

# REPORT OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE ON ITS COMPOSITION AND OPERATION DURING THE 2022 FINANCIAL YEAR

## 1. INTRODUCTION

In accordance with Article 529 nonies of the Corporate Enterprises Act (hereinafter the **Act** or the "**LSC**" as per the Spanish acronym), the Board of Directors shall assess its own operation and that of its committees and commissions on an annual basis and propose an action plan based on the results to rectify any deficiencies detected.

Furthermore, Recommendation 36 of the Unified Good Governance Code (hereinafter the "**UGGC**") for listed companies adopted by the National Securities Market Commission on 18 February 2015 states, among other provisions, that the Board of Directors should evaluate each year, and if necessary adopt, an action plan to address any identified deficiencies regarding the operation and composition of its committees based on the report they submit to the Board.

The Audit, Risk and Compliance Committee (hereinafter "**the Committee**") of Duro Felguera, S.A. (hereinafter "**Duro Felguera**" or "**the Company**"), in its meeting held on 19 May 2023, drew up this Report on its composition and operation during the 2022 financial year to be submitted to the Board of Directors in accordance with the provisions of Articles 5.8.c) and 17.2 of the Board of Directors' Regulations and with Recommendation 36 of the UGGC. It will also be published on the corporate website with sufficient notice prior to the Annual General Meeting in accordance with UGGC Recommendation 6.

## 2. Composition of the Audit, Risk and Compliance Committee

### 2.1. Composition of the Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee was comprised of the following directors during the 2022 financial year until 31 December 2022<sup>1</sup>:

Directors	Office	Category	Date of first appointment to the Board
<b>José Julián Massa Gutiérrez del Álamo</b>	Chairman	Independent	30/12/2019
<b>Jordi Sevilla Segura</b>	Member	Independent	17/04/2020
<b>Valeriano Gómez Sánchez</b>	Member	Independent	30/01/2020
<b>Jesús Sánchez Lambás</b>	Non-member Secretary and Legal Counsel	-	09/02/2022

<sup>1</sup> The members of the Audit, Risk and Compliance Committee can be consulted on the company's website [www.durofelguera.com](http://www.durofelguera.com)

The following are the professional profiles of the current members of the Audit, Risk and Compliance Committee:

### **JOSÉ JULIÁN MASSA GUTIÉRREZ DEL ÁLAMO**

- **QUALIFICATIONS:**
  - Degree in Economics and Business Administration from the University of Deusto.
  - Master's degree in International Economics.
  - Ph.D. in Economics.
  - State Economist.
  - Finance lecturer at CUNEF.
  
- **PROFESSIONAL EXPERIENCE:**
  - He has devoted his professional life to the financial markets, creating the Spanish options and futures market and developing the IBEX 35 index.
  - Director of HUNOSA.
  - Director of REPSOL exploration.
  - Director of MexDer.
  - Director of AIAF.
  - Director of ECOFEX.
  - Director of ENUSA.
  - Director of Bandesco.
  - Director of RegisTR.

### **JORDI SEVILLA SEGURA**

- **QUALIFICATIONS:**
  - Degree in Economics from the University of Valencia.
  - Supervisory Board of State Business Technicians and Economists.
  
- **PROFESSIONAL EXPERIENCE:**
  - Teacher at the School of Industrial Organisation (EOI) and at the Instituto de Empresa (IE) where he was an associate professor of Economic Environment in an Executive Master.
  - Deputy regional director in Valencia. Member of the Management Committee for citrus exports and of the Executive Committee of the Chamber of Commerce.
  - Advisor for international economic relations in the Office of the President of the Government of Spain, taking part in negotiation of the Maastricht Treaty.
  - Chief of Staff to the Minister of Agriculture, Pedro Solbes, participating in the MacSharry reform of the Common Agricultural Policy (CAP).
  - Office Manager at the Minister of Economy and Finance, participating in management of the European Monetary System crisis and the economic crisis associated with German reunification.
  - Member of the Socialist Parliamentary Group in the Spanish Congress. Economic advisor with special assistance to the Secretary General and the candidate for the Presidency of the Government.

- PSOE (Spanish Socialist Workers' Party). Secretary of Economic Policy and Employment on the Federal Executive Committee.
- Member of the Spanish Parliament. Representative for the province of Castellón, spokesperson for economy of the Socialist Group and Chair of the Joint Committee on Climate Change.
- PwC. Senior Counsellor.
- Pedro Sánchez's Expert Committee. Chief economist of the electoral programme of the Socialist candidate for the Presidency of the Government in two electoral campaigns (2015 and 2016).
- Llorente y Cuenca. Vice President
- Red Eléctrica de España. President of the Red Eléctrica Group (National Grid) and of the Board of Directors of Red Eléctrica Corporación.

### **VALERIANO GÓMEZ SÁNCHEZ**

#### ○ **QUALIFICATIONS:**

Degree in Economics (Complutense University, Madrid).

#### ○ **PROFESSIONAL EXPERIENCE:**

- Economist in the Technical Cabinet of the Confederal Executive Committee of UGT (responsible for the employment, wages and collective bargaining areas).
- General Manager of the Employment Promotion Fund of the Steelmaking Sector.
- Executive Advisor in the Technical Cabinet of the Minister of Labour and Social Security (employment policy, unemployment protection and vocational training areas).
- Head of the Labour Studies and Analysis Office of the National Employment Institute (INEM).
- Sole Director of PSV.
- Member of the Economic and Social Council of Spain.
- Secretary General of Employment in the Ministry of Labour and Social Affairs.
- Jose Ortega y Gasset University Research Institute.
- Member of the Economic and Social Council of Spain.
- Minister of Labour and Immigration.
- Member of the Parliament. Socialist Parliamentary Group spokesperson for economic issues.
- Researcher, Vice-President of the Instituto Coordinadas and economist at A25 Abogados & Economistas.
- Member of the Supervisory Technical Commission on Prices.
- Member of the Inspection Commission of the Economic and Social Agreement (AES).
- Member of the General Council of INEM.
- Member of the General Council of INEM (representing the Ministry of Labour and Social Security).
- Member of the Board of Directors of Izar and Navantia.

Jesús Sánchez Lambás was appointed Non-Board Member Secretary and Legal Counsel to the Board during the 2022 financial year and also acts as Secretary of the Committee by legal imperative. No other changes have occurred in the composition of said Committee.

In accordance with article 529 quaterdecies of the LSC and article 17 of the Board's Regulations, the Audit, Risk and Compliance Committee is composed of three members elected from among the non-executive directors, all of whom are independent. This disposition also complies with Recommendation 39 of the UGC which provides that the majority of its members should be independent. At least one of the directors has been appointed taking his or her knowledge and experience in accounting or auditing or both into consideration.

Furthermore, the Chairman of the Audit, Risk and Compliance Committee is an independent director who must be replaced every four years (eligible for re-election after one year out of office) and the Secretary of the Board of Directors is also the Secretary of the Committee and has speaking but not voting rights.

Taking the qualifications and professional experience of all the members of the Audit, Risk and Compliance Committee into consideration, they are deemed to be people of recognised solvency, competence, experience, education and availability to perform their duties.

In accordance with the above, the Audit, Risk and Compliance Committee considers that its composition meets the requirements with respect to their professional standing, qualifications and aptitude for satisfactory performance of its assigned functions.

## **2.2. Competences of the Audit, Risk and Compliance Committee**

The Audit, Risk and Compliance Committee has the following competences, among others, in accordance with the law and the Company's corporate procedures:

- a) To lay down the procedure for selecting the financial auditor, specifying the criteria to be taken into account including, among others, qualifications, experience and independence.
- b) To report to the General Meeting on matters within the Committee's competence, particularly on the results of the audit, explaining how it has contributed to the integrity of the financial information and the role played by the Committee in said process.
- c) To oversee the efficacy of the Company's internal monitoring, internal auditing, compliance and risk management systems and to compare notes with the financial auditor – without compromising their independence – on any significant weaknesses in the internal control system identified in the course of the audit. Recommendations or proposals and the associated follow-up deadlines may be submitted to the Board of Directors as required.

- d) In particular, the Company shall be provided with a risk control and management unit supervised by the Committee that shall ensure proper operation of the risk control and management systems, with special attention to properly identifying, managing and quantifying all significant risks to which the Company is exposed. The Committee shall actively supervise formulation of the risk strategy and important decisions regarding its management and ensure that the risk control and management systems properly mitigate risks within the framework of the policy drawn up by the Board of Directors.
- e) To supervise the process of drafting and submitting the Company's and, if applicable, the Group's mandatory financial and non-financial information. To submit recommendations or proposals to the Board of Directors aimed at safeguarding its integrity, reviewing compliance with regulatory requirements, appropriate delineation of the consolidation perimeter and proper application of accounting criteria.
- f) To ensure the independence of the internal audit, risk and compliance functions that report to the Committee; proposing the selection, appointment, re-election and dismissal of the head of the internal audit service; overseeing the budget of said service; provide guidance and review of its work plans while ensuring that its activities are primarily focused on the Company's main risks; receive regular information on its activities; and verify that senior management takes the conclusions and recommendations of its reports into account.
- g) To examine and review the annual work plan of the internal audit, risk and compliance areas and the reports on incidents that arise during their implementation; and to review the reports on their activities at the end of each financial year.
- h) To submit proposals for selection, appointment, re-election and replacement of the financial auditor to the Board of Directors, taking responsibility for the selection process in accordance with the applicable European regulations and the terms and conditions of engagement, regularly obtaining information about the audit plan and its execution in addition to preserving the auditors' independence in the exercise of his/her functions.
- i) To maintain suitable relations with the external auditors in order to be informed – for consideration by the Committee – of any issues that could pose a threat to independence of the former and of any other issues related to the financial auditing process. Where applicable, to authorise procurement of services other than those prohibited under the applicable legislation and any other communications provided for in the legislation and standards that govern financial auditing. At all events, the external auditors shall provide the Committee with a declaration of their independence in relation to the audited entity or entities directly or indirectly related to the same and detailed, individualised information on additional services of any kind provided by said auditors and the associated fees received from the audited entities by the external auditor or by persons or entities linked to the same in accordance with the regulations governing financial auditing activity. This ensures that the Company and the external auditor comply with the current rules on the provision of services other than auditing, the limits on auditor's business concentration and other rules on the auditors' independence in general.

Accordingly, the Committee shall ensure:

- That the remuneration for the work of the external auditor does not compromise their quality or independence.
  - That the Company discloses any change of auditor to the National Securities Market Commission as a material fact accompanied by a statement concerning the existence or not of any disagreement with the outgoing auditors and, if so, the content of the same.
  - In the event of resignation of the external auditor, the Committee shall conduct an inquiry into the reasons.
  - That the external auditor holds an annual meeting with the full Board of Directors to report on the work performed and analyse any variations in the Company's financial position and the risks to which it is exposed.
  - To monitor compliance with the audit contract and require that the auditor's opinion on the financial statements and the content of the report be clear and precise.
  - To issue an annual report expressing an opinion on whether or not the independence of the financial auditors or audit firms is compromised prior to issuance of the financial audit report. This report – which will be published on the corporate website sufficiently in advance of the Company's Annual General Meeting – shall contain, in all cases, the assessment of the provision of all the additional services, considered individually and globally, to which the preceding section makes reference other than the statutory audit and in relation to the independence regime or to the legislation governing financial audit activities.
- j) The Committee shall also inform the Board of Directors in advance on all matters provided for in the Act, the Articles of Association and the Board's Regulations, with special attention to the following aspects:
- j.1.) Financial information that the Company must periodically disclose.
  - j.2.) Non-financial information that the Company must periodically disclose.
  - j.3.) The creation or acquisition of holdings in special-purpose vehicles or entities domiciled in countries or territories considered to constitute tax havens.
  - j.4.) Related-party transactions. The report, if any, issued by the Audit, Risk and Compliance Committee on related-party transactions shall be published on the Company's website sufficiently in advance of the Annual General Meeting.
  - j.5.) Structural and corporate transactions planned by the Company, their financial conditions and their accounting impact, with special emphasis on the proposed exchange ratio (as required).

- k) Senior Management shall inform the Committee of the grounds for any changes in the accounting criteria and principles for review by the latter.
- l) To set up and supervise a mechanism that enables employees to report – confidentially and, if possible and deemed appropriate, anonymously – any irregularities of potential significance that they may observe in the course of their work in the Company and especially in the financial and accounting areas.
- m) To supervise application of and compliance with the Internal Codes of Conduct and regulatory compliance that is not expressly assigned to other committees or to the Board of Directors. Accordingly, the Committee shall:
- m.1.) Oversee the internal rules and procedures that ensure compliance with ethical standards and regulatory requirements across the Company's operating areas, including monitoring the Company's General Code of Conduct and Internal Regulations on conduct in the securities market and ensuring that they are constantly updated.
- n) To supervise compliance with the Company's corporate governance rules, pursuant to which the Committee shall be responsible for:
- n.1.) Supervising transparency in social actions.
- n.2.) Regular assessment of the suitability of the corporate governance system to fulfil its mission of fostering the Company's interests and taking the legitimate interests of other stakeholders into account as required.
- n.3.) Informing and, as required, making the resultant proposals to the Board of Directors regarding development of the Company's and its Group's corporate governance rules on the basis of the ground rules set forth in the Articles of Association and in accordance with the regulations applicable at any given time.
- o) To supervise compliance with the Company's corporate social responsibility policy. In this regard:
- o.1.) Reviewing the Company's corporate social responsibility policy and ensuring that it is oriented to the creation of value.
- o.2.) In particular, the Committee shall ensure that the corporate social responsibility policy elucidates at least the following aspects:
- Its goals and the development of a supporting apparatus.
  - The corporate strategy concerning sustainability, the environment and social questions.
  - Specific practices related to employees, clients, suppliers, social issues, the environment, diversity, fiscal responsibility, respect for human rights and prevention of illegal conduct.
  - The methods or systems for monitoring the results of application of the specific practices mentioned in the previous point, the associated risks and their management.

- The channels of communication, participation and dialogue with stakeholders.
  - Responsible communication practices that eschew dissemination of biased information and protect integrity and honour.
- p) To supervise the non-financial and diversity reporting process in accordance with applicable regulations and international reference standards.
- q) Any other tasks entrusted to it by the Board of Directors.

### **3. ACTIVITIES OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE**

The Audit, Risk and Compliance Committee has held 15 meetings; each time it has been convened by its Chairperson or by any two of its members. At all events, it has met at least four times per annum within fifteen days of the end of each calendar quarter.

All members of the Company's management team and other employees are required to attend Committee meetings when requested to do so and to lend it their cooperation and access to information when so requested. The Committee may also require the attendance of the external auditors. Accordingly, the CEO, the Chief Financial Officer, the Internal Audit and Compliance Manager, the Administration and Reporting Manager, the Business Line Managers and the external audit firm have regularly attended several meetings of the Audit, Risk and Compliance Committee to provide consultancy and discuss various matters within their competence during the 2022 financial year.

Except in urgent cases, Committee meetings were convened at least three (3) days in advance of the date on which they were held and all members attended all of them.

Moreover, to foster their active participation and informed decision-making, Committee members were provided with information on the issues to be discussed in advance of each meeting by means of the agendas.

Committee members were provided with all the material resources required to perform their work including access to all Duro Felguera's economic and financial information and that of its Group of companies required to carry out their duties.

In accordance with the above, the Audit, Risk and Compliance Committee effectively fulfils its functions in accordance with the provisions of article 529 quaterdecies of the LSC and with Article 41.3 of the Articles of Association, Article 17.3 of the Board of Directors' Regulations and Article 22 of the Committee's Regulations.



### **3.1. Financial information**

During the period covered by this report, the Audit, Risk and Compliance Committee – with the support of the Group's executive management, especially the Chief Financial Officer, the Internal Auditor and the External Auditor – analysed the annual financial report for the 2022 financial year before it was submitted to the Board of Directors.

Furthermore, the Committee verified that the annual financial statements for the 2022 financial year had been ratified by the CEO and the CFO before submission to the Board of Directors for approval.

The Audit, Risk and Compliance Committee also verified that the financial information published on the Company's website is continuously updated and consistent with the information drawn up by the Company's directors and published, as required, on the CNMV website.

### **3.2. Relations with the Internal Audit and Compliance Department**

In accordance with the Board of Directors' regulations, the Audit, Risk and Compliance Committee safeguarded the independence and efficacy of the Internal Audit and Compliance areas, taking measures to ensure that they are provided with adequate material and human resources, including sufficient equipment, systems, procedures and operating manuals to carry out their missions.

Accordingly, the Audit, Risk and Compliance Committee approved the Annual Activity Plan for the 2023 financial year that defines the strategic lines and main challenges expected during the period, considering both general control and the potential risks that the Group foresees. One of the main challenges is to improve the positioning of these areas within the Group as a means to add value to Duro Felguera.

The Internal Audit and Compliance Department also draws up reports on the area's activity at least twice a year and issues additional reports commissioned by the Committee or its Chair.

### **3.3. Relations with the Risk Department**

The Risk Department reports directly to the Audit, Risk and Compliance Committee on its activities, with special attention to potential risks to which the Group may be exposed. Specifically, the Committee has been briefed on the risks associated with the most important projects.

### **3.4. Supervision of the SCIIF Control System**

The Audit, Risk and Compliance Committee has rigorously supervised the effectiveness of ICFR (Internal Control over Financial Reporting) systems.

### **3.5. Relations with the External Auditor**

In exercise of its duty to ensure the independence of the External Audit and as a measure of good corporate governance, the Audit, Risk and Compliance Committee has set up a procedure to approve all services provided by the external auditor in advance, whether they are audit-related or not and regardless of their scope, range or nature.

As mentioned in more detail in its Independence report, Duro Felguera Group's external auditors informed and held regular meetings with the Audit, Risk and Compliance Committee during the 2022 financial year.

### **3.6. Ethical Line or Internal Reporting Channel**

The Audit, Risk and Compliance Committee has been regularly informed on the operation of the Ethics Line, including the number of reports received, their origin and type, the results of the investigation and any measures taken in response to the same.

Employees and third parties can inquire about and report financial and accounting incidents by means of the Ethics Line as well as report any other matters related to the Company.

The Ethics Line can be accessed through the website or the corporate email system.

## **4. CONCLUSIONS**

Based on the above, the Audit, Risk and Compliance Committee considers that both its composition and operating rules are in line with the relevant provisions of the Act and with the Company's corporate governance texts and that it has effectively exercised its assigned competences in the best interest of the Company.

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Gijón, 19 May 2023.