

ANNUAL REPORT 2022

AUDIT COMMITTEE

I. Introduction

The Audit Committee of Elecnor, S.A. (the "Company") has prepared this report, in full accordance with the applicable laws and regulations and the recommendations of the Good Governance Code of Listed Companies ("GGC"), including also the information required 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.

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 next ordinary Annual General Shareholders' Meeting.

II. Composition of the Audit Committee

Due to their reappointment as directors of the Company by resolution adopted by the General Shareholders' Meeting held on 18 May 2022, Ms. Irene Hernández Álvarez, Mr. Miguel Morenés Gilés and Mr. Ignacio Prado Rey-Baltar were re-elected as members of the Audit Committee by virtue of the resolution of the Board of Directors entered into that same day. The first two also maintain their respective positions as President and Secretary of the Committee.

Likewise, and by resolution of the Board of Directors held on 18 May 2022 after her appointment as director by the Shareholders' Meeting held on the same day, Ms. Francisca Ortega Hernández-Agero was appointed member of the Audit Committee. At this meeting of the Board of Directors, the voluntary resignation as a member of the Audit Committee of Mr. Emilio Ybarra Aznar was also accepted, whom the Committee and the Board thanked for all the services rendered, fully approving and without any exceptions his management.

In accordance with the foregoing, since 18 May 2022 the Audit Committee has been composed of the following members:

Director	Position	Category	Appointment
Ms. Irene Hernández Álvarez	Chairman	Independent	2018
Mr. Miguel Morenés Giles	Member	Proprietary	2003
Ms. Isabel Dutilh Carvajal	Member	Independent	2015
Mr. Ignacio Prado Rey-Baltar	Member	Proprietary	2018
Ms. Francisca Ortega Hernández-Agero	Member	Independent	2022

Currently, the Audit Committee is made up of five (5) non-executive directors, with the majority of its members being independent, thus complying with the provisions of the CBG regarding independence and diversity of professional and gender profiles. in the composition of the Audit Committee.

The Company's website contains more detailed information on the members of the Committee and their professional backgrounds.

III. Meetings of the Audit Committee

In 2022 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
25 January	✓			✓	✓ (a) (b)
22 February	✓		✓		✓ (d)
29 March	✓	✓	✓	✓	
26 April	✓	✓ (e)			
18 May					✓ (c)
28 June				✓	✓ (d)
26 July	✓	✓	✓		
27 September	✓	✓		✓	✓ (d)
25 October	✓	✓ (e)			

29 November			✓	✓	✓ (f)
20 December	✓	✓			✓ (g)

- (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 2021.
- (c) Appointment of the Chairman and Secretary of the Audit Committee.
- (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 and the corporate Risk Map.
- (f) Oversight of the Digital Transformation Project and of the management of IT systems security.
- (g) Annual supervision of corporate policies and internal codes of conduct.

During 2022 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, 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 (10 meetings).
- Head of Internal Audit (10 meetings).
- Group Compliance Officer (5 meetings).
- General Secretary (4 meetings).
- 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).

IV. Activities of the Audit Committee

The Audit Committee's activity in 2022 was primarily focused on the following matters related to the powers attributed by article 5 of the Regulations of said Committee:

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. Relations with the Group's external auditors, supervision of their independence and approval of fees.
4. Supervision of the compliance system and of the activity of the Compliance Committee.

5. Follow-up of the Group's Digital Transformation Project and the management of the security in information systems.
6. Reporting to the General Shareholders' Meeting.
7. 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 of the Annual Accounts and Non-Financial Information Statement 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.

During the financial year, the General Internal Audit and Finance Sub-Division has provided the Audit Committee with the appropriate explanations regarding the accounts. The accounting treatments of extraordinary transactions and tax treatment of significant transactions have been 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 has continuously monitored the main risks with a potential impact on the income statement, which are structured by General Sub-Directors and Business Directorates and are quantified in terms of exposure for the Group, as well as the monitoring of contingent balances with customers and debit balances with public bodies. Once the risks have been informed, the suitability of their possible accounting provision has been analysed on a case-by-case basis.

The Audit Committee has also monitored 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 the tax field, the Audit Committee has monitored the main risks and the effective application of the corporate Tax Policy and reviewed the tax treatment of operations with special significance. Specifically, in February of this year, the Committee reviewed the changes introduced in the Group's transfer pricing policy, expressing its agreement with them and which was communicated to the Board of Directors.

There have been no related-party transactions in 2022 that had to be reviewed by the Commission. However, the Committee has evaluated the application during the year 2022 of the Protocol of Related Party Transactions approved by the Board of Directors at its meeting of 15 December 2021, based on the report issued by the operating group established in compliance with the provisions of the aforementioned Protocol, endorsing its conclusions and estimating that the task force has satisfactorily carried out its functions in 2022 and that the provisions of the Protocol have been complied with..

Continuous monitoring of the main risks to which the Group is exposed (governance, strategic and environmental, operational, information and compliance) has been carried out by supervising the Risk Management System and the corporate Risk Map and, in particular, of the risks identified, of the evaluation of their potential impact, probability of their materialization and of the action plans defined to improve their management. In this financial year, the Commission has carried out special monitoring of the risks related to project management (offer phases, negotiation and closing of the contract and execution), the management of tax risks, occupational safety, especially in the area subcontractors, information systems (continuity and security), compliance and risks related to sustainability and climate change.

In 2022, the Commission has carried out special monitoring of the risks and impacts for the Group derived from the war in Ukraine, high energy prices and high inflation.

The Audit Committee has adequately supervised the Internal Audit function, approving its annual work plan and monitoring it and its monitoring and review activity of the main risks that affect the organization, its processes and controls. Likewise, the Audit Committee has received, reviewed and approved the corresponding activity annual report prepared by Internal Audit.

3. 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 2022, without the presence of other members of the organisation at any of those meetings.

The main issues discussed with the external auditors were:

- Planning and strategy of the annual audit of the individual accounts of Elecnor, 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 has performed the 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 independence of the external auditor, the Audit Committee, in accordance with the internal procedure that regulates the approval process 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 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.

For the approval of services unrelated to the audit, the Audit Committee or, where appropriate, the person in charge of Internal Audit, is based on minimum documentation consisting of a draft of the service proposal and the supporting documentation of the independence analysis carried out by the external auditor and its conclusion. On occasions, and depending on the nature and amount of the fees, the Audit Committee requests further explanations from both Internal Audit and other Group managers. In all cases, and in addition to determining whether or not the proposed service is a prohibited service, the evaluation process involves the analysis of threats to independence (self-interest, self-review, advocacy, familiarity or trust, and intimidation) and, if applicable, the safeguards to be applied.

The Committee has concluded that the Company's auditor has carried out his audit work independently, of which he has reported to the Board of Directors, issuing the legally required report on 23 February 2022, in accordance with the provisions of article 529 quaterdecies.4.f) LSC and also provided for in the corporate texts of the Company, which was made available to shareholders through the corporate website from the call of the Ordinary General Shareholders' Meeting.

Upon request of the Audit Committee, the external auditor met the full Board of Directors in February 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 2022 individual and consolidated annual financial statements were reviewed and it was decided to submit them to the Board of Directors for approval.

Lastly, the Ordinary General Shareholders' Meeting held on 18 May 2022 approved the appointment of PwC as the new auditor of the Group for the years 2023 to 2025 based on the proposal submitted by the Board of Directors previously submitted by the Audit Committee. transferred to the Board at its meeting in December 2021. The change of auditor is motivated by the legal obligation to replace the current auditor of the Group (KPMG) as of financial year 2023. The Audit Committee thanks KPMG for its work and professionalism during all the years in which he has carried out this work as main auditor of the Group.

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

In line with the Group's overall commitment, the Audit Committee has dedicated an especially important effort to this activity. Five of the meetings held in 2022 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.

The tasks carried out by the Audit Committee in this area in 2022 were:

- Review and approval of the 2021 Annual Compliance Report.
- Monitoring of the main compliance risks to which the Group is exposed.
- Approval and follow-up of compliance targets for 2022.
- Approval and follow-up of the 2022 Compliance Training Plan.
- 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.

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

5. Follow-up of the Group's Digital Transformation Project and the management of the security in information systems

The head of the Group's IT and technology area, together with the heads of the General Finance and Internal Audit Sub-Directorate, informed the Committee of the degree of progress of the important process reengineering and digitization project that has been underway since 2016 and that seeks to operational excellence, understood as the ability of the organization, processes and systems to contribute to efficiency, information control, service quality and regulatory compliance.

Furthermore, 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.

In addition, the Audit Committee has 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. The consolidation processes of financial information for this year have already been supported by this new application.

Lastly, the Committee has also monitored the project to implement a computer application to facilitate the process of reporting and preparing non-financial information. This project, carried out during 2022, has been successfully completed at the end of said financial year.

6. Reporting to the General Shareholders' Meeting

Ms. Irene Hernández Álvarez, as Chair of the Audit Committee, reported to the General Shareholders' Meeting held on 18 May 2022 on the activity carried on by the Committee in 2021 and up to the date of the General Meeting.

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

In terms of corporate governance, the Audit Committee has adequately supervised compliance with the Company's corporate governance rules and its internal codes of conduct. In this sense, and based on the information received through the General Secretariat and other members of the Group's management, on 20 December 2022, this Commission issued a Report on the functions of monitoring compliance and the application of the corporate policies and internal codes of conduct of the Company that are attributed to it by virtue of articles 13 of the Regulations of the Board of Directors and 5 of the internal Regulations of the Committee itself. This report analysed compliance,

on the one hand, with corporate policies (regarding corporate governance, regulatory compliance and sustainability) - in some cases based on the report of the Appointments, Remunerations and Sustainability Committee regarding the result of its evaluation and revision of certain policies framed within its area of competence – and, on the other, of the internal codes of conduct of the Company. It is concluded that (i) throughout the year 2022 the principles, good practices and obligations contained in the aforementioned policies and codes have been complied with, without detecting any deviation in the review process and (ii) The corporate culture that underlies the aforementioned standards and that is transmitted to all the people that form part of the Company and its Group is aligned with its purpose and values.

Likewise, the Committee has analysed the issues derived from its evaluation by the Board of Directors, which had the collaboration of a specialized external firm. Said process ended in a very positive way, concluding that the Commission works with high standards and high professionalism.

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 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 decision-making. 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 the Technical Guide 3/2017 on Audit Committees of CNMV.

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 Commission concludes that it has complied with the regulations provided for in the Law and in the corporate texts in terms of its composition, frequency of meetings, attendance and informed participation of its members, having satisfactorily dealt with the matters within its competence. during the financial year 2022.

This report was issued by the Audit Committee on 24 January 2023 and approved by the Board of Directors on 22 February 2023.