

ANNUAL REPORT 2021

AUDIT COMMITTEE

I. Introduction

The Audit Committee has prepared this report for the Ordinary Annual General Shareholders' Meeting of Elecnor, S.A. (the "Company"), in full accordance with the applicable laws and regulations and the recommendations of the Good Governance Code of Listed Companies ("GGC"), as supplemented by CNMV Technical Guide 3/2017 on Audit Committees.

The responsibilities, composition and operating rules of the Audit Committee of the Company, as standing supervisory committee advising the Board of Directors, are basically regulated in article 15 bis of the Company Bylaws and article 13 del Regulations of the Board of Directors, as well as in the Regulations of the Audit Committee itself, which are continuously adapted in line with the relevant legal modifications and recommendations on corporate governance matters.

Spanish Law 5/2021 of 12 April 2021 on encouragement of long-term shareholder engagement in listed companies has amended, among other matters, the rules on related-party transactions of listed companies set out in the recast text of the Spanish Companies Act (Ley de Sociedades de Capital – "LSC"), adding a new Chapter VII BIS to Title XIV (which includes articles 529 vicies to 529 tervicies), and a new article 231 bis LSC on intragroup transactions, in addition to a partial modification of the definition of related persons of directors contained in article 231 LSC. The rules on director remuneration have also been modified.

Pursuant to that legal reform, the Board of Directors brought a proposal before the Ordinary Annual General Shareholders' Meeting of the Company held on 23 June 2021 to amend the Company Bylaws and the Regulations of the General Shareholders' Meeting. That proposal was approved.

Also, in coordination with that amendment, it was proposed to the Board of Directors, among other changes, that the Regulations of the Audit Committee of the Company be amended to adapt them to the new provisions of the LSC, without prejudice to also including certain technical changes or new wording.

In compliance with Recommendation 6 of the GGC, this report will be available to shareholders, investors and other interested parties on the Company website (www.grupoelecnor.com) as from the call of the Ordinary Annual General Shareholders' Meeting.

II. Composition of the Audit Committee

The Audit Committee is composed of five non-executive directors and a majority of its members are independent directors.

The composition of the Audit Committee complies with the provisions of the Good Governance Code of Listed Companies regarding independence and diversity of professional profiles and gender.

Specifically, during 2021 the Audit Committee was composed of the following members:

Director	Position	Category of Directorship	Year First Appointed
Ms Irene Hernández Alvarez	Chair	Independent	2018
Mr Miguel Morenés Giles	Secretary	Proprietary	2003
Ms Isabel Dutilh Carvajal	Member	Independent	2015
Mr Emilio Ybarra Aznar	Member	Independent	2015
Mr Ignacio Prado Rey-Baltar	Member	Proprietary	2018

More detailed information on the members of the Committee and their professional backgrounds is available to shareholders and other persons interested in Elecnor, S.A. on the Company's website.

III. Meetings of the Audit Committee

In 2021 the Committee held 11 meetings, with 100% attendance:

	Review of financial and non-financial information and objectives	Monitoring risks and internal audit	Relation with external auditor, independence and fees	Supervision of compliance systems	Other
26 January	✓			✓	✓ (a)
23 February	✓		✓		✓ (b)
1 March					✓ (c)
23 March	✓	✓		✓	
27 April	✓		✓		✓ (d)
22 June				✓	✓ (d) (e) (c)
27 July	✓	✓	✓	✓	✓ (c)

21 September	✓	✓		✓	✓ (f)
26 October	✓	✓			✓ (g) (e) (f)
23 November			✓	✓	✓ (h) (f)
14 December	✓	✓			✓ (f)

- (a) Analysis of issues arising from the assessment of the Audit Committee by the Board of Directors and determination of proposals for action.
- (b) Approval of the Audit Committee's Annual Report for 2020.
- (c) Monitoring and supervising the spin-off of Elecnor, S.A. business to Elecnor Servicios y Proyectos, S.A.U.
- (d) Monitoring the corporate tax policy, the main tax risks and the procedures for managing and controlling those risks.
- (e) Monitoring the risk management system.
- (f) Approval of the selection of the new auditor for Elecnor, S.A. and its consolidated group for the years 2023-2025 and referral of the proposed selection and appointment to the Board for submission to the General Shareholders' Meeting.
- (g) Proposal for new Regulations of the Audit Committee and referral to the Board of Directors for final approval.
- (h) Oversight of the Digital Transformation Project and of the management of IT systems security.

During 2021 Committee meetings were attended by various persons from the Company or its Group and outside professionals according to the matters dealt with at the meetings, in all cases at the invitation of the Committee Chair and in relation to the specific points on the agenda for which they were invited to attend:

- Members of the General Internal Audit and Finance Sub-Division (11 meetings).
- Head of Internal Audit (11 meetings).
- Group Compliance Officer (6 meetings).
- General Secretary (2 meetings).
- Head of Corporate Development (1 meeting).
- Head of IT and Technology Area (part of the Corporate Development Department) (1 meeting).
- Head of External Communications and Corporate Image (3 meetings).
- External auditors (KPMG) (3 meetings).

Similarly, when and as considered appropriate, other outside advisors and suppliers have taken part in Audit Committee meetings on specific matters addressed by the Committee.

In all cases, the minutes of the Committee meetings record the entrances and departures of the different guests at the meeting.

IV. Activities of the Audit Committee

The Audit Committee's activity in 2021 was primarily focused on the following matters:

1. Reviewing the periodic financial and non-financial information disclosed to the markets and the objectives and projections at year-end.
2. Monitoring of the main risks with a potential impact on the income statement account and other significant issues affecting the annual accounts, the Risk Management System and Internal Audit activity.
3. Monitoring and supervising the spin-off of the Ecnor, S.A. business to Ecnor Servicios y Proyectos, S.A.U.
4. Relations with the Group's external auditors, supervision of their independence and approval of fees.
5. Supervision of the compliance system and of the activity of the Compliance Committee.
6. Follow-up of the Group's Digital Transformation Project.
7. Reporting to the General Shareholders' Meeting.
8. Overseeing compliance with the Company's corporate governance rules and internal codes of conduct. Evaluation by the Committee.

1. Reviewing the periodic financial and non-financial information disclosed to the markets and the objectives and projections at year-end

The Committee supervises the preparation and completeness of the financial and non-financial reporting of the Company and the consolidated group, reporting favourably to the Board, for subsequent filing with the authorities and disclosure to the market, as well submission to the shareholders for approval at the General Meeting.

Prior to its submission to the Board of Directors, the Committee reviews the financial information (and where relevant the annual non-financial information) produced on a quarterly basis (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) that is to be sent to the CNMV and disclosed to the markets (key financials, performance versus the previous period, performance of the main businesses and geographical areas, etc.). The annual non-financial reporting is also subject to independent verification by KPMG.

The General Internal Audit and Finance Sub-Division provides the Audit Committee with the appropriate explanations regarding the accounts. The accounting treatments of extraordinary transactions and tax treatment of significant transactions are analysed and discussed with the Group's auditors and/or advisers.

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 accounts, the Risk Management System and Internal Audit activity

The Committee continually monitors the main risks with potential impact on the income statement. To ensure the best analysis, those risks are structured according to General Business Divisions and Sub-Divisions and are quantified according to the Group's exposure, as well as to the outstanding balances with customers and accounts receivable from public sector bodies. After the risks have been reported, the advisability of setting aside accounting provisions is examined case by case.

The Audit Committee also monitors the most significant judgments and estimates with impact on financial reporting, emphasising those related to signs of impairment of goodwill, intangible and tangible assets, deferred tax assets and the recognition, control and measurement of derivative financial instruments.

In relation to taxes, the Audit Committee monitors the main tax risks and the effective implementation of the Corporate Tax Policy. It also reviews the tax treatment of transactions with particular significance in this regard. In 2021 it also reviewed the Group's transfer pricing policy.

With respect to related-party transactions, apart from those involved in the spin-off of the Ecnor, S.A. business to Ecnor Servicios y Proyectos, S.A.U., there were not related-party transactions in 2021 requiring review by the Committee.

The Committee also continuously monitors the main risks to which the Group is exposed (governance, strategic, environmental, operational, reporting and compliance risks) by supervising the Risk Management System and, in particular, the risks identified, evaluating their potential impact, the likelihood of their materialising and the plans of action defined to improve their management.

The Audit Committee has conducted adequate supervision of the Internal Audit function, approving and monitoring the execution of its annual work plan and reviewing the main risks that affect the organisation, processes and controls. In addition, each year the Audit Committee receives, reviews and approves the annual report prepared by Internal Audit.

3. Monitoring and supervising the spin-off of the Ecnor, S.A. business to Ecnor Servicios y Proyectos, S.A.U.

The Audit Committee conducted exhaustive periodic monitoring of the spin-off of Ecnor, S.A. to Ecnor Servicios y Proyectos, S.A.U., overseeing the progress of the different

action plans and main risks associated with the spin-off. In particular, at its meeting of 1 March 2021, the Audit Committee, after conducting the appropriate review, decided to issue a favourable report to the Board of Directors, among other matters, on the spin-off balance sheet (31 December 2020) and on the terms of the spin-off, both of which were approved and formulated by the Board of Directors at its meeting of 2 March 2021.

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

The Audit Committee met with the Group's external auditors three times in 2021, without the presence of other members of the organisation at any of those meetings.

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

- Planning and strategy of the annual audit of the individual accounts of Ecnor, S.A. and of the consolidated 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 abridged financial statements.
- Internal control weaknesses identified and recommendations for improvement, where appropriate.
- Written statement and confirmation by the external auditors of their independence and detailed information on any non-audit services.

The Audit Committee performs an annual assessment of the external auditor's performance and its contribution to audit quality and to financial reporting integrity.

With respect to its supervision of the proper independence of the external auditor, the Audit Committee, in accordance with the internal procedure established in this regard that regulates the approval process, from the standpoint of independence, of non-audit services by the outside auditor, delegates to the head of internal audit in the Group the authority for approving all such services, provided they are not prohibited by the applicable legislation and do not compromise the auditor's independence, except where the amount of the fees proposed for the services submitted for approval reach a given threshold percentage of the fees for the audit services provided by the main auditor in the preceding year, in which case the approval is done directly by the Audit Committee. The head of Internal Audit has periodically informed the Audit Committee of the services approved according to that procedure and in all cases before the external auditor submitted its annual statement confirming its independence, in which the external auditor details the fees charged to the Company and its related companies (broken down by services, both for audit and non-audit services) during the year in question by the auditor and by other firms in its network.

To approve the non-audit services, the Audit Committee or, as applicable, the head of Internal Audit base their decision on documents that must include, at least, a draft of the service proposal and the supporting documents for the analysis of independence performed by the external auditor and for the conclusion thereon. On occasion, depending on the nature of the services and on the fees proposed, the Audit Committee solicits the pertinent explanations from Internal Audit and from other officers of the Group. In all cases, apart from determining whether the proposed service is prohibited or not, the assessment involves analysing threats to the auditor's independence (self-interest, self-review, advocacy, familiarity or trust and intimidation) and the appropriate safeguards to be applied.

The Committee has concluded that the auditor of the Company's individual and consolidated accounts performed its audit work independently and has so informed the Board of Directors.

The Audit Committee has also ensured that the external auditor has held a yearly meeting with the full Board of Directors to inform it of the work undertaken and developments in the Company's risk and accounting positions.

The proposed fees submitted by KPMG for auditing of the 2021 individual and consolidated annual financial statements were reviewed and it was decided to submit them to the Board of Directors for approval.

Lastly, given the legal obligations to replace the current auditor of the Group as from 2023, the Audit Committee decided at its meeting in September to initiate the process of selecting a new auditor for the financial years from 2023 to 2025. After concluding the selection process, the Audit Committee decided at its meeting in December 2021 to bring its proposal for the new auditor to the Board at its meeting in that same year for subsequent submission to the shareholders in General Meeting.

5. Supervision of the compliance system and of the activity of the Compliance Committee

In line with the Group's overall commitment in this regard, the Audit Committee dedicates an especially important effort to this activity. Six of the meetings were attended by members of the Group's Compliance Committee, who reported on the latter Committee's activity and on the initiatives, actions and/or incidents taking place in the field of compliance, obtaining the Committee's approval and authorisation when necessary.

In summary, the tasks carried out by the Audit Committee in this area in 2021 were:

- Review and approval of the 2020 Annual Compliance Report.
- Monitoring of the main compliance risks to which the Group is exposed.

- Approval and follow-up of compliance targets for 2021.
- Approval and follow-up of the 2020 Compliance Training Plan.
- Review of the Code of Ethics and Conduct of the Elecnor Group and of its compliance policy, which were reviewed and updated in 2021, and of the new anti-corruption and anti-trust policies implemented and submission of those policies to the Board for approval.
- 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 Ethics Channel, analysis of findings and decision on action to be taken.

Throughout 2021 the Audit Committee devoted special attention to monitoring the functioning of the new compliance organisation, which it had approved at the end of 2020 with the aim of reinforcing and enhancing the compliance system and keeping it permanently operational.

In addition, the Committee monitors developments in various court and administrative proceedings with a potential impact on companies in the Elecnor Group.

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

The head of the Group's IT and Technology Area, along with the General Internal Audit and Finance Sub-Division, reported on the degree of progress of the important digitisation and process re-engineering project under way since 2016. The project seeks 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 Committee was also kept informed of key developments and projects in information systems security, highlighted by advances in cybersecurity, both nationally and internationally, and attainment of certification to the ISO 27001 standard on Information Security Management Systems in March 2021.

In addition, the Audit Committee tracked the progress made in the project led by the Consolidation area to implement a computer application to support the Group's financial reporting and consolidation process. That project was successfully completed within the established timeframe.

7. Reporting to the General Shareholders' Meeting

Due to the special circumstances seen in 2021 as a result of the health crisis, the General Shareholders' Meeting held on 23 June 2021 was held remotely and in a reduced format. Despite those limitations, Ms Irene Hernández Álvarez, as Chair of the Audit Committee, reported to the General Shareholders' Meeting on the activity carried on by the Committee in 2020 and up to the date of the General Meeting.

8. Overseeing compliance with the Company's corporate governance rules and internal codes of conduct. Evaluation of the Committee

In the area of corporate governance, the Audit Committee has analysed the issues arising from the evaluation of the Committee carried out by the Board of Directors and prepared its proposals for action in relation to that evaluation. The Audit Committee also conducts the appropriate monitoring of compliance with the corporate governance rules of the Company and its internal codes of conduct.

Also of note is the Audit Committee's work in reviewing, updating and modifying different policies and regulations of the Company to adapt them to the recommendations of the Good Governance Code of Listed Companies and other regulations. In particular, during the year the Committee reviewed the Regulations of the Audit Committee and issued a report in favour of final Board approval of the proposed amendments to the Regulations.

V. Conclusions

The composition of the Audit Committee has been adapted to the applicable legal provisions and to the Company's internal rules; its members have expertise of relevance to the Committee's areas of responsibility and to the sector in which the Company operates and the majority of the Committee members are independent directors.

The Committee met more often than required under article 6 of its Regulations and whenever warranted having regard to the matters to be addressed.

All of the Committee meetings were attended by 100% of its members. Prior to the meetings the members were provided with the necessary information on the different points on the Agenda so that they could engage in informed deliberation and decisionmaking. When necessary, the Committee also received advice from outside experts.

The Committee performed all of the duties assigned to it by law and under the Company Bylaws, the Regulations of the Board of Directors and its own Regulations, and in

accordance with the GGC recommendations and CNMV Technical Guide 3/2017 on Audit Committees.

Lastly, the Committee reported all its activities to the Board of Directors and the minutes of its meetings are always available to all members of the Board of Directors.

In view of the foregoing, the Committee concludes that it has complied with the statutory rules on its composition, frequency of meetings and on the attendance and informed participation of its members, and addressed the matters within its competence satisfactorily during 2021.

This report was issued by the Audit Committee on 25 January 2022 and approved by the Board of Directors on 23 February 2022.