



ANNUAL REPORT 2020 OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF SOLTEC POWER HOLDINGS, S.A.

This report complies with Recommendation 6 of the Good Governance Code of Listed Companies (“**GGC**” or “**Code**”) so that the Board of Directors of SOLTEC POWER HOLDINGS, S.A. (“Soltec” or “Company”) may periodically evaluate the functioning of its Audit Committee. (“**Soltec**” or “**Company**”) may periodically evaluate the functioning of its Audit Committee.

This report is also broadly aligned with the Spanish Stock Exchange Commission (CNMV - Comisión Nacional del Mercado de Valores) Technical Guide 3/2017 on Audit Committees of Public Interest Bodies to enable shareholders and other interested parties to understand the activities carried out by Soltec’s Audit Committee (“**Committee**” or “**Audit Committee**”) during the 2020 financial year.

Section 79 of Technical Guide 3/2017 indicates the minimum content of the Audit Committee’s report, expected to be published on the Company’s website sufficiently in advance of the ordinary general shareholders’ meeting. This content should allow shareholders and other interested parties to understand the activities carried out by this Committee in each financial year.

This report on the Committee’s operation and activities have been prepared under the indications of Technical Guide 3/2017 and in line with best corporate governance practices.

a) Regulation of the Audit Committee

Article 529 *terdecies* of the Capital Companies Act, the consolidated text of which was approved by Royal Legislative Decree 1/2010 of 2 July (“**RLD**”),

stipulates that listed companies must set up at least one Audit Committee. Article 529 *quaterdecies* regulates its composition, operation and powers.

The Committee was established on 6 October 2020, by resolution of the Company's Board of Directors and its rules of composition, operation and powers are regulated in article 23 of the Articles of Association. These rules have been implemented through article 14 of the Board of Directors Regulations.

In June 2017, the CNMV published Technical Guide 3/2017 on Audit Committees of Public Interest Entities ("**Guide 3/2017**"), which contains the basic principles of action and a set of criteria and best practices for such committees. Among the recommendations included in Guide 3/2017 is the recommendation that audit committees must have their own regulations approved by the Board of Directors. Although the Company is indeed interested in complying with all the recommendations of the CBG, it is true that the development contained in the Regulations of the Company's Board of Directors itself is sufficiently detailed, at this time of its recent listing on the Continuous Market. However, to comply with this recommendation, the Company's Board of Directors plans to approve said specific regulations at a later date, to detail, among others, the following matters: composition, requirements for the appointment of its members, rules of order, responsibilities and functions assigned, means it must have, rules on the interaction of the Audit Committee with the Board of Directors and the shareholders, rules on communication with the auditor and the internal auditor, evaluations of the Committee and reports to be issued.

b) Composition

Under the provisions of Soltec's Articles of Association and the Regulations of the Board of Directors, the Audit Committee shall be composed exclusively of non-executive commissioners, a majority of whom are independent.

Thus, the Committee is made up of three members, a president and two members. The President is also the coordinating commissioner of the Board of Directors.

The Audit Committee members have been appointed by the Board of Directors, considering the knowledge, skills and experience in accounting and/or auditing of the commissioners and the Committee's duties. The members of the Committee as a whole have the relevant expertise concerning the energy sector.

The President is an independent commissioner who the Board of Directors has assessed as having knowledge, skills and experience in accounting, auditing and risk management.

Following good corporate governance practice, a member of the Committee shall be deemed to have knowledge and experience in accounting and/or auditing when he/she has the following qualifications:

- Knowledge of accounting and/or auditing regulations.
- Ability to assess and interpret the application of accounting standards.
- Experience in preparing, auditing, analyzing or evaluating financial statements of a certain level of complexity, similar to that of the Company, or experience in supervising one or more persons involved in such tasks.
- Understanding of internal control mechanisms related to the financial reporting process.

In the case of the members of the Audit Committee, the aforementioned qualification is met.

On 6 October 2020, the Board of Directors of Soltec appointed as members of the Audit Committee those who are currently still members of the Audit Committee:

<i>Commissioner</i>	<i>Typology</i>	<i>Position</i>
Mr. Fernando Caballero de la Sen	External Independent	President
Ms. Nuria Aliño Perez	External Independent	Member
Mr. Francisco Jose Morales Torres	Dominical	Member

The date of reappointment is 6 October 2024. The report justifying the appointment was included in the minutes of the meeting. All their *curricula vitae* are published on the Company's website.

No commissioner member of the Audit Committee performs executive functions in the Company. Two of its three members are independent commissioners. Hence, it amply complies with legal regulations and the recommendations of good governance, which establish that it should be composed of a majority of independent commissioners.

The Committee's meetings are attended by Ms. Silvia Diaz de Laspra Morales, Secretary of the Committee, and Ms. María de la Torre Rodriguez, the Legal Adviser.

c) Functions and tasks

1. Functions

The functions attributed to the Committee and its rules of operation are set out in article 23 of the Articles of Association and implemented in article 14.5 and 14.6 of the current Regulations of the Board of Directors, which were approved on October 6, 2020. We refer to these texts published on the Company's corporate website for further details.

To this end, the Board Secretariat prepares an agenda for approval by the Committee's President, which is sent to all participants well in advance of the meeting, together with the relevant documentation for each of the items on the agenda.

The Committee's President calls a preparatory working session attended by all the Committee Members, as well as the persons to be convened so that the meeting can be discussed with prior work.

In addition to the members of the Committee, the Secretary of the Board and the Legal Adviser, upon invitation by the President, attend the meetings in those areas and items of the agenda that are required, as

well as the Internal Audit Director, the Chief Risk Officer and the Chief Financial Officer and all those executives and employees of the Group that the President deems appropriate.

The external auditors, represented by the partners in charge of auditing the Company's accounts, are called in by the President to present the audit of the half-yearly and annual accounts.

Minutes of the conclusions reached at each meeting are drawn up by the Committee Secretary and included as an item on the next Board of directors meeting, where the President of the Committee reports to the entire Board on the most relevant points discussed and recommendations if any.

Irrespective of the regular communications between the President of the Audit Committee with the internal auditor and the external auditor that may take place during the year, ad-hoc meetings were held with the internal auditor during the 2020 financial year.

2. Tasks

Within its functions and the powers assigned by the Board of Directors to the Committee, it carries out the following tasks, which will be developed in the operating regulations to be approved in due course.

1. Internal Audit

Under this heading, the Audit Committee is assigned the following activities or tasks:

- Promote the approval of the statutes of the Internal Audit function.

- Evaluate the internal audit area functions, action plans based on risks and resources (human, financial and technological) to ensure that they are adequate for the Company's actual needs.
- Monitor the evolution of the internal audit action plan, ensuring that the main business risk areas are adequately covered, with appropriate coordination with other assurance functions such as risk management and control or regulatory compliance and the external auditor.
- Take the necessary actions for direct and effective access of the head of the internal audit to the Audit Committee.
- Ensure that significant changes to the internal audit action plan are adequately communicated to the Audit Committee.
- Ensure that action plans are implemented as committed and on schedule, reporting to the Committee on their progress.
- Receive the conclusions of the internal auditor's reports, derived from the annual plan or from other specific requests, including both the weaknesses or irregularities detected and the action plans for their resolution and the monitoring of their implementation.
- Receive an annual activity report with a summary of the activities and reports carried out during the year, explaining the work that was foreseen in the annual plan but not carried out or that was not foreseen in the initial plan, and an inventory of the weaknesses, recommendations and action plans contained in the various reports.

During 2020, the Director of Internal Audit presented to the Audit Committee, among others:

- The Internal Audit activity report for the year 2020 with the summary of all activities carried out by Internal Audit during the year including, among others:

- Highlights of the audits carried out;
 - The updated status of the primary deficiencies identified during the year;
- The results of the tests performed on the ICFR (Internal Control over Financial Reporting System) 2020 (concluding that the controls and procedures in place reasonably ensure the accuracy of the published information).
 - The proposed Internal Audit plan for 2021 (risk-based, including resources, budget and scorecard);
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2. Risk Management

The risk manager attends the meetings of the Committee to illustrate this specific issue.

- Risk Policies;
- Risk map for the Group

3. Crime prevention program

- Status of applicable policies and implementation of Crime Prevention Program
- Risks identified under the Program
- Controls to reduce the likelihood and actions to mitigate the risk.

4. Related transactions

The Company has implemented measures to ensure that transactions with related parties are carried out at the market price, without prejudice to the different interpretations given in the different jurisdictions in which the Group operates.

The transactions that are significant due to their amount or relevant due to their subject matter carried out between the Company or entities of its group and the significant shareholders of the Company are detailed below:

Nombre o denominación social del accionista significativo	Nombre o denominación social de la sociedad o entidad de su grupo	Naturaleza de la relación	Tipo de la operación	Importe (miles de euros)
GRUPO CORPORATIVO SEFRAN S.L.	Soltec Power Holdings S.A.	Contractual	Acuerdos de financiación: préstamos	2.650
GRUPO CORPORATIVO SEFRAN S.L.	Soltec Power Holdings S.A.	Contractual	Intereses abonados	1.201

Concerning the Company's directors, the only related-party transactions relate to their remuneration as directors, assessed by the Appointments and Remuneration Committee and submitted for approval by the General Meeting of Shareholders. This meeting approved the remuneration policy at its meeting held on 6 October 2020.

All transactions between entities in the same business group are eliminated in the consolidation process and therefore do not affect the consolidated financial statements and are not discussed by the Audit Committee. However, they are duly documented based on an agreed methodology. On an annual basis, management presents a report on the group's tax policy to the Board of Directors in which related-party transactions form part of its content, as detailed in the Annual Corporate Governance Report.

The Company's management reports to the Committee on the methodology used for transfer pricing between Group entities and informs the Committee of the progress made on Advance Pricing Agreements (APAs) as well as Friendly Proceedings initiated under double taxation treaties.

d) Meetings held during the financial year and number of attendees, including whether non-members of the Committee have been invited.

Following the Regulations of the Board of Directors of the Company, the Audit Committee meets at least once a quarter, convened by its President. As the Committee was established on 6 October 2020, the Committee met once in 2020, on 1 December, in compliance with the Company's internal regulations. The meeting was attended in person by all Committee members, the Secretary of the Committee, the Legal Advisor, and the Company's executives, whose internal function was

related to the agenda upon the President's call.

e) Number of meetings held with the internal auditor and the external auditor.

During 2020, the Audit Committee held two meetings before the Audit Committee and one meeting with the External Auditor.

f) Matters dealt with by the Audit Committee during the financial year 2020

At the only meeting of the Audit Committee that could be held, the items discussed were:

1. Internal Audit
2. External Audit
3. Internal risk control system
4. Monitoring of financial information

g) Independence of the Statutory Auditor

At its meeting of 6 October 2020, the General Shareholders' Meeting of Soltec resolved, at the request of the Board of Directors and following a proposal by the Audit Committee, to appoint Deloitte, S.L. as auditor of the annual accounts of Soltec and its subsidiaries for the financial years 2020 and 2021.

In compliance with its duties, during the 2020 financial year, the Audit Committee has ensured the independence of the external auditors in the performance of their duties. It has established the appropriate relationships with them to ensure that they have not incurred in causes of incompatibility or abstention, as well as prohibitions and that it has identified and adequately assessed any threat to their independence, applying, where appropriate, the appropriate safeguard measures.

Within the framework of the provisions of article 14.5.v of the Board of Directors Regulations, the Company's external auditor, Deloitte, S.L., provided the Audit Committee with written confirmation of its independence from the Company and entities directly or indirectly related to it, as well as detailed and individualized information on additional services of any kind rendered and the corresponding fees received from these entities by the external auditor or by persons or entities related to it, under the provisions of the legislation on auditing of accounts.

Thus, the external auditor received fees for audit services amounting to 847,000 euros and for non-audit services 358,000 euros.

In this respect, the Audit Committee has not become aware, either through its internal procedures or through communications from its auditor, of any aspect that has posed a significant threat to the auditor's independence.

On the other hand, the auditors of Soltec and its business group have received the following remuneration during the financial year 2020, both for audit services and other permitted services:

1,205,000 euros

Given the above and the information received from the external auditor, the Audit Committee considers that there are no objective reasons to question the external auditor's independence.

h) Assessment of the functioning and performance of the Audit Committee

Given the recent establishment of the Audit Committee under article 529.9 of the RLD, the Board of Directors will carry out an annual evaluation of its functioning and its Committees in the coming year, based on the annual reports submitted by the Appointment and Remuneration Committee and the Audit Committee, as well as the annual questionnaire sent by the Secretary of the Board to all Commissioners (internal self-evaluation).

g) Incidents and proposals to improve the Company's governance rules

There have been no incidents during the 2020 financial year, nor, in the opinion of the Board and its Committees, has there been any need to draft any proposal to improve governance rules beyond implementing the Committee's Internal Regulations.

Conclusion

No events or circumstances have occurred in the Committee's competence areas throughout the 2020 financial year requiring intervention and notification to the Board of Directors, beyond the matters dealt with and highlighted in this annual report.

This annual report will be presented to the Board of Directors of the Company at the meeting scheduled for 24 March 2021.

Madrid, 22 March 2021

Mr. Fernando Caballero de la Sen
President of the Audit Committee