows:

By geographical area	Thousands of Euros	
	2020	2019
Domestic	511,726	460,249
International	1,007,279	1,128,920
Total	**1,519,005**	**1,589,169**
By line of business		
Electricity	809,423	632,051
Power generation	171,438	288,748
Telecommunications	123,936	169,774
Construction, environment and water	197,310	314,918
Maintenance	26,238	28,559
Facilities	85,068	64,056
Gas	12,915	24,754
Railways	92,677	66,309
Total	**1,519,005**	**1,589,169**

The above order book does not include projects that are expected to generate losses.

23. Audit fees

The auditor (KPMG Auditores, S.L.) of the Company's annual accounts invoiced the following net fees for professional services at 31 December 2020 and 2019:

Description	Thousands of Euros	
	2020	2019
For audit services	271	185
For other Verification services	101	98
For other services	11	8
Total	**383**	**291**

The above amounts include all fees relating to services provided in 2020 and 2019, regardless of when they were invoiced.

Other verification services refer to the limited review of interim financial statements and procedures in regard to ICSFR, provided by KPMG Auditores, S.L. to Elecnor S.A. in the years ended 31 December 2020 and 2019.

Other services refer to procedural reports regarding compliance with covenants and other procedures agreed provided by KPMG Auditores, S.L. to Elecnor, S.A. in the years ended 31 December 2020 and 2019.

Moreover, other affiliates of KPMG International invoiced the Company in the years ended on 31 December 2020 and 2019 for net fees relating to professional services, as follows:

Description	Thousands of Euros	
	2020	2019
For other Verification services	15	38
For other services	1,102	1,350
Total	**1,117**	**1,388**

Other auditors also invoiced the Company in the years ended on 31 December 2020 and 2019 for net fees relating to professional services, as follows:

Description	Thousands of Euros	
	2020	2019
Tax advisory services	-	46
Other services	3	66
Total	**3**	**112**

24. Environmental information

Respect for the environment and sustainability are an integral part of Elecnor's core values and culture. The Company is committed to protecting the environment and fostering efficiency in the consumption of energy resources.

Consequently, Elecnor's activity is framed by its Environmental Management and Energy Management System, certified in accordance with ISO 14001 and ISO 50001 standards, respectively, as well as its Climate Change Strategy. The Environmental Management System establishes effective control mechanisms to minimise the most significant impacts arising from the Group's various activities, such as the generation of waste, impact on the natural environment, the use of natural and energy resources and the impact on flora and fauna.

In 2020, AENOR multi-site certification audits were conducted according to ISO 9001: 2015 and ISO 14001:2015 standards. This is a single certificate for all of the Organisations in the Elecnor infrastructures area that contains all of the scopes of the various activities and all of the work centres which, up until now, obtained certification individually.

The Quality Management (ER-0096/1995) and Environmental Management (GA-2000/0294) certification includes the following Group areas:

- Major Networks Unit.
- Energy Unit.
- Engineering Unit.
- Facilities and Networks Unit: Central Regional Office and Northern Branches, North-Eastern Regional Office, Eastern Regional Office, Southern Regional Office, Elecnor Medio Ambiente, Elecnor Seguridad, Área 3 Equipamiento, Diseño e Interiorismo; Elecnor Infrastrutture S.R.L. (Italy); Ehisa Construcciones y Obras; Aplicaciones Técnicas de la Energía and Jomar Seguridad.
- Elecnor Chile

Environmental Management certificates are also held for the following subsidiaries:

- Audeca
- Deimos
- Hidroambiente
- Enerfín
- Elecnor México
- Elecnor do Brasil
- Elecnor de Argentina
- IQA
- Montelecnor

For the sixth consecutive year, Elecnor renewed its environment certificate for carbon dioxide emissions, obtained from the Spanish Association for Standardisation and Certification (AENOR) and verified in accordance with ISO 14064-1 standard, which certifies the amount of GHG emissions caused by its activities; and adapted the Energy Management System to the 2018 UNE-EN ISO 50001 standard, which is AENOR-certified. Within the framework of carbon footprint registration, offsetting and CO2 absorption by the Ministry for Ecological Transition (MITECO), the Group also received the “Calculo y Reduzco” seal granted by the Spanish Office for Climate Change (OECC).

In addition, in 2018 the Group developed its 2030 Climate Change Strategy, focusing on two main goals and three lines of action, and creating the framework for all the Group’s actions to reduce greenhouse gas emissions, adapt to climate change impacts and harness the associated opportunities.

Lastly, for the third consecutive year, Elecnor took part in the Carbon Disclosure Project (CDP) presenting its voluntary report on climate change. In 2020, Elecnor improved on the previous year’s score, obtaining a rating of A- (B in 2019), evidencing the company’s leadership in combating climate change. The inclusion of Elecnor in this international ranking recognised by customers, investors and shareholders is part of its Climate Change Strategy.

25. Other disclosures

On 11 March 2020, the World Health Organization declared the outbreak of coronavirus (COVID-19) a pandemic, due to its rapid global spread, affecting more than 150 countries on that date. Most governments took restrictive measures to curb the spread, which include isolation, lockdowns, quarantine and restrictions on the free movement of people, closure of public and private premises except those considered essential or relating to healthcare, border closures and drastic reductions in air, sea, rail and road transport. In Spain, the government approved Royal Decree 463/2020, of 14 March, declaring a state of emergency in order to manage the healthcare crisis unleashed by the COVID-19 outbreak.

This situation is having a significant impact on the global economy, due to the disruption or slowing of supply chains and the sizeable increase in economic uncertainty, evidenced by an increase in the volatility of asset prices, exchange rates and cuts in long-term interest rates.

In this complex environment, the Company has implemented a series of cost containment and employment flexibility measures that are making it possible to mitigate the risks that we face. This plan enabled the gradual return to full operating capacity of the workforce as some degree of normal economic activity was restored.

Our priority is to guarantee the safety of our employees, customers and suppliers, as well as to buttress the Group’s financial strength. With these objectives in view, Elecnor is carrying out some initiatives in line with the recommendations of the authorities, namely: the creation of a COVID-19 Monitoring Committee that has developed an Action Plan to protect health; the creation of a Special Contingency Plan that also defines the scope of action by Elecnor and its workers as an essential supplier of critical operators in the system; and, for a number of vulnerable groups and particularly at-risk workers, the “Occupational Health and Safety Service Action Procedure for exposure to SARS-CoV-2” has been activated.

1- Accounting estimates

Below are the estimates performed by the Company on the basis of the best available information.

Impairment of non-financial assets

On the date of issue these annual accounts, there were no signs that the COVID-19 pandemic has affected the long-term performance of the businesses in such a way as to affect the valuation of the company’s non-financial assets.

Impairment of financial assets

Although general credit risk has increased due to COVID-19, it has not been necessary to significantly increase the estimated credit loss with which the provisions for unrecoverable receivables are calculated. On the date of these annual accounts no indications were identified of significant changes in the credit terms of customers or in the capacity thereof to pay outstanding invoices when due.

However, although there is no indication of significant changes in credit risks other than those already recognised in the annual accounts, the Company intends to monitor the credit risk of its financial assets as new information becomes available that enables more accurate calculations to be performed of the estimated loss.

Provisions, contingent liabilities and onerous contracts

On the date of issuing these annual accounts, no additional liabilities emerged in relation to contracts in force as a result of COVID-19 which might imply additional provisions at 31 December 2020.

Contracts with customers

In 2020, no significant contract modifications or cancellations were identified as a consequence of COVID-19 or any situations in which it was impossible for a customer to fulfil the contractual conditions, although there have been occasional delays in some projects which are expected to be recovered in the next few months. Furthermore, it was not considered necessary to update key estimates when recognising revenues using the degree of completion method as a result of the pandemic, although the margins of some contracts were affected by the measures implemented by the Company to ensure the safety of its employees, customers and suppliers.

2- Impacts on the annual accounts for the period ending at 31 December 2020

On the date of preparation of these annual accounts, the impacts of this crisis were moderate, in terms of both revenues and costs, with the insolvency rate unchanged and a robust liquidity position as a result of boosting financing facilities, as described in the Directors' Report.

With regard to the employment measures adopted by the Elecnor Group, we highlight those implemented in Spain. During this crisis, steps were taken in connection with the employees to adapt their dedication and cost to the situation of projects underway. In this regard, it is important to distinguish between staff in Structure and staff in Works:

Staff in Structure:

100% of staff in Structure has been affected. Specifically:

- Management staff: voluntary reduction in remuneration during the period from 13 April to 31 May 2020.

- Rest of staff: agreement with the Bargaining Committee (comprising various legal workers' representatives) for the implementation of a furlough scheme and working day reduction. The duration of this furlough scheme was the same as that of the remuneration reduction for management.

Staff in Works:

- Force Majeure Furlough: Approved by the Employment Authority and affecting 658 employees providing services in some of the activities that were legally prohibited due to the health crisis. Working days suspensions commenced on 20 March, and restrictions on the last workers were withdrawn on 31 May. The company, despite meeting the legal requirements, opted not to apply deductions on its Social Security contributions.

- Working hours suspension scheme for objective reasons (productive reasons): For the rest of activities, the company and the Bargaining Committee agreed to a maximum suspension of 52 calendar days between 13 April and 1 July. The number of suspended working days was considerably lower than the maximum agreed.

At the Company's work centres outside Spain, measures legally permitted in the various counties were taken in accordance with the framework explained above for Spain.

Moreover, and in line with the measures in place for the Company's employees, the members of the Board of Directors agreed to reduce their remuneration during this period.

Furthermore, all the Company's costs were monitored, and significant savings were achieved in various spheres.

Elecnor is not prohibited from paying dividends charged to 2020 pursuant to the provisions of Royal Decree-Law 18/2020 of 12 May, concerning social measures to safeguard employment, as the company previously paid the social security contributions from which it had been exempted as a result of the furlough schemes regulated in art. 1 of the aforementioned Royal Decree-Law.

3- Financial risks

The Company is structurally subject to financial risks which it permanently supervises, monitoring the performance of the various financial markets in which it operates, in compliance with the risk limits established in its Risk Policies and anticipating risk situations in markets such as the one triggered by COVID-19.

Liquidity risk

At the onset of the COVID-19 outbreak and until central banks started implementing liquidity injections so as to stabilise the markets, there were liquidity restrictions which affected mainly entities with the lowest ratings.

The Company's liquidity situation was solid prior to COVID-19, ensuring that its compliance with its commitments was not jeopardised even in a scenario of complete market closure.

However, in order to guarantee liquidity in the event of an additional deterioration in businesses' cash flow generation, the financing limits were raised, noting that, even in a context of liquidity shortage, the Company received the support of both fixed income investors and banks at competitive prices.

At 31 December 2020, the Company has a solid liquidity position, with sufficient cash and available credit facilities to comfortably meet liquidity requirements even if markets contract further.

Elecnor has not undertaken commitments that imply restrictions on the decisions to use the company's cash, such as on dividend payments, and neither is it expected to undertake commitments entailing such restrictions in the future.

Interest rate risk

Among the measures adopted by central banks, cuts to official benchmark interest rates were among the main levers to reactivate the economy.

Moreover, the current uncertainty makes it likely that rates will remain low, reducing interest rate risk in the short and medium term.

(Thousands of Euros)

2020	Registered Office	Auditor	Activity	% Ownership			Thousands of Euros			
				Net Cost	Direct	Indirect	Capital	Accumulated Reserves	Net profit/ loss for the year	Interim dividend paid in the year
Consolidation method - Fully Consolidated										
Andes Solares,SAS	COLOMBIA	***	Development and operation of renewable energy sources	12	100,00%	0,00%	146	(87)	(16)	--
Aplicaciones Técnicas de la Energia, S.L.U.(ATERSA)	SPAIN	Deloitte	Solar Energy	4,126	100,00%	0,00%	24,536	(5,264)	4,892	--
Area 3 Equipamiento y Diseño Interiorismo, S.L.U.	SPAIN	***	Interior design	12	100,00%	0,00%	12	426	94	--
Audeca, S.L.U.	SPAIN	KPMG	Environmental restoration and reforestation and operation of roads	23,000	100,00%	0,00%	132	3,347	1,311	--
Betonor,S.L.	ANGOLA	***	No activity	73	51,00%	0,00%	967	(824)	--	--
Charrua Transmisora De Energia,S.A.	CHILE	KPMG	Assembly, installation, operation of the new 2x500 Charrua-Ancoa Line	--	0,01%	51,00%	--	--	--	--
Corporacion Electrade, S.A.	VENEZUELA	***	Construction and assembly	779	100,00%	0,00%	799	(516)	86	--
Deimos Engenharia, S.A.	PORTUGAL	ESAC Espirito Santo Associados	Services in the areas of telecommunicatios and aeronautic and space energy	1,227	56,00%	44,00%	250	1,107	168	--
Deimos Space, S.L.U.	SPAIN	KPMG	Analysis, engineering and development of space missions and software	17,532	100,00%	0,00%	1,000	13,971	208	--
Ehisa Constructiones y Obras, S.A.U.	SPAIN	Jose Francisco Villamonte Fernando	Construction and assembly	3,802	100,00%	0,00%	600	2,682	1,451	3,625
Elecdal, URL	ALGERIA	***	Construction and assembly	12	100,00%	0,00%	12	1.144	(13)	--
Elecdor ,S.A.	ECUADOR	Seel & Company, S.A	Construction and assembly	364	19,20%	80,80%	2,425	(2,915)	2,681	--
Elecen, S.A.	HONDURAS	***	Construction and assembly	4	97,00%	3,00%	8	989	(35)	--
Elecnor Argentina , S.A.	ARGENTINA	SMS	Construction and assembly	1,342	100,00%	0,00%	9,136	(6,782)	979	--

(Thousands of Euros)

2020	Registered Office	Auditor	Activity	% Ownership			Thousands of Euros			
				Net Cost	Direct	Indirect	Capital	Accumulated Reserves	Net profit/ loss for the year	Interim dividend paid in the year
Elecnor Australia PTY LTD	AUSTRALIA	ESV	Management and administration of companies	4,447	100,00%	0,00%	4,447	(332)	(757)	--
Elecnor Cameroun Société Anonyme	CAMEROON	Mazars	Construction and assembly	150	100,00%	0,00%	151	(1)	(903)	--
Elecnor Chile, S.A.	CHILE	KPMG	Construction and assembly	19,413	100,00%	0,00%	19,507	28,757	12,883	8,084
Elecnor Côte D'Ivoire,S.A.(*****)	IVORY COAST	***	Construction and assembly	150	100,00%	0,00%	150	--	--	--
Elecnor de Mexico, S.A.	MEXICO	KPMG	Construction and assembly	735	100,00%	0,00%	910	(731)	2.323	--
Elecnor Do Brasil , L.T.D.A.	BRAZIL	KPMG	Construction and assembly	30,361	100,00%	0,00%	30,767	(15,896)	18,649	11,923
Elecnor Energie and Bau, GmbH	GERMANY	***	A broad range of business activities in the areas of engineering, development, construction, assembly, repairs and maintenance of all types of works, installation work of any kind, particularly in energy efficiency and renewable energies.	554	100,00%	0,00%	75	213	(5)	--
Elecnor Infrastruttre e Aerospaziale,S.R.L.	ITALY	***	Construction and assembly	500	100,00%	0,00%	500	67	91	--
Elecnor Infrastruture, LLC	OMAN	BDO	Construction and maintenance	371	70,00%	0,00%	529	(77)	(64)	--
Elecnor Paraguay, S.A.	PARAGUAY	***	No activity	28	99,83%	0,17%	--	--	--	--
Elecnor Peru, S.A.C	PERU	***	Construction and assembly	1,612	99,99%	0,01%	19,394	(19,356)	859	--
Elecnor Seguridad, S.L.U.	SPAIN	***	Installation and maintenance of fire prevention and safety systems	120	100,00%	0,00%	120	1,906	544	--
Elecnor Senegal, SASU	SENEGAL	AC Corporate	Construction and assembly	2	100,00%	0,00%	1	--	(889)	--

(Thousands of Euros)

2020	Registered Office	Auditor	Activity	% Ownership			Thousands of Euros			
				Net Cost	Direct	Indirect	Capital	Accumulated Reserves	Net profit/ loss for the year	Interim dividend paid in the year
Elecnor Servicios y Proyectos,S.A.U.	SPAIN	***	A broad range of business activities	13,545	100,00%	0,00%	13,545	(43)	(2)	--
Elecnor South Africa (PTY) LTD	SOUTH AFRICA	***	Construction and assembly	--	100,00%	0,00%	2,138	(2,152)	(52)	--
Elecnor, INC	USA	RP&B	Facilities	57,913	100,00%	0,00%	57,913	(6,293)	4,494	--
Elecred Servicios, S.A.U.	SPAIN	***	A broad range of services, development and management and administration of companies	60	100,00%	0,00%	60	11	--	--
Electrolineas de Ecuador , S.A.	ECUADOR	Seel & Company, S.A	Construction and assembly	1,237	100,00%	0,00%	1,272	800	(221)	--
Elecven Constructiones, S.A.	VENEZUELA	Deloitte	Construction and assembly	--	99,88%	0,00%	3,299	(3,157)	(19)	--
ELEDEPA,S.A.(*****)	PANAMA	Ernst & Young		1,665	100,00%	0,00%	1,665	45	(756)	--
Enerfin Sociedad de Energía,S.L.U.	SPAIN	Deloitte	Management and administration of companies	219,527	100,00%	0,00%	64,224	158,520	4,402	7,000
Enertel, S.A. de C.V.	MEXICO	KPMG	Construction and assembly	--	99,99%	0,00%	55	290	56	--
Eresma Solar, S.L.U.	SPAIN	***	Development, construction and operation of companies linked to renewable energy	753	100,00%	0,00%	753	(311)	(50)	--
Everblue Private Limited	INDIA	***	Environmental activities	1	0,15%	99,85%	322	(364)	--	--
Grupo Elecnor Angola	ANGOLA	***	Activities in the areas of public works and civil engineering	35	55,00%	0,00%	1,521	(1,452)	(6)	--
Hidroambiente, S.A.U.	SPAIN	KPMG	Environmental activities	4,635	100,00%	0,00%	615	4,064	(473)	3,500
IDDE,S.A.U.	SPAIN	***	Commercial	1,066	100,00%	0,00%	1,202	77	--	--
IQA Operatios Group LTD	SCOTLAND	KPMG	Electrical Installations	10,622	100,00%	0,00%	5,986	(7,096)	4,144	--

(Thousands of Euros)

2020	Registered Office	Auditor	Activity	Net Cost	% Ownership Direct	% Ownership Indirect	Thousands of Euros Capital	Accumulated Reserves	Net profit/ loss for the year	Interim dividend paid in the year
Jomar Seguridad, S.L.U.	SPAIN	***	Sales, installation and maintenance of fire prevention and safety systems	2,800	100,00%	0,00%	60	1,358	60	--
Los Llanos Fotovoltaica de Castilla La Mancha,S.L.U.(*****)	SPAIN	***	Promotion, Construction and Power generation	100	100,00%	0,00%	--	--	--	--
Montelecnor, S.A.	URUGUAY	Ernst & Young	Construction and assembly	3,545	100,00%	0,00%	3,878	(301)	971	--
Omninstal Electricidade, S.A.	PORTUGAL	KPMG	Construction and assembly	2,704	100,00%	0,00%	1,053	777	247	--
Parque Eólico Montañes,SLU	SPAIN	***	Contrucción y explotación Parque Eólico	151	100,00%	0,00%	578	(351)	(76)	--
Parque Solar Porton, SAS	COLOMBIA	***	Power generation	840	100,00%	0,00%	1,332	(537)	(522)	--
S.C. Deimos Space,S.R.L.	ROMANIA	***	Analysis, engineering and development of space missions and software	--	0,00%	100,00%	1,516	(272)	212	--
Stonewood Desarrollos,S.L.	SPAIN	***	Commercial	603	100,00%	0,00%	603	(343)	(465)	--
TDS, S.A.	ARGENTINA	***	No activity/ En proceso de disolucion	--	100,00%	0,00%	--	--	--	--
Yariguies Solar,SAS	COLOMBIA	***	Development and operation of renewable energy sources	24	100,00%	0,00%	291	(80)	(14)	--
Equity method										
Acciona Infraestructuras- Elecnor Hospital David,S.A.	PANAMA	***	Construction	--	25,00%	0,00%	8	4.637	--	--
Alto Jahuel Transmisora de Energia,S.A.	CHILE	KPMG	Development, construction and operation of electrical facilities	1	0,02%	50,99%	--	--	--	--
Celeo Concesiones E Inversiones,S.L.U.	SPAIN	KPMG	Management and administration of companies	410,817	51,00%	0,00%	166,671	723,434	785	1,437
Centro Logistico Huerta el Peñon	SPAIN	***	Operating and maintenance of treatment and disposal of waste plants	--	50,00%	0,00%	1.608	(2.158)	(220)	--

(Thousands of Euros)

2020	Registered Office	Auditor	Activity	Net Cost	% Ownership Direct	% Ownership Indirect	Thousands of Euros Capital	Accumulated Reserves	Net profit/ loss for the year	Interim dividend paid in the year
Cosemel Ingenieria,Aie	SPAIN	***	Development, construction and operation of installations and electrifications of high-speed railway lines	3	33,33%	0,00%	9	110	(122)	--
Dunor Energia,Sapi De Cv	MEXICO	KPMG	Construction of the Empalme II combined cycle power plant 313	--	50,00%	0,00%	3	(23,314)	(22,906)	--
Energia Olmedo- Ourense Fase I,S.A.	SPAIN	***	All perfomances required for the design, construction, financing, operating and maintenance of the High Speed Line Installations from Madrid-Galicia, section Olmedo-Zamora-Pedralba	1,264	18,00%	0,00%	7,020	221	185	--
Eólica la Patagonia,S.A.	ARGENTINA	***	Operating and maintenance of wind farms	--	50,00%	0,00%	12	(13)	--	--
GASODUCTO DE MORELOS, S.A.P.I.(Sdad Anónima Promotora de Inversión) DE C.V.	MEXICO	Deloitte	Operation and maintenance of the Morelos gas pipeline	14,262	50,00%	0,00%	28,524	14,906	6,455	--
Inti Energia,S.A.P.I de CV	MEXICO	***	No activity	1	50,00%	0,00%	--	--	--	--
Morelos Epc S.A.P.I. De Cv	MEXICO	***	Construction, engineering and suply of the Morelos gas pipeline	3	49,99%	0,01%	6	168	(13)	--
Morelos O&M, Sapi,Cv	MEXICO	***	Maintenance of the Morelos gas pipeline	35	50,00%	0,00%	71	354	100	--
Proyectos Electricos Agua Prieta, Sapi De Cv.	MEXICO	PKF Accountants & business advisers	International public tender nº 18164093-022-09 of CFE connected to the central project named 171 CC Agua Prieta	1	50,00%	0,00%	3	(12,415)	12	--
				858.941						**35.569**

(*) Related to Individual Companies Number

(***) Companies not legaly bound to be audited

(Thousands of Euros)

2019	Registered Office	Auditor	Activity	Net Cost	% Ownership Direct	% Ownership Indirect	Thousands of Euros Capital	Accumulated Reserves	Net profit/ loss for the year	Interim dividend paid in the year
Consolidation method - Fully Consolidated										
Alto Jahuel Transmisora de Energia,S.A.	CHILE	KPMG	Development, construction and operation of electrical facilities	1	0,02%	50,99%	--	--	--	--
Andes Solares,SAS	COLOMBIA	***	Development and operation of renewable energy sources	--	100,00%	0,00%	146	(15)	(63)	--
Aplicaciones Técnicas de la Energia, S.L.U.(ATERSA)	SPAIN	Deloitte	Solar Energy	4,126	100,00%	0,00%	24,536	3,521	8,746	--
Area 3 Equipamiento y Diseño Interiorismo, S.L.U.	SPAIN	***	Interior design	12	100,00%	0,00%	12	368	58	--
Audeca, S.L.U.	SPAIN	KPMG	Environmental restoration and reforestation and operation of roads	23,000	100,00%	0,00%	132	2,682	,665	--
Betonor,S.L.	ANGOLA	***	No activity	493	51,00%	0,00%	967	(454)	(295)	--
Charrua Transmisora De Energia,S.A.	CHILE	KPMG	Assembly, installation, operation of the new 2x500 Charrua-Ancoa Line	--	0,01%	51,00%	--	--	--	--
Corporacion Electrade, S.A.	VENEZUELA	***	Construction and assembly	778	100,00%	0,00%	799	(257)	136	253
Deimos Engenharia, S.A.	PORTUGAL	ESAC Espirito Santo Associados	Services in the areas of telecommunicatios and aeronautic and space energy	1,227	56,00%	44,00%	250	995	112	--
Deimos Space, S.L.U.	SPAIN	KPMG	Analysis, engineering and development of space missions and software	17,532	100,00%	0,00%	1,000	13,043	928	--
Ehisa Constructiones y Obras, S.A.U.	SPAIN	Jose Francisco Villamonte Fernando	Construction and assembly	3,802	100,00%	0,00%	600	3,202	3,105	--
Elecdal, URL	ALGERIA	***	Construction and assembly	12	100,00%	0,00%	12	1.345	(11)	--
Elecdor ,S.A.	ECUADOR	Seel & Company, S.A	Construction and assembly	364	19,20%	80,80%	2,425	(2.656)	(130,00)	--
Elecen, S.A.	HONDURAS	***	Construction and assembly	4	97,00%	3,00%	8	894	157	--
Elecnor Argentina , S.A.	ARGENTINA	SMS	Construction and assembly	1,342	100,00%	0,00%	9,136	(7,382)	1.305	--
Elecnor Australia PTY LTD	AUSTRALIA	ESV	Management and administration of companies	4,447	100,00%	0,00%	4,447	(7.490)	7.164	7.434

(Thousands of Euros)

2019	Registered Office	Auditor	Activity	Net Cost	% Ownership Direct	% Ownership Indirect	Thousands of Euros Capital	Accumulated Reserves	Net profit/ loss for the year	Interim dividend paid in the year
Elecnor Cameroun Société Anonyme	CAMEROON	Mazars	Construction and assembly	151	100,00%	0,00%	151	(1)	--	--
Elecnor Chile, S.A.	CHILE	KPMG	Construction and assembly	19,413	100,00%	0,00%	19,507	18,569	10,117	--
Elecnor de Mexico, S.A.	MEXICO	KPMG	Construction and assembly	735	100,00%	0,00%	910	2.104	(2.798)	--
Elecnor Do Brasil , L.T.D.A.	BRAZIL	KPMG	Construction and assembly	30,361	100,00%	0,00%	30,767	(19,386)	22,115	14,842
Elecnor Energie and Bau, GmbH	GERMANY	***	A broad range of business activities in the areas of engineering, development, construction, assembly, repairs and maintenance of all types of works, installation work of any kind, particularly in energy efficiency and renewable energies.	776	100,00%	0,00%	75	(233)	11	--
Elecnor Infrastruttre e Aerospaziale,S.R.L.	ITALY	***	Construction and assembly	500	100,00%	0,00%	500	53	30	--
Elecnor Infrastruture, LLC	OMAN	BDO	Construction and maintenance	371	70,00%	0,00%	529	35	(51)	--
Elecnor Paraguay, S.A.	PARAGUAY	***	No activity	14	99,83%	0,17%	--	--	--	--
Elecnor Peru, S.A.C	PERU	***	Construction and assembly	8,003	99,99%	0,01%	13,419	(3,548)	(15.829)	--
Elecnor Seguridad, S.L.U.	SPAIN	***	Installation and maintenance of fire prevention and safety systems	120	100,00%	0,00%	120	1,366	540	--
Elecnor Senegal, SASU	SENEGAL	AC Corporate	Construction and assembly	2	100,00%	0,00%	--	--	--	--
Elecnor South Africa (PTY) LTD	SOUTH AFRICA	***	Construction and assembly	--	100,00%	0,00%	2,138	(2,033)	(101)	--
Elecnor, INC	USA	RP&B	Facilities	57,913	100,00%	0,00%	57,913	(3,419)	1,891	--
Elecred Servicios, S.A.U.	SPAIN	***	A broad range of services, development and management and administration of companies	60	100,00%	0,00%	60	11	(1)	--
Electrificaciones del Norte, S.A.	SPAIN	***	A broad range of business activities	13,545	100,00%	0,00%	13,545	27	(70)	--
Electrolineas de Ecuador , S.A.	ECUADOR	Seel & Company, S.A	Construction and assembly	1,237	100,00%	0,00%	1,272	1.278	(314)	--
Elecven Constructiones, S.A.	VENEZUELA	Deloitte	Construction and assembly	--	99,88%	0,00%	3,299	(3,036)	13	--
Enerfin Sociedad de Energía,S.L.U.	SPAIN	Deloitte	Management and administration of companies	219,527	100,00%	0,00%	64,224	147,608	6,911	50,000
Enertel, S.A. de C.V.	MEXICO	KPMG	Construction and assembly	--	99,99%	0,00%	55	327	3	--

(Thousands of Euros)

2019	Registered Office	Auditor	Activity	Net Cost	% Ownership		Thousands of Euros			
					Direct	Indirect	Capital	Accumulated Reserves	Net profit/ loss for the year	Interim dividend paid in the year
Eresma Solar, S.L.U.	SPAIN	***	Development, construction and operation of companies linked to renewable energy	3	100,00%	0,00%	3	--	(311)	--
Everblue Private Limited	INDIA	***	Environmental activities	1	0,15%	99,85%	322	(364)	--	--
Grupo Elecnor Angola	ANGOLA	***	Activities in the areas of public works and civil engineering	836	55,00%	0,00%	1,521	(1,093)	(325)	--
Hidroambiente, S.A.U.	SPAIN	KPMG	Environmental activities	4,635	100,00%	0,00%	615	7,421	142	--
IDDE,S.A.U.	SPAIN	***	Commercial	1,067	100,00%	0,00%	1,202	77	--	--
IQA Operatios Group LTD	SCOTLAND	KPMG	Electrical Installations	10,622	100,00%	0,00%	5,986	(7,850)	,759	--
Jomar Seguridad, S.L.U.	SPAIN	***	Sales, installation and maintenance of fire prevention and safety systems	2,800	100,00%	0,00%	60	1,285	73	--
Montelecnor, S.A.	URUGUAY	Ernst & Young	Construction and assembly	3,545	100,00%	0,00%	3,878	(156)	698	--
Omninstal Electricidade, S.A.	PORTUGAL	KPMG	Construction and assembly	2,704	100,00%	0,00%	1,053	795	(48)	--
Parque Eólico Montañes,SLU	SPAIN	***	Contrucción y explotación Parque Eólico	228	100,00%	0,00%	228	(10)	(341)	--
Parque Solar Porton, SAS	COLOMBIA	***	Power generation	90	100,00%	0,00%	577	(32)	(455)	--
Stonewood Desarrollos,S.L.	SPAIN	***	Commercial	603	100,00%	0,00%	603	(44)	(299)	--
TDS, S.A.	ARGENTINA	***	No activity/ En proceso de disolucion	--	100,00%	0,00%	--	--	--	--
Yariguies Solar,SAS	COLOMBIA	***	Development and operation of renewable energy sources	--	100,00%	0,00%	291	(25)	(24)	--
Equity method										
Acciona Infraestructuras-Elecnor Hospital David,S.A.	PANAMA	***	Construction	--	25,00%	0,00%	8	5.061	--	--
Celeo Concesiones E Inversiones,S.L.U.	SPAIN	KPMG	Management and administration of companies	407,948	51,00%	0,00%	90,848	266,909	11.080	8,587
Centro Logistico Huerta el Peñon	SPAIN	***	Operating and maintenance of treatment and disposal of waste plants	--	50,00%	0,00%	1.608	(1.958)	--	--
Cosemel Ingenieria,Aie	SPAIN	***	Development, construction and operation of installations and electrifications of high-speed railway lines	3	33,33%	0,00%	9	163	(53)	--

(Thousands of Euros)

2019	Registered Office	Auditor	Activity	Net Cost	% Ownership		Thousands of Euros			
					Direct	Indirect	Capital	Accumulated Reserves	Net profit/ loss for the year	Interim dividend paid in the year
Dunor Energia,Sapi De Cv	MEXICO	KPMG	Construction of the Empalme II combined cycle power plant 313	1	50,00%	0,00%	3	(76)	(36,111)	--
Energia Olmedo- Ourense Fase I,S.A.	SPAIN	***	All perfomances required for the design, construction, financing, operating and maintenance of the High Speed Line Installations from Madrid-Galicia, section Olmedo-Zamora-Pedralba	1,262	18,00%	0,00%	7,020	158	--	--
Eólica la Patagonia,S.A.	ARGENTINA	***	Operating and maintenance of wind farms	--	50,00%	0,00%	12	(13)	--	--
GASODUCTO DE MORELOS, S.A.P.I.(Sdad Anónima Promotora de Inversión) DE C.V.	MEXICO	Deloitte	Operation and maintenance of the Morelos gas pipeline	14,262	50,00%	0,00%	28,524	8,408	6,497	--
Inti Energia,S.A.P.I de CV	MEXICO	***	No activity	--	50,00%	0,00%	--	--	--	--
Morelos Epc S.A.P.I. De Cv	MEXICO	***	Construction, engineering and suply of the Morelos gas pipeline	3	49,99%	0,01%	6	5.131	(4.963)	1.479
Morelos O&M, Sapi,Cv	MEXICO	***	Maintenance of the Morelos gas pipeline	35	50,00%	0,00%	71	288	40	--
Proyectos Electricos Agua Prieta, Sapi De Cv.	MEXICO	PKF Accountants & business advisers	International public tender nº 18164093-022-09 of CFE connected to the central project named 171 CC Agua Prieta	1	50,00%	0,00%	3	(12,415)	(135)	--
				860.516						**82.595**

(*) Related to Individual Companies Number

(***) Companies not legaly bound to be audited

Appendix II: List of temporary business associations (UTEs)

		Thousands of Euros (*)			
		2020		2019	
	Percentage ownership	Construction work settled	Backlog not yet settled	Construction work settled	Backlog not yet settled
UTE PUENTE MAYORGA	50.00%	--	--	--	--
UTE ELNR-CONSTUCSA E. HIDROGENO	50.00%	--	--	--	--
UTE PARQUESUR OCIO	90.00%	--	--	--	--
UTE INSTALACIONES ELÉCTRICAS SINCROTRÓN ALBA	50.00%	--	--	--	--
UTE ROTA HIGH SCHOOL	50.00%	--	--	--	--
UTE EXPLOTACIÓN ZONA 07-A	60.00%	569	--	961	--
CONSORCIO ELECNOR DYNATEC	100.00%	2,200	2,514	7,498	5,068
UTE ZONA P-2	50.00%	--	--	--	--
UTE SUBESTACIÓN JUNCARIL	50.00%	--	--	--	--
UTE CASA DE LAS ARTES	50.00%	--	--	--	--
UTE CENTRO DE PROSPECTIVA RURAL	20.00%	--	--	--	--
UTE CENTRO MAYORES BAENA	20.00%	--	--	--	--
UTE TERMINAL DE CARGA	50.00%	--	--	--	--
UTE LED MOLLET	70.00%	--	--	--	--
UTE GALINDO	100.00%	--	--	--	--
UTE EXPLOTACIÓN ZONA P2	50.00%	395	--	616	34
UTE AS SOMOZAS	50.00%	--	--	--	--
UTE JARDINES MOGAN	50.00%	--	--	(2)	--
UTE URBANIZACIÓN PEDRO III	50.00%	--	--	--	--
UTE ELECNOR-ONDOAN SERVICIOS	50.00%	712	700	758	142
UTE ELECNOR - DEIMOS SIPA	50.00%	--	--	--	--
UTE PATRIMONIO SEGURIDAD	33.33%	--	5	--	500
UTE PLAZAS COMERCIALES T4	50.00%	--	--	--	--
UTE TRANVIA OUARGLA	49.50%	--	--	2,595	--
UTE ENERGÍA GALICIA	20.00%	885	19,725	7,841	20,610
UTE AEROPUERTO DE PALMA	45.00%	(1)	--	1	--
GROUPEMENT INTERNATIONAL SANTÉ POUR HAITI	100.00%	785	--	4,824	--
UTE ENERGÍA GRANADA	33.34%	--	--	126	230
UTE MOBILIARIO HUCA	50.00%	--	--	--	--
UTE ANILLO GALINDO	25.00%	--	--	--	--
Consorcio Nueva Policlínica de Chitre	100.00%	51	13	771	64
Consorcio Nueva Policlínica de Chepo	100.00%	358	--	500	--
UTE ADEC LOCALES CERCANÍAS	185.00%	--	--	--	--
UTE CAMPO DE VUELO TF NORTE	70.00%	--	--	--	--
UTE VOPI4-ELNR CA L'ALIER	50.00%	39	359	42	398
UTE MANTENIMIENTO AVE ENERGÍA	12.37%	16,321	70,511	16,169	86,833

Appendix II: List of temporary business associations (UTEs)

		Thousands of Euros (*)			
		2020		2019	
	Percentage ownership	Construction work settled	Backlog not yet settled	Construction work settled	Backlog not yet settled
UTE ASEGOP IBIZA	32.50%	6	17	15	23
UTE ELECNOR BUTEC BELLARA	60.00%	5,799	--	27,227	188
UTE EDARES SEGOVIA	40.00%	--	--	54	--
UTE SICA	50.00%	9	227	189	236
UTE MANTENIMIENTO AEROPUERTO DE PALMA	50.00%	18	--	326	11
UTE CUETO DEL MORO	25.00%	8	3	--	--
UTE Elecnor Alghanim	60.00%	739	1,860	468	--
UTE MANTENIMIENTO VALEBU	50.00%	72	1,627	388	1,699
UTE EMBARQUE DESEMBARQUE T4	50.00%	--	--	--	--
UTE CONTAR	95.00%	118	--	118	--
UTE INST. RECERCA SANT PAU	50.00%	10	50	28	254
UTE INST. MERCAT DE SANT ANTONI	60.00%	--	56	343	56
UTE TUNELES ABDALAJIS	90.00%	468	55	476	35
UTE TORRENTE - XATIVA	50.00%	--	--	--	--
UTE EMPALME II	50.00%	76	--	(4,264)	--
UTE CENTRO LOG. IBEREBRO	41.90%	--	--	--	--
UTE AEROPUERTO TERUEL	50.00%	--	--	--	--
UTE NAVE SESTAO	50.00%	--	--	--	--
UTE ENERGÍA GALICIA MANTENIMIENTO	20.00%	2,128	27,875	1,622	30,004
UTE TERMINAL DE CARGA TF NORTE	50.00%	--	--	--	--
UTE URBANIZADORA RIODEL	50.00%	--	--	--	--
UTE FIRA PAVELLO 2	70.00%	--	--	--	--
ELECNOR TARGET LLC, JV	60.00%	62,780	115,910	1,887	191,882
UTE LINEA 1	20.00%	--	--	--	--
UTE TERMINAL E	50.00%	(75)	96	144	--
UTE HERNANI-IRUN	50.00%	779	--	1,998	--
UTE ACTUAC ETAPS CYII LOTE2	50.00%	--	--	80	80
UTE CARPIO Y POLLOS	50.00%	126	--	138	--
UTE CAMPO DE VUELOS ASTURIAS	70.00%	12	320	536	332
UTE BIOMASA HUERTA DEL REY	50.00%	--	85	30	85
UTE MOPAEL	80.00%	5,355	--	3,864	--
UTE OFICINAS GENCAT	60.00%	62	--	1,025	--
UTE UYUNI-YUNCHARA	49.00%	--	--	--	--
UTE MEGAFONÍA AENA	70.00%	--	--	--	--
UTE MANTENIMIENTO SIGMA AENA	50.00%	197	15	198	51
UTE RENFE AGENTE ÚNICO	30.00%	318	963	217	1,281

Appendix II: List of temporary business associations (UTEs)

		Thousands of Euros (*)			
		2020		2019	
	Percentage ownership	Construction work settled	Backlog not yet settled	Construction work settled	Backlog not yet settled
UTE RENFE CCTV	30.00%	2,242	195	1,879	2,437
UTE UCA	50.00%	261	94	419	94
UTE SIPA AENA	50.00%	1,252	--	558	81
JV ELECNOR AL OWN	70.00%	491	--	1,046	313
UTE BILBOPORTUA	50.00%	408	--	522	--
UTE BIZKAIKO ARGIAK	23.00%	--	--	--	--
ELECNOR AND RAY, J.V. JV	60.00%	--	--	(664)	--
UTE MANTENIMIENTO LOTE 1	50.00%	1,344	--	1,530	--
UTE ELECNOR - EIFFAGE	50.00%	8,507	170	10,859	4,597
UTE TIL TIL	50.00%	--	--	--	--
UTE EDAR LAGUNA DE NEGRILLOS	80.00%	--	--	171	--
UTE PORTUKO ARGIAK	23.00%	35	298	167	333
UTE E&C M.I. BUSTURIA AUXILIAR	51.00%	--	--	120	601
UTE URBANITZACIÓ MERCAT DE SANT ANTONI	60.00%	5	93	(1)	98
UTE ING PUY DU FOU	50.00%	--	224	50	224
UTE SICA 2018-2021	50.00%	397	--	16	--
UTE ELECTRIFICACIÓN VILLAFRANCA	90.00%	1,038	1,605	351	2,642
UTE TREBALLS PREVIS 1 CAMP NOU	22.50%	98	196	5,273	--
UTE CLINICA EUGIN BALMES	50.00%	387	58	4,826	--
UTE SALAS VIP AEROP BCN	50.00%	--	--	7,876	--
JV TAFILAH	70.00%	222	4,153	13,956	4,859
UTE ACCESOS BANCO DE ESPAÑA	50.00%	--	3	616	3
VARIANTE PAJARES UTE	20.00%	4,577	--	2,080	--
CONSORCIO CHIELEC DOMINICANA	100.00%	1,458	232	9,177	--
UTE CASETAS AEROPUERTO DE MÁLAGA	77.00%	--	--	492	224
UTE AMPLIACIÓN TRANVÍA VITORIA	50.00%	189	20	326	209
ELECNOR - EIFFAGE JV	50.00%	1,906	1,374	1,514	427
UTE MANTENIMIENTO AEROPUERTO DE PALMA II	50.00%	1,718	811	1,756	2,529
UTE MONTETORRERO	25.00%	23,271	--	2,259	22,693
UTE MONLORA	30.00%	6,439	--	40,496	5,692
UTE MONCAYO	10.00%	16,748	--	3,208	16,250
SEP ELECNOR-EIFFAGE GUINEA CONAKRY	50.00%	3,519	11,343	4,708	2,965
UTE ALSTOM RENOVABLES-ELECNOR II	25.64%	--	--	--	--
SEP ELECNOR-EIFFAGE GUINEA BISSAU	50.00%	3,677	5,172	4,440	2,406
UTE PEDRALBA-OURENSE	50.00%	14,183	6,911	5,800	21,093
UTE EDIFICI LA PEDROSA	50.00%	6,481	1,340	3,168	7,669

Appendix II: List of temporary business associations (UTEs)

		Thousands of Euros (*)			
		2020		2019	
	Percentage ownership	Construction work settled	Backlog not yet settled	Construction work settled	Backlog not yet settled
UTE BOMBEOS BAKIO-GANDIAS	50.00%	67	72	157	139
UTE ELECTRIFICACIÓN RECOLETOS	50.00%	--	370	4,017	370
UTE PRESA DE L´ALBAGÉS	50.00%	2,674	--	552	--
UTE LIMPIEZA AEROPUERTO DE PALMA	50.00%	254	331	186	585
UTE SICA 2020-2022	50.00%	--	--	--	--
UTE SEG ESTACIONES MADRID	50.00%	--	--	--	--
UTE NOVA ESCOLA BRESSOL	50.00%	1,215	598	--	1,813
UTE MANT MERCAT DE SANT ANTONI	60.00%	206	237	17	443
UTE LINEA 4	20.00%	6,524	37	--	6,561
UTE INSTAL. TUNEL GLORIES	40.00%	3,711	16,971	--	--
UTE EDAR ARRIANDI	50.00%	121	1,439	--	1,560
UTE SIPA 2020-2022	50.00%	--	12,700	--	--
UTE UCA 2020-2022	50.00%	--	12,200	--	--
UTE REGADIO VALORIA FASE I	50.00%	1,140	883	--	--
UTE PALMEROLA	56.68%	501	24,212	--	--
UTE GALILEO	50.00%	260	1,087	--	--
UTE COMEDOR BANCO DE ESPAÑA	50.00%	--	80	--	--
UTE M.I. MUNDAKA GERNIKA	51.00%	613	186	--	--
UTE LA ESCOCESA	25.00%	4,566	5,403	--	--
UTE SEGURETAT L´AMPOLLA	50.00%	--	528	--	--
UTE MANTENIMIENTO NORESTE	50.00%	382	44,947	--	--
UTE MANTENIMIENTO CENTRO	50.00%	216	27,568	--	--
UTE ENERGÍA LÍNEA 9	20.00%	1,659	--	2,606	--
S.E.I. UTE (ELECNOR, S.A.-TERRES)	50.00%	--	--	--	--
UTE REMOLAR	23.51%	--	--	--	--
UTE SERRANO - ELECNOR CANSALADES	40.00%	--	--	112	1
UTE ELECNOR GONZALEZ SOTO	50.00%	9	43	37	--
TERMINAL ALICANTE, UTE	20.00%	--	--	--	--
UTE VILLAGONZALO, Z - 3	35.00%	--	--	--	--
UTE TARAGUILLA	25.00%	--	--	--	--

(*) 100% information provided, not taking into account removals

2020 Directors' Report – Elecnor, S.A.

for the year ended 31 December 2020

Contents

1. Purpose, vision and business model

Elecnor is a Spanish company operating in more than 50 countries. The company's purpose is to generate change and bring about progress by deploying infrastructure, energy and services to territories all over the world in order to develop their potential. The Elecnor Group places engineering and technology at the service of people's well-being.

It is a global enterprise whose purpose is driven by a people-centric business model and that believes in generating shared value and sustainability.

It is a model implemented by means of two key businesses that are complementary and mutually strengthening:

- **Infrastructure:** execution of engineering, construction and services projects, most notably in the electricity, power generation, gas, telecommunications and systems, railways, maintenance, facilities, construction, water, environment and space sectors.
- **Concessions**: development, external financing, construction, investment and management of energy assets.

Efficiency, diversification and robustness are the Elecnor Group's growth and expansion levers.

2. Economic context[1]

2020 has been decisively shaped by the economic situation unleashed by the COVID-19 pandemic. Although a high degree of uncertainty persists due to the possibility of new virus variants, the global economy is expected to grow by 5.5% in 2021 and 4.2% in 2022. These estimated growth rates are based on a recovery of activity in the final part of the year thanks to vaccines and additional policy support in some major economies.

However, according to experts, the global economic recovery will be lengthy, uneven and uncertain. In fact, compared with the forecast in June 2020, the outlook has worsened significantly in some emerging and developing economies where infection rates continue to spiral. These uneven recovery rates from one region to the next significantly worsen the prospects for global convergence of income levels.

With respect to its 2020 year-end forecasts, the IMF expects the most advanced economies (United States, the four leading Eurozone countries, Japan, United Kingdom, Canada and others) to see their GDP decrease by 4.9%, while emerging and developing economies' GDP is projected to shrink by 2.4%, with evident differences from one country to the next (for example, China is expected to post 2.3% growth, while Brazil and Mexico are projected to contract by 4.5% and 8.5%, respectively).

In general terms, according to the IMF's forecasts, the robustness of the recovery will vary considerably between countries, depending on the access to healthcare, the efficiency of policy support measures, exposure to cross-border economic repercussions and the structural characteristics of each economy at the

[1] Sources:
- International Monetary Fund (IMF). World Economic Outlook. January 2021
- World Economic Outlook (WEO). January 2021 Report

start of the crisis. In 2021, the pace of growth in advanced economies will improve to 4.3% and in 2022 to 3.1%; while the Fund projects that emerging and developing economies will log 6.3% growth in 2021 (spearheaded by India, with 11.5% estimated growth) and 5% growth in 2022 (also led by India, this time +6.8%).

Economic policies must focus on stimulating GDP, to guarantee participatory growth that benefits everyone and to accelerate the transition towards a decarbonised economy. The IMF's October 2020 World Economic Outlook (WEO) report considers that a green investment push combined with an initially moderate but steady rise in carbon prices would put the global economy on a stronger footing in the wake of the recession caused by the pandemic.

Countries will see an increase in borrowing costs and sovereign debt levels will rise significantly at a time when the contraction in GDP implies a reduction in tax revenues that will hamper payment of interest on borrowing. Interest rates remain very low, facilitating the refinancing of public and private deficits. The IMF considers that fiscal policies are likely to tighten, increasing the progressiveness of taxation and establishing minimum tax rates for companies.

In Spain, the recovery is expected to be relatively intense in the next three years. According to Bank of Spain estimates (compiled in December 2020), 2020 GDP will decline by 10.7%, 11.1% and 11.6% in the moderate, core and adverse crisis scenarios, respectively. The scale of the rebound in 2021 will differ notably depending on the epidemiological scenario considered (6.8% in the core scenario, 8.6% in the moderate scenario and 4.2% in the adverse scenario). The recovery in GDP to pre-COVID levels would be delayed until mid-2023 in the core scenario (including Spain's recourse to European funds under the Next Generation EU programme – NGEU). Meanwhile, unemployment is expected to soar in 2020, and, despite starting to fall from the second half of 2021, at the end of 2023 it would be slightly above 14% in the core scenario, slightly above pre-pandemic levels.

According to Funcas, consumer spending will bounce back strongly, consistent with the greater willingness to spend as the uncertainties regarding the pandemic are dissipated. Investment will also gain ground, especially public investment, which is projected to grow by around 40% (albeit starting from very low levels). With regard to specific sectors, according to Spain's Instituto de Estudios Económicos (IEE), construction may make a "considerable" contribution and be one of the catalysts of the Spanish economy in 2021, provided the pandemic does not lead to new restrictions. This activity, along with exports, will post the highest growth in the coming year. As for the energy business, the sector will resist the impact of the pandemic better than other industries, thanks to renewables and the deployment of distribution networks. The outlook in 2021 for companies in the sector is stable, according to a report published by Moody's.

According to IMF forecasts for 2021, advanced economies are expected to grow by 4.3%, and GDP for these countries will come in around 2% below the 2019 figure. The US economy is estimated to shrink by 3.4% in 2020, and to grow by 5.1% in 2021. For the Eurozone, the contraction is expected to be sharper (-7.2% in 2020), since the bloc slowed down by more than the US in the first half of 2020. Consequently, estimated growth of 4.2% in 2021 and 3.6% in 2022 is somewhat stronger, since the starting point is lower.

According to the IMF, in Latin America, where most countries are still struggling to contain the spread of COVID, the two largest economies, Brazil and Mexico, are set to post contractions of -4.5% and -8.5%, respectively, in 2020. In Brazil's case, the OECD considers that the strong response in terms of fiscal and monetary policy has prevented a more severe contraction in the economy.

With regard to 2021, according to the World Bank, Brazil is expected to see an improvement in consumer confidence and the favourable lending conditions will shore up an increase in consumer spending and private investment, which will boost GDP by 3%.

Meanwhile, in the wake of the decline in 2020, the projected recovery in Mexico is based primarily on an improvement in exports as the US economy bounces back and the trade uncertainty dissipates as a result of the trade agreement between the US, Mexico and Canada (USMCA) coming into force in mid-2020. Growth is expected to recover, reaching 3.7% in the current year.

In Sub-Saharan Africa, countries have acted swiftly to safeguard their societies from the impact of unprecedented economic and health crises. Nevertheless, these economies are forecast to shrink by 3%. In 2021, growth is expected to recover to around 3.1%, albeit with risks relating to the COVID-19 pandemic, the resilience of health systems in the region and the availability of external financing.

With regard to Australia, the OECD (in its December report) estimated a 3.8% decline in GDP, with a subsequent recovery in economic activity at a rate of 3.2% in 2021 and 3.1% in 2022. GDP in Australia had been growing for almost 30 consecutive years, including during the international financial crisis. The Australian Bureau of Statistics has said that the country's response to the coronavirus crisis aimed at helping households and businesses led to unprecedented payments from the public sector to the private sector (including wage schemes, unemployment support and financial stimulus totalling an equivalent of 13.3% of its GDP). In 2021, Australia has improved the outlook in its budget forecasts, since the country's economy is recovering faster than expected, helped by an unforeseen rise in iron ore prices.

Elecnor Group

Since the outbreak of the pandemic, the Elecnor Group has monitored and designed action protocols following the recommendations issued by the Spanish Ministry of Health and the competent authorities in Spain and each market where it operates, always protecting the safety and health of its workers, customers, suppliers and other stakeholders.

The Elecnor Group has been facing this exceptional situation by reorganising its productive activity to ensure critical infrastructures in the energy, telecommunications, water, gas and transport sectors remain operational, providing an essential service for all utilities.

In this complex environment, the Group has implemented a series of cost containment and employment flexibility measures that are making it possible to mitigate the risks that we face. This plan has enabled to gradually recover the full operation of the workforce.

The Group's priority during the year has been to ensure the safety of its employees, customers and suppliers. With these objectives in view, Elecnor has carried out some initiatives in line with the recommendations of the authorities, namely: the creation of a COVID-19 Monitoring Committee that has developed an Action Plan to protect health; the creation of a Special Contingency Plan that also defines the scope of action by Elecnor and its workers as an essential supplier of critical operators in the system; and, for a number of vulnerable groups and particularly at-risk workers, the "Occupational Health and Safety Service Action Procedure for exposure to SARS-CoV-2" has been activated.

3. Economic and financial performance in the period

3.1. Business performance

The performance of the Group's businesses during the crisis is demonstrating the essential nature of its operations. Operating profit reflects the impact that the COVID-19 crisis has had on operations since mid-March, mitigated by the geographical and business diversification of the Group. The performance of the Group's businesses improved in the second half of the year, enabling consolidated net profit at the Infrastructure and Concessions businesses to reach levels attained in the previous year.

Consolidated net profit from the businesses

(thousands of Euros)	2020	2019	Change (%)
Infrastructure business	71,517	66,519	*7.5%*
Concessions business	30,970	36,726	*-15.7%*
Consolidated net profit from the businesses	**102,487**	**103,245**	***-0.7%***

Infrastructure Business

The **Infrastructure Business** develops a wide range of services that were affected during the first half of the year, but due to their essential nature, their operations normalised in the second half. In addition, it implements turnkey projects in various sectors and countries, especially in the field of energy, where investments have continued due to their strategic nature.

(thousands of Euros)	2020	2019	Change (%)
Turnover	2,352,471	2,279,501	*3.2%*
EBITDA	161,708	176,717	*-8.5%*
Profit before tax	112,311	104,998	*7.0%*
Attributable net profit	71,517	66,519	*7.5%*

The **Infrastructure Business** logged sales of Euros 2,352.5 million, up 3.2% on the previous year.

Profit after tax at the **Infrastructure Business** amounted to Euros 71.5 million, a 7.5% increase compared to the previous year.

In the **national market**, positive growth rates have been achieved thanks to the commitment shown by the main service customers who have maintained or even advanced their investment plans anticipating the opportunities derived from the Integrated National Energy and Climate Plan (INECP) 2021-2030. Moreover, during this period, construction works of wind farms have been carried out in Galicia and Zaragoza, and of solar PV farms in Ciudad Real and Cáceres.

Elecnor thus remains a leader in the national market for services to large operators, mainly electric utilities and telecommunications companies.

Construction projects in the Spanish renewables sector, both solar PV and wind, as well as refurbishment and equipment of industrial buildings, commercial complexes, hotels, etc., contributed to the growth in the company's profit.

In the **international market**, it is worth highlighting the positive evolution of the construction of electricity transmission lines in Brazil and Chile, and also those of US subsidiaries (Hawkeye and Belco).

In the **international market**, where states of emergency were declared in a staggered manner in the various countries where the Group operates, note the contribution from construction projects such as solar PV farms and electricity transmission lines in Brazil, the construction of electricity transmission lines, substations and street lighting in Chile, and solar PV plants in the Dominican Republic.

Note also the positive performance in the US by the subsidiaries Hawkeye (engineering, construction and maintenance in the electricity and gas sector) and Belco (traffic), in Italy by electric power distribution and telecommunications activities conducted by the branch of Elecnor, S.A., and in the United Kingdom by the electricity business managed by the subsidiary IQA. In Norway, growth was driven by railway tunnel projects.

We highlight the design, construction and launch of the substations and transmission lines in Angola and the refurbishment of hydroelectric plants and construction of the water supply system in that country. Other growth drivers are: the design, supply and installation of substations and the construction of solar PV farms in Ghana, and construction work on hydroelectric plants in Cameroon.

This year the Group commenced work on the Vilnius-Klaipeda railway electrification in Lithuania, a project it was awarded at the end of 2019. The project's engineering and construction is expected to last four years.

Furthermore, Elecnor has commenced work to install the substation and transmission line for a hybrid solar-wind farm at Port Augusta, Australia, as well as on the engineering and construction of the New England Solar Farm in the same country. Elecnor has also partnered with Australian group Clough in a 50%-50% joint venture that was awarded the Euros 917 million contract to build the Energy Connect project, which includes 700 kilometres of high-voltage lines and 4 substations, and is being developed by Australian transmission network operator TransGrid.

Concessions business

The impact on the activity of the Group's **Concessions Business**, managed via its subsidiary Enerfín and its investee Celeo, has been moderate since the bulk of the assets are in operation. These assets have performed strongly, despite the impact on the income statement of the depreciation of the currencies in which the business operates (BRL down 33% and USD down 2% against EUR, approximately). Some assets currently under construction have experienced delays, but they are not expected to significantly affect profitability.

(thousands of Euros)	**2020**	**2019**	**Change (%)**
Turnover	145,232	190,769	*-23.9%*
EBITDA	112,791	144,712	*-22.1%*
Profit before tax	44,265	52,457	*-15.6%*
Attributable net profit	30,970	36,726	*-15.7%*

The **Concessions Business** encompasses the operation of wind farms, solar PV and solar thermal plants, electricity transmission lines and water treatment plants. Sales in this segment have fallen by 23.9%. The decline is the result of the corporate transaction arranged with APG in 2019[2], whereby, pursuant to the joint management of Celeo Concesiones e Inversiones, S.L., the profit of the Celeo subgroup is accounted for using the equity method under the heading "Profit/loss from equity-accounted investees" of the income statement, affecting the comparison of the figures under "Net turnover" and EBITDA.

Moreover, last year, the companies Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L. contributed to turnover as they were controlled by the Elecnor Group in the final five months of the year, as well as the rest of companies belonging to the Celeo Subgroup which were fully consolidated throughout last year. Excluding that effect, sales performance would have improved compared to the previous year. With regard to sales in foreign wind farms (Brazil and Canada), the increase in wind resources this year compared to the previous year offset the effect of currency depreciation.

Profit after tax in the **Concessions Business** amounted to Euros 31 million (Euros 36.7 million in the previous year). Last year profit included the margin obtained on the sale of solar PV developments (see note 2.f to the Annual Accounts of Elecnor, S.A. and Subsidiaries), whereas this year no operations of this scale were performed. Excluding profit obtained last year from the aforementioned operation, net profit attributable to this segment would have been positive year-on-year. Furthermore, profit in this segment factors in the depreciation of the Brazilian real in the year.

The Group operates 5,740 km of electricity transmission lines in Chile and Brazil and is involved in the construction of new electricity transmission lines in these countries, to be operated by the subsidiaries of Celeo Redes Chile and Celeo Redes Brazil, respectively. The Group built six solar PV plants (179.8 MW) in the Brazilian state of Piauí, whose energy sales were adjudicated in 2018 to the Brazilian subsidiaries in which the Elecnor Group has an interest.

In addition, profit from wind projects managed by the wind operation and development subsidiary Enerfín have mitigated the effect of the depreciation of the currencies in which the Group's assets operate, especially in Brazil, due to the greater availability of wind resources in the year, with profit or loss at the rest of wind business companies remaining stable. The Group has an installed capacity of 1,349 MW in wind farms in operation and construction in Spain, Brazil, Canada, Colombia and Australia. Note that this year the Group has launched the Cofrentes wind farm in Valencia, which will generate 155,000 MWh of electric power annually, as well as the San Fernando wind projects (256 MW).

3.2. Key figures in consolidated profit/loss for the year

As a result of the foregoing, the following are key figures in the Consolidated Income Statement, compared with those corresponding to the previous year:

KEY FIGURES (thousands of Euros)	**2020**	**2019**	**Change (%)**
Turnover	2,455,952	2,453,726	*0.1%*
National	1,238,600	1,168,656	*6.0%*
International	1,217,352	1,285,070	*-5.3%*
EBITDA	245,802	265,350 (1)	*-7.4%*
Profit before tax	125,932	190,077	*-33.7%*
Attributable consolidated net profit	78,303	126,377	*-38.0%*

(1) Net EBITDA from corporate transactions

[2] See note 2.f Business combinations in the Notes to the Annual Accounts of Elecnor, S.A. and subsidiaries

Elecnor continues its internationalisation process and is a flagship company in the sectors of the national market in which it operates. The Group's **Turnover** amounted to Euros 2,455.9 million, a slight increase (+0.1%) with respect to the previous year. Although, thanks to the recovery in the second half, the national market logged 6% growth, the international market saw a delay in the launch of projects to be executed in 2021, as well as currency depreciation in some of the countries where the Group operates.

The **production backlog as of 31/12/20, scheduled for execution in the next 12 months,** amounts to Euros 2,273.1 million (Euros 2,222.7 at the end of the previous year). Compared with the previous year-end figure, the backlog has increased by 2.3%. 73% of the backlog corresponds to the international market.

Consolidated Net Profit at the Elecnor Group in 2020 amounted to Euros 78.3 million.
Comparability of last year's Euros 126.4 million profit is affected mainly by the impacts of the corporate transaction agreed with APG at the end of 2019 (outlined in Note 2.f of the Notes to the Annual Accounts of Elecnor, S.A. and Subsidiaries); the acquisition in June 2019 of 42.57% and 44.30% stakes in Dioxipe Solar, S.L. and Aries Solar Termoeléctrica, S.L., respectively, by means of Celeo Termosolar (explained in Note 7 of the Notes to the Annual Accounts of Elecnor, S.A. and Subsidiaries, concerning Business Combinations); as well as other non-recurring amounts also set forth in the Notes to the Annual Accounts. Excluding these effects on profit or loss in the previous year, the Group's profit is similar to that of last year, as evidenced by the profit at the various businesses.

Net **EBITDA** from corporate transactions amounted to Euros 245.8 million, i.e. down 7.4% year-on-year[3], due mainly to the impact of the depreciation of currencies in countries where the Group operates.

On the other hand, the Group has implemented a constant policy of cost containment and control which is at present underpinned by the development of various digitalisation projects to enhance the efficiency of its business processes, some of which were launched in the year.

3.3. Financial position

In 2020, the Group's operating activity enabled it to generate a cash flow of Euros 194 million and its net investment amounted to Euros 209.6 million.

Corporation net financial debt (Euros 129.9 million) decreased by 4.2% with respect to the previous year's close (Euros 135.7 thousand). This was mainly due to the positive cash generation performance of the Group's businesses as a result of their operating activities.

The indebtedness ratio at year end, calculated as Corporation Net Financial Debt divided by EBITDA with recourse, was 0.83 (0.92 at the end of the previous year). This ratio is now solidly below 1x, and is therefore amply compliant with the benchmark ratio established in the syndicated financing agreement.

Meanwhile, Total Net Financial Debt (Euros 536.6 million) increased by 8.6% with respect to the previous year's figure (Euros 494.2 million), due to using project finance modalities in the San Fernando projects in Brazil.

[3] *See appendix on Alternative Performance Measures.*

Net Financial Debt (thousands of Euros, at year-end)	**2020**	**2019**
Corporation Net Financial Debt	129,940	135,672
Net EBITDA from corporate transactions	245,802	265,350
With recourse	*144,591*	*122,633*
Without recourse	*101,211*	*142,717*
Ratio of Debt/EBITDA with recourse + projects div.	0.83	0.92

Net Financial Debt	536,649	494,133
With recourse	129,940	135,672
Without recourse	406,709	358,461
Net EBITDA from corporate transactions	245,802	*265,350*
Ratio of Total Net Financial Debt / net EBITDA from corporate transactions	2.18	*1.86*

With regard to the Group's **financial strategy**, we note:

- Elecnor maintains a **Syndicated Financing Agreement**, arranged in 2014 and renewed in 2015, 2016, 2017, 2018 and 2019, extending the maturity, improving the original conditions and including the voluntary prepayment of Euros 100 million in 2018. The financing has a cap of Euros 400 million, distributed between the Loan Tranche of Euros 200 million and a Credit Facility Tranche of Euros 200 million. The Credit Facility Tranche is subdivided into two parts: one denominated in US Dollars, up to a limit of USD 75 million and available for Elecnor and its subsidiary Elecdor, and one denominated in Euros up to a limit of Euros 134 million, available only to Elecnor. This will afford Elecdor sufficient financial capacity to tackle the projects in the oil and gas business being developed by the Group in Ecuador.

- Elecnor's strategy is to diversify its short- and medium-term financing sources, beyond traditional banking sources, by issuing another **Promissory notes programme in the Alternative Fixed Income Market (MARF)** that will enable it to finance itself in Euros and US Dollars over periods of up to 24 months, optimising the costs of funding working capital. The equivalent value of outstanding issues in Euros may not exceed the ceiling of Euros 300 million. In deciding to renew the programme, Elecnor valued the flexibility of the financing periods and the lower cost than that of alternative funding sources over the same maturities.

- In 2020, the company availed itself of sufficient **financing facilities** to maintain a solid liquidity position and be able to fulfil its obligations comfortably, even in scenarios of greater market contraction that might be caused by the COVID-19 situation (see Note 6.4 hereto, Liquidity Risk, and Note 33 to the Annual Accounts of Elecnor, S.A. and Subsidiaries).

- On 2 December 2020, Elecnor, S.A. set up a **Securitisation Fund** called "ELECNOR EFICIENCIA ENERGÉTICA 2020, Fondo de Titulización", to which it has assigned the credit claims derived from the contracts for the management of energy services and maintenance of public street lighting installations which Elecnor executes for 43 municipalities and public entities in Spain. By means of this structure, Elecnor obtains advantageous financing conditions for investment in the assigned contracts in the amount of Euros 50 million as a result of the credit claims assignment. The securitisation fund issued bonds in the aforementioned amount, which are subscribed and fully paid in, and which are trading in Spain's Alternative Fixed Income Market (MARF). These bonds are compliant with the requirements established by the "Green Bond Principles", and therefore qualify as green bonds for G-advisory, the Garrigues Group's consultancy firm. Axesor Rating has assigned the bonds issued by the Securitisation Fund an A+ rating, indicating a high capacity to meet its credit obligations. This is the first securitisation transaction for the sale of future credit claims derived from contracts with Public Entities to be conducted in Spain.

- In 2019, Elecnor, via its wind power development and operation subsidiary Enerfín, successfully completed an **issuance of bonds** to strengthen its wind farm business in Brazil. It issued bonds without recourse to the shareholder in the Brazilian securities market in the amount of BRL 325 million (Euros 73 million) for the Ventos do Sul wind farms (150 MW) located in the Brazilian state of Rio Grande do Sul. These farms commenced operation in 2006 and the financing arranged for their construction had been fully repaid before the issuance of these bonds. The funds from this bond placement will be used for investment in future projects. The issue was placed in two tranches at different costs. 70% was subscribed at the Brazilian Interbank Deposit Certificate (CDI) rate, with a spread of 0.75%, whereas the remaining 30% was linked to Brazil's Extended Consumer Price Index (IPCA) with a spread of 3.25%. In addition, in 2020 project financing was closed and disbursed for construction of the Cofrentes wind farm (Spain) and the São Fernando complex (North-East Brazil).

The Elecnor Group tackles its investment projects by arranging project financing, as described in section 6.2 "Interest rate risk" herein, while it finances its equity with the resources generated by the businesses of which the Group is comprised.

3.4. Material changes in accounting policies

The accounting policies and methods used to prepare the consolidated annual accounts in 2020 are the same as those applied to the consolidated annual accounts in 2019. All accounting principles with a significant effect have been applied in the drawing up of these consolidated and separate annual accounts.

3.5. Profit/(loss) at the Group's Parent, Elecnor, S.A.

KEY FIGURES (thousands of Euros)	**2020**	**2019**	**Change (%)**
Turnover	1,544,049	1,368,728	*12.8%*
National	1,079,540	987,643	*9.3%*
International	464,509	381,085	*21.9%*
Operating income	20,752	(7,203)	-
EBITDA	45,412	18,160	*150.1%*
Profit before tax	46,765	54,659	*-14.4%*
Profit after tax	31,633	30,122	*5.0%*

The operating income of the Group's parent company, Elecnor, S.A., was higher than in the previous year, since the international projects that have contributed most to consolidated income (in Brazil, Chile, United States, Australia) were carried out not only through subsidiaries, but also via branches of Elecnor S.A., such as Angola, Panama, Dominican Republic, Ghana, etc.

Profit before tax totalled Euros 46.8 million, i.e. 14.4% lower than in the previous year, due to lower dividend distribution by subsidiaries of Elecnor, S.A.

3.6. Average payment period

The average payment period to suppliers of the Group's Parent, Elecnor, S.A., calculated as per Additional Provision Three of Law 15/2010, dated 15 July, is 60 days. The average payment period to suppliers of the Group, calculated in the same way, is 59 days.

3.7. Turnover by activity

At 31 December each year and in thousands of Euros

Turnover by activity (thousands of Euros)	**2020**	**2019**	**Change (%)**
Electricity	982,949	908,347	*8.2%*
Power generation	470,708	573,375	*-17.9%*
Telecommunications and space	233,301	247,719	*-5.8%*
Facilities	213,434	215,105	*-0.8%*
Construction, environment and water	237,677	181,276	*31.1%*
Maintenance	170,770	171,830	*-0.6%*
Oil & Gas	92,572	106,793	*-13.3%*
Railways	54,541	49,281	*10.7%*
	2,455,952	**2,453,726**	***0.1%***

Once again, the main activity in turnover terms was **Electricity**, with Euros 982.9 million, an 8.2% increase on the 2019 figure, due to the strength of both the domestic market and the subsidiaries abroad (especially in the United States) and the branches in the Dominican Republic, Angola, Ghana, etc. **Power Generation** ranked second, with Euros 470.7 million, 17.9% lower than in 2019 due to the impact on this figure of the depreciation of the Brazilian real, as well as the completion of large power generation plants mainly in Panama, Jordan, Portugal, Algeria and Mauritania. We highlight the year-on-year growth in **Construction, environment and water** on the back of water supply projects in Angola and Oman. **Railways**, which includes sales from the railway tunnels project in Norway, has seen a 10.7% increase in activity.

4. Stock market information

	2020	**2019**
Closing share price (€)	11	10.95
Total volume of securities (million)	4.3	3.3
Total cash traded (€ million)	39.8	37.7
Number of shares (million)	87	87
Market capitalisation (€ million)	957	952.6
PER	12.2	7.5
Dividend yield	3.1%	2.4%

On 29 May 2020, the **supplementary dividend was distributed against profit for 2019**, in a gross amount of €0.27455644 (€0.28208755, including the pro-rata distribution of treasury shares).

On 9 December 2020, the **interim dividend against 2020 profit was paid**, in a gross amount of €0.05732 (€0.05889557, including the pro-rata distribution of treasury shares), thereby maintaining the same amount of interim dividend as last year.

Elecnor is not prohibited from paying dividends charged to 2020 pursuant to the provisions of Royal Decree-Law 18/2020 of 12 May, concerning social measures to safeguard employment, as the company previously paid the social security contributions from which it had been exempted as a result of the furlough schemes regulated in art. 1 of the aforementioned Royal Decree-Law.

Elecnor has not undertaken commitments that imply restrictions on the decisions to use the company's cash, such as on dividend payments, and neither is it expected to undertake commitments entailing such restrictions in the future.

5. Capital management policy

Key to Elecnor's strategy is its policy of maximum financial prudence. The capital structure is defined by the commitment to solvency and the aim of maximising shareholder returns.

6. Financial risk management policy

Elecnor is exposed to certain financial risks, which it manages by grouping together its systems for identifying, measuring and supervising risks and limiting the concentration thereof. Financial risk management and containment is performed on a coordinated basis by Corporate Management and the various Business Units and Subsidiaries that comprise the Group. Financial risk management activities are approved at the highest executive level, in accordance with the rules, policies and procedures in place.

6.1. Foreign currency risks

Market risk due to foreign currency risk arises from transactions that the Group performs on the international markets in the course of its business. Certain income and costs of materials consumed are denominated in currencies other than the functional currency. For this reason, the risk of fluctuating exchange rates of these currencies against the functional currency could have an impact on the Group's profit/loss.

In order to manage and minimise this risk, Elecnor uses hedging strategies, since its objective is to generate profits only through its ordinary business, and not by speculating in relation to exchange rate fluctuations.

The instruments used to achieve this hedge are essentially borrowings tied to the contract's collection currency, foreign currency hedges and swaps, whereby Elecnor and the bank exchange the cash flows arising from a loan denominated in Euros for the flows of another loan denominated in the currency in question, as well as the use of "currency baskets" in order to hedge mixed financing tied to various currencies.

6.2. Interest rate risk

Interest rate fluctuations change the fair value of assets and liabilities that accrue interest at fixed rates and the future cash flows from assets and liabilities indexed to floating interest rates. Elecnor has arranged external financing to enable it to carry on its operations, mainly in connection with the development, construction and operation of wind farms, solar projects and electricity infrastructure concessions, which it does under project financing arrangements. This kind of arrangement usually requires under contract that interest rate risk be partly covered using hedging instruments.

In the case of both project and corporate financing, borrowings are arranged mainly at floating rates and, where appropriate, hedging instruments are used to minimise the related interest rate risk. The hedging instruments, which are specifically assigned to financial debt, are limited to the same nominal value as the latter and the same maturity dates as the hedged items, and are essentially IRSs, the aim of which is to convert loans originally arranged at floating rates to fixed rates. In any case, the interest rate hedges arranged are all effective for accounting purposes.

6.3. Other price risks

The Group is also exposed to the risk that cash flows and profit/loss may be affected by changes in energy prices and by oil prices, among other issues. In order to manage and minimise these risks the Group occasionally uses hedging strategies.

6.4. Liquidity risk

Liquidity risk is mitigated through Elecnor's policy of holding cash and highly liquid non-speculative short-term instruments, such as the acquisition of treasury bills under non-optional repurchase agreements and very short-term US Dollar deposits, through leading credit institutions in order to be able to meet its future commitments and the arrangement of committed credit facilities of sufficient amount to cover its projected needs.

In March 2020, it became obvious that the pandemic would have an unforeseeable but in any case profound impact on global economic performance, especially in terms of:

1. Impact on global production volumes.
2. Major disruption in supply and distribution chains.
3. Financial impact on companies, affecting all sectors, albeit to very different degrees:
   - Cash stresses in the event of having insufficient liquidity.
   - Increase in perceived risk and in the cost of financing.

The financial department analysed the situation and the potential scenarios, in permanent contact with advisers and analysts from financial institutions. The main conclusions were:

- Once governments and the ECB had announced measures (in the latter case, primarily the Euros 750 billion pandemic emergency purchase programme, or PEPP), a collapse of the financial system leading to widespread bank default or the application of market disruption clauses was considered highly unlikely.
- There was a market consensus concerning the importance of having considerable liquidity to tackle a period of maximum uncertainty, so Elecnor examined the various alternatives to raise its financing limits.

The conclusion was that the existing financing limits should be sufficient to tackle even the most adverse scenarios in cash forecasting, having updated the potential effects of COVID-19.

Nevertheless, it had to be taken into account that the financing sources include promissory notes issued in the MARF, and that, at the time, it was not possible to know if they could be renewed, so the company decided to arrange new bilateral loans.

Ultimately, the MARF did continue to provide financing, and although many issuers are struggling to place debt in this market, Elecnor is not among them, so its current financing limits exceed the forecasts and liquidity risk is negligible.

At 31 December 2020, the Elecnor Group has a solid liquidity position, with sufficient cash and available credit facilities to comfortably meet liquidity requirements even if markets contract.

6.5. Credit risk

The main credit risk arises from trade receivables, when the counterparty or customer does not meet their contractual obligations. To mitigate this risk, the Group operates with customers that have adequate credit records. In view of its activities and the sectors in which it operates, Elecnor has customers with very high credit ratings. However, in the case of non-recurring international sales to customers, mechanisms such as advances, irrevocable letters of credit and insurance policies are used to ensure collection. Furthermore, the financial solvency of customers is analysed and specific terms and conditions are included in contracts, aimed at guaranteeing customer payments of the stipulated price.

In the case of the wind farms, the power produced - in accordance with the legislative framework in force for the electricity industry - is sold in the Iberian Electricity Market (MIBEL) and income is collected from the operator of the Spanish Electricity Market (OMIE) through a payment-guarantee system and from the Spanish National Commission on Markets and Competition (CNMC), which regulates energy markets in Spain and reports to the Ministry of Industry. Moreover, on 1 June the long-term energy sales agreement between the Cofrentes wind farm and CEPSA entered into force. In addition, Ventos do Sul Energía, S.A., Parques Eólicos Palmares, S.A., Ventos da Lagoa, S.A., Ventos do Litoral Energía, S.A. and Ventos dos Índios Energía, S.A. (Río Grande do Sul, Brazil) entered into long-term agreements with the corresponding Brazilian electricity distribution companies to sell the electric power that they will generate over a period of 20 years. Furthermore, the newly built farms in the São Fernando complex in North-East Brazil sell part of the power generated in the Short-Term Market and a low volume of short-term bilateral agreements with suppliers until the long-term electricity sales agreements (most exceeding 20 years) enter into force from 2022. Furthermore, Eóliennes de L'Érable has signed a 20-year contract to sell the electricity it generates to Canadian electric utility Hydro-Québec.

With regard to transmission lines operated as concessions in Brazil, Operador Nacional do Sistema Elétrico (ONS) is responsible for coordinating collections and payments within the country's electricity system and notifies the concession holder of the companies from which collections must be made: generators, major consumers and transmission entities. Prior to connecting to the system these companies deposit a guarantee. In the event of non-payment this guarantee will be executed, they will be immediately disconnected from the system and the payment obligation will be shared among the remaining users of the system. Accordingly, the concession holder has the guaranteed payment from the national power grid system, there having been no payment default by its users.

The transmission lines currently in operation in Chile belong to that country's national grid (National Transmission System), in which Coordinador Eléctrico Nacional (CEN) coordinates the flow of payments to transmission companies. The current system remained until December 2018, whereby those responsible for paying the transmission companies were the generating companies. Since 2019, distributors have also been liable for payments, so the portfolio of payers became more diversified from that date on. The payment guarantee of the national transmission grid is based on a CEN Procedure that establishes that, in the event of non-payments by a coordinated company (company coordinated by CEN), the defaulting party is disconnected from the grid, and the payment obligation is spread among the remaining coordinated companies.

Furthermore, in Chile we are building certain assets for the Zonal Transmission System, a segment characterised by its lines and substations positioned to supply regulated customers in a specific geographical area. In this case, as in the case of assets in the National Transmission System, their remuneration is safeguarded by the CEN collection procedure.

Elecnor always seeks to implement the strictest measures to mitigate this risk and conducts periodic analyses of its exposure to credit risk, making the relevant impairment adjustments where necessary.

6.6. Regulatory risk

Elecnor closely monitors regulatory risk, particularly that affecting renewable energy, to adequately reflect its impact on the consolidated income statement.

Order TED/668/2020, of 17 July, was published in 2020, reviewing remuneration on investments of 2018 and 2019. This review emerged as a result of Royal Decree-Law 15/2018, exempting the payment of tax on electricity production (7%) in the final quarter of 2018 and the first quarter of 2019, since this exemption was not taken into account by the government when calculating remuneration parameters.

With regard to facilities located abroad, the wind farms in Brazil have long-term electricity sale-purchase agreements (20 years) with various buyers (Eletrobras, Câmara de Comercialização de Energia Elétrica, Cemig and distributors), these agreements having been signed within the framework implemented by the Federal Government and through private auction. In addition, the first 100% 'de-contracted' project was launched in Brazil (24.2 MW), which sells energy in the free market. With regard to the Canada farm, it has a 20-year sale-purchase agreement with Hydro-Québec.

6.7. Other risks

In addition to the risks outlined above, the Elecnor Group is exposed to various risk factors (governance, strategic, planning and economic environment, operating, reporting and compliance risks) linked to the sectors in which it operates and the long list of countries in which it operates, either consistently or by means of one-off projects. The Group uses its Risk Management System to continually manage and prevent these risks, reducing to acceptable levels the probability of their materialising and mitigating their potential impact, where applicable, on business volume, profitability and efficiency, reputation and sustainability. The pillars of this Risk Management System are the ongoing identification and assessment of the risks to which the Group is exposed, the improvement of related management mechanisms and tools and the permanent oversight and monitoring of the entire process.

The Group does not expect the UK's withdrawal from the EU (Brexit) to have a material impact on its financial statements, considering it does not operate in the country, with the main impact resulting from exchange rate differences.

The means deployed to enable teleworking during the pandemic lockdowns have been mainly: over-dimensioning communications, immediately buying in laptops and distributing them at various work centres, establishing secure and robust VPN technologies, securing workplaces with next-generation anti-virus treatments, dual-factor authentication, training employees with regard to cybersecurity and, in particular, the human factor.

7. Environment

The Elecnor Group aims to contribute actively and decisively to the construction of a sustainable, low-carbon future by generating renewable energies, implementing energy efficiency measures, reducing its carbon footprint and through proper environmental management.

In this connection, and with the aim of contributing to UN Global Compact Sustainable Development Goal 13 "Climate Action", Elecnor fosters the development of its activity in a sustainable manner adapted to climate conditions and always with the involvement and commitment of all persons belonging to the Group.

Consequently, Elecnor's activity is framed by its Environmental Management System and Energy Management, certified in accordance with ISO 14001 and ISO 50001 standards, respectively, as well as its Climate Change Strategy. The Environmental Management System establishes effective control mechanisms to minimise the most significant impacts arising from the Group's various activities, such as the generation of waste, impact on the natural environment, the use of natural and energy resources and the impact on flora and fauna.

Climate change is a challenge in respect of which the Group has worked hard in recent years, in particular by calculating its carbon footprint in accordance with internationally accepted standards and by implementing measures to reduce GHG emissions within its scope of action.

Elecnor has conducted a strategic diagnosis of adaptation to climate change based on the recommendations of the Intergovernmental Panel on Climate Change, in order to identify opportunities and risks in that connection. On this basis it has developed its 2030 Climate Change Strategy, establishing the framework for all the Group's actions to reduce greenhouse gas (GHG) emissions, adapt to climate change impacts and tap into the associated opportunities.

In global terms, the Environmental Management strategy is governed by the following guiding principles:

- To incorporate environmental considerations in the decision-making processes regarding investments and the planning and execution of activities, encouraging their being taken into account in cost-benefit analyses.
- To foster protection, conservation and sustainable use of the natural environment (air, water, soil, fauna, flora and landscape) by adopting specific preventing, mitigating and offsetting measures to protect and restore areas that may be affected by the Group's activities.
- To responsibly and efficiently manage water resources, based on the fully integrated cycle, nurturing social development and the conservation of ecosystems.
- Involving all stakeholders (employees, shareholders, customers, suppliers and society at large) in the joint quest for useful solutions to the challenges of preserving and developing the environment and using natural resources sustainably.

The Non-Financial Information section of this Report outlines the goals, strategies and initiatives implemented in 2020 in accordance with the Group's Environmental Management policy.

8. Human Resources

Elecnor's workforce (*) **At 31 December each year**	**2020**	**2019**	**Change (%)**
Domestic	10,542	9,336	*12.9%*
International	7,661	5,519	*38.8%*
	18,203	**14,855**	***22.5%***

*This calculation does not include directors who are not on the Group's workforce.

People are Elecnor's main asset, and its overall strategy is underpinned by values such as talent, transparency and team work in conditions of the utmost safety. In this connection, occupational risk prevention is a common denominator throughout all the Group's activities. The commitment to prevention is part of its culture. And it is a commitment that goes beyond legal regulations and customers' requirements, with exacting and very clear goals: zero accidents and zero tolerance to non-compliances with the preventive measures established by the company.

At 2020 year-end, the Group's workforce had increased by 3,348 (22.5%) to **18,203 employees**. In the domestic market the increase was of 12.9%, largely to cover the need to support the international business. Abroad, there was a general increase of 38.8%. Note the growth in the workforce in Europe: United Kingdom and Italy; in Africa: Angola, Cameroon and Ghana; in Asia: Oman; and in Latin America: Chile, El Salvador and Brazil. There are also new countries with local employees: Belgium, Lithuania and Mozambique.

9. RDI

The initiatives undertaken in the year 2020 were:

- Maintaining UNE 166.002 certification for the RDI Management systems of Elecnor and Audeca.
- Certification of the phytotreatment project in accordance with UNE 166001 standards.
- Submission of LIFE WAPTECH Alguazas to 2020 call for proposals.
- Launch of INNOVA 2020 call for proposals for RDI project funding.
- Performance of certain projects with customers and collaborators (as requested by the Ministry for Development with other collaborating entities-consortium).
- Using RDI to boost business competitiveness.
- Approval by CDTI of financing for two projects. One by Audeca (Environment) and another by Enerfín (energy storage at wind farms).
- The digital transformation of the company. Digitalisation: continuity in the integration of BIM working methodology and tools.
- In April, the CDTI approved by competitive tender 3 proposals to be supported in the technological programme of the ESA aimed at Galileo activities, the launch of a micro-satellite developed by Elecnor Deimos and research into a constellation of micro-satellites. These adjudications imply the allocation to

Deimos of more than Euros 1 million in R&D aid, equivalent to 11% of the total budget of the call for proposals.
- As usual, Deimos Space played a significant part in proposals submitted for the European Union Horizon 2020 R&D programme in March this year. In July, when the results of the tender were published, Deimos was adjudicated 4 of the 8 projects to which it had presented proposals, for a value of close to Euros 1.1 million. In this programme, a 25% success rate of submitted projects is considered a good result, and Deimos doubled that rate.

Improvements planned for 2021:

- Technical workshops to be held in partnership with technological companies.
- Increasing the number of financed projects with customers and partners.
- Fostering a culture of innovation at the company by establishing new metrics and indicators.

10. Significant events subsequent to year-end

Between 31 December 2020 and the preparation of the Individual and Consolidated Financial Statements there were no significant events that might materially alter the true and fair view of said financial statements.

11. Outlook for 2021

11.1. Economic context

As explained in section 2 of this report – Economic context, the outlook for next year is for global growth. Despite the persistent high degree of uncertainty due to possible new virus variants, the global economy is expected to grow, especially in the latter part of the year, thanks to the vaccines and the additional policy support in some leading economies.

11.2. Elecnor Group

The Group continues the productive activity, applying the protocols developed to combat the spread of COVID-19 and protect the health and safety of workers.

The Group's businesses continue to generate solid operating cash-flow, which reinforces its financial position. Additionally, Elecnor has financing facilities available for amounts sufficient to mitigate liquidity needs in the current situation. It is also tracking all accounts receivable from customers and current ongoing production values with the aim of controlling credit risk. Finally, it is considered that capital recovery will not be compromised by the effects of the pandemic situation.

Accordingly, underpinned by a solid order book and by the company’s geographical and business diversification, in 2021 the Elecnor Group looks forward to improving on the previous year's figures in terms of both turnover and profits.

12. Share capital and acquisition of own shares

At 31/12/2020, the share capital of Elecnor, S.A. was represented by 87,000,000 shares, each with a par value of 10 Euro cents, fully subscribed and paid in, implying a share capital of Euros 8,700,000.

Elecnor, S.A.'s shares are traded in Spain's SIBE electronic trading system, where shares in the leading Spanish companies are traded, and the market with the largest trading volume in Spain.

At 31 December 2019, Elecnor had a portfolio of 2,320,809 shares. In 2020 it acquired 175,097 securities, and sold 174,964. Accordingly, at 31 December 2020 it had a total of 2,320,942 own shares, 2.7% of all shares in the company, unchanged on the previous year.

13. Related party transactions

With regard to the disclosures on related party transactions, see the details in the notes to the individual and consolidated financial statements at 31 December 2020, as provided in article 15 of Royal Decree 1362/2007.

14. Annual Corporate Governance Report

In compliance with the legal stipulations and in accordance with the model circulated by the Spanish National Securities Market Commission (CNMV), the Board of Directors of Elecnor, S.A. has drawn up the Annual Corporate Governance Report for the year ended 31 December 2020. Said document is available on the CNMV website and at www.elecnor.com.

15. Non-financial information

In compliance with Law 11/2018, of 28 December, concerning non-financial information and diversity, Elecnor, S.A. includes its Non-Financial Information Statement in the Consolidated Directors' Report of the Elecnor Group.

Appendix containing alternative performance measures

Alternative measures of the Elecnor Group's performance

KEY FIGURES

(thousands of Euros)	**2020**	**2019**	**Change (%)**
Turnover	2,455,952	2,453,726	*0.1%*
Domestic	1,238,600	1,168,656	*6.0%*

International	1,217,352	1,285,070		-5.3%
EBITDA	245,802	265,350	(1)	-7.4%
Profit before tax	125,932	190,077		-33.7%
Attributable consolidated net profit	78,303	126,377		-38.0%

(1) EBITDA net from corporate transactions

Turnover by segments (thousands of Euros)	**2020**	**2019**	**Change (%)**
Infrastructure business	2,352,471	2,279,501	3.2%
Concessions business	145,232	190,769	-23.9%
Subtotal Businesses	**2,497,703**	**2,470,270**	**1.1%**
Corporation	-	-	
Operations between segments	(41,751)	(16,544)	-
	2,455,952	**2,453,726**	0.1%

Turnover by activity (thousands of Euros)	**2020**	**2019**	**Change (%)**
Electricity	982,949	908,347	8.2%
Power generation	470,708	573,375	-17.9%
Telecommunications and space	233,301	247,719	-5.8%
Facilities	213,434	215,105	-0.8%
Construction, environment and water	237,677	181,276	31.1%
Maintenance	170,770	171,830	-0.6%
Oil & Gas	92,572	106,793	-13.3%
Railways	54,541	49,281	10.7%
	2,455,952	**2,453,726**	**0.1%**

EBITDA
"Earnings Before Interest, Taxes, Depreciation, and Amortisation" or Gross Operating Profit.

	2020	**2019**	**Change (%)**
EBITDA = Gross Operating Profit:	**245,802**	**386,996**	-36.5%
Operating income	146,568	239,676	

+ Expense for amortisation, depreciation, impairment and charges to provisions	99,240	162,122	
+ Negative difference in business combinations	-6	-14,802	
EBITDA from corporate transactions in the year		121,646	
NET EBITDA FROM CORPORATE TRANSACTIONS	**245,802**	**265,350**	-7.4%

EBITDA from corporate transactions (thousands of Euros)	**2020**	**2019**
Profit/loss from equity-accounted investees:		
Profit/loss from business combinations as per Note 2.f to the Annual Accounts of Elecnor, S.A. and Subsidiaries	-	178,345
Profit/loss from business combinations as per Note 7 to the Annual Accounts of Elecnor, S.A. and Subsidiaries	-	-47,445
Profit/loss from business combinations (solar thermal companies) as per Note 7 to the Annual Accounts of Elecnor, S.A. and Subsidiaries	-	-9,254
Assignment of purchase price of Jaurú to Celeo Redes (as per Note 13 of the Annual Accounts of Elecnor, S.A. and Subsidiaries)		
EBITDA from corporate transactions in the year	-	**121,646**

EBITDA by segments (thousands of Euros)	**2020**	**2019**	**Change (%)**
Infrastructure business	161,708	176,717	*-8.5%*
Concessions business	112,791	144,712	*-22.1%*
Subtotal Businesses	**274,499**	**321,429**	***-14.6%***
Corporation	(21,394)	72,637	
Operations between segments	(7,303)	(7,070)	
EBITDA	**245,802**	**386,996**	***-36.5%***
NET **EBITDA** FROM CORPORATE TRANSACTIONS	**245,802**	**265,350**	*-7.4%*

Profit before income tax by segment (thousands of Euros)	**2020**	**2019**	**Change (%)**
Infrastructure business	112,311	104,998	*7.0%*
Concessions business	44,265	52,462	*-15.6%*
Subtotal Businesses	**156,576**	**157,460**	***-0.6%***
Corporation	(24,055)	38,978	
Operations between segments	(6,589)	(6,361)	
Total Group	**125,932**	**190,077**	***-33.7%***

Consolidated net profit attributable by segment (thousands of Euros)	**2020**	**2019**	**Change (%)**
Infrastructure business	71,517	66,519	*7.5%*
Concessions business	30,970	36,726	*-15.7%*
Consolidated net profit from the businesses	**102,487**	**103,245**	***-0.7%***
Corporation	(19,815)	29,560	
Operations between segments	(4,369)	(6,428)	
Total Group	**78,303**	**126,377**	***-38.0%***

Alternative measures of profit and loss of the Parent of the Elecnor Group

KEY FIGURES (thousands of Euros)	**2020**	**2019**	**Change (%)**
Turnover	1,544,049	1,368,728	*12.8%*
Domestic	1,079,540	987,643	*9.3%*

International	464,509	381,085	*21.9%*
Operating income	20,752	(7,203)	-
EBITDA	45,412	18,160	*150.1%*
Profit before tax	46,765	54,659	*-14.4%*
Profit after tax	31,633	30,122	*5.0%*

	2020	**2019**	**Change (%)**
EBITDA = Gross Operating Profit	45,412	18,160	*150.1%*
Operating income	20,752	(7,203)	
+ Expense for amortisation, depreciation, impairment and charges to provisions	24,660	25,364	

Stock market information

	2020	**2019**
Closing share price (€)	11	10.95
Total volume of securities (million)	4.3	3.3
Total cash traded (€ million)	39.8	37.7
Number of shares (million)	87	87
Market capitalisation (€ million)	957	952.6
PER	12.2	7.5
Dividend yield	3.1%	2.4%

Group backlog

Pending backlog

(thousands of Euros, at year-end)	**2020**	**2019**	% of **total (2020)**
Domestic	611,915	547,368	*27%*
International	1,661,166	1,675,349	*73 %*
TOTAL	**2,273,081**	**2,222,717**	
Growth percentage	*2.3%*	*4.5%*	

Alternative debt measures; indebtedness ratio

Net Financial Debt

(thousands of Euros, at year-end)	**2020**	**2019**	**Change (%)**
Corporation Net Financial Debt	129,940	135,672	*-4.2%*
Net EBITDA from corporate transactions	245,802	265,350	

With recourse	*144,591*	*122,633*	
Without recourse	*101,211*	*142,717*	
Ratio of Debt/EBITDA with recourse + projects	0.83	0.92	
Total Net Financial Debt	536,649	494,133	8.6%
With recourse	*129,940*	*135,672*	
Without recourse	*406,709*	*358,461*	
Net EBITDA from corporate transactions	245,802	265,350	
Ratio of total net financial debt to net EBITDA from corporate transactions	2.18	1.86	

	2020	**2019**
Corporation Net Financial Debt *(Net Financial Debt in Note 17 of the Annual Accounts of Elecnor, S.A. and Subsidiaries)*	**129,940**	**135,672**
Net EBITDA from corporate transactions	245,802	265,350
EBITDA without recourse (from projects financed via funding without recourse)	*101,211*	*142,717*
EBITDA with recourse	*144,591*	*122,633*
Dividends from projects financed via funding without recourse.	25,403	30,719
Reversal of the effect on EBITDA with recourse of application of IFRS 16	-12,655	-6,385
EBITDA with recourse +Dividends from projects without recourse net of the effect of IFRS 16	**157,339**	**146,967**
Indebtedness ratio = Corporation Net Financial Debt/(EBITDA with recourse + dividends from projects)	*0.83*	*0.92*

Calculation of Total Net Financial Debt:

	2020	2019
+ Financial liabilities from issuing bonds and other marketable securities	110,349	135,120
+ Financial liabilities on loans and borrowings	807,840	680,898
+ Derivative financial instruments (from Non-current liabilities and current liabilities in the Consolidated Statement of Financial Position)	18,131	19,854
- Current investments in related companies	(141)	(128)
- Derivative financial instruments	(830)	(3,873)
- Cash and cash equivalents	(391,628)	(325,116)
- Other current financial investments	(9,594)	(6,429)
+ Loans granted by public entities (Note 17)	4,448	5,277
+ Derivative financial instruments (from Current assets in the Consolidated Statement of Financial Position) for exchange rate hedging (Note 18)	391	
- Derivative financial instruments (from Non-current liabilities and current liabilities in the Consolidated Statement of Financial Position) for exchange rate hedging (Note 18)	(4,220)	(11,469)
- Reversal of the effect on EBITDA with recourse of the application of IFRS 9	1,903	
Total Net Financial Debt	**536,649**	**494,134**
(increase on previous year's close)	*8.6%*	*-13.4%*

elecnor

ANNUAL CORPORATE GOVERNANCE REPORT 2020

www.elecnor.com

ELECNOR, 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 ELECNOR, S.A. (hereinafter Elecnor 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 [X]

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., SGIIC		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 DOMECQ	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.

	Attendance data				
Date of general meeting	% physically present	% present by proxy	% distance voting		Total %
			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 DOMECQ		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 DOMECQ	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 Mendaro	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

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

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 GONZALEZ 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 ASÚA 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
	ENCE ENERGIA Y CELULOSA, S.A.	Independent Director, Member of the Executive Commission and Chairwoman of the Audit Commission
Mr Emilio Ybarra Aznar	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 [X] 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 Enerfín 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

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 [X] 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 [X]

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 [X]

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

Yes No [X]

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 [X]

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	--

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 [X]

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.

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[…]

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-anuales-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.

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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)

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 [X]

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 [X]

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 Energía, S.A., Parques Eólicos Palmares, S.A., Ventos da Lagoa, S.A., Ventos do Litoral Energía, S.A. and Ventos dos Indios Energia S.A. (Río 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. Éoliennes 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 ELECNOR 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 X 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 X

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 X

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 X 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 X 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 X 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 X 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 X 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 X 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 X 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 X 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 X 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 [X] 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 [X] 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 [X] 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 [X] 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 [X] 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 [X] 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 [X] Complies partially Explain

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

Complies Explain Not applicable [X]

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 [X] 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 [X] 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 [X] 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 [X]

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 [X] 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 [X] 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 [X] 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 [X] 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 [X] 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 [X]

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