

Report on the Functions and Activities of the  
Audit and Risk Management Committee of Cellnex Telecom, S.A. during  
2021

**1. Composition, responsibilities and operation**

On 17 April 2015, the Board of Directors approved the creation of the Audit and Control Committee, which was renamed on 19 February 2021 as the Audit and Risk Management Committee (the “**Committee**”) of Cellnex Telecom, S.A. (the “**Company**”).

**a) Composition**

The Board of Directors shall appoint from among its members an Audit and Risk Management Committee that comprises the number of directors determined in each case, within the minimum of three members and the maximum of five members envisaged in the Company’s Board of Directors Regulations, all of whom must have the status of non-executive directors. At least the majority of the members of the Committee shall have the status of independent directors, and shall be appointed, especially its Chair, taking into account their knowledge and experience in the area of accounting, auditing and risk management, both financial and non-financial. As a whole, the members of the Committee will have the relevant technical knowledge in relation to the areas of activity to which the Company belongs.

The Committee comprises the following members:

<b>Audit and Risk Management Committee (ARMC)</b>	<b>Category</b>	<b>Position</b>
Leonard Peter Shore	Independent	Chair
Bertrand Kan	Independent	Member
Christian Coco	Proprietary	Member
Anne Bouverot	Independent	Member
Kate Holgate	Independent	Member
Virginia Navarro Virgós		Secretary

**b) Responsibilities**

The rules of organization and operation of the Committee are described in the applicable legislation, the Company’s By-laws and in the Company’s Board of Directors Regulations and, without prejudice to the other tasks assigned to the Committee by the applicable legislation, the Board of Directors or the regulations governing the auditing of accounts, the Committee will have at least the following responsibilities:

- a) To inform the General Shareholders' Meeting on questions that may arise regarding its competences, and in particular, on the result of the audit, explaining how it has contributed to the integrity of the financial and non-financial information and the role that the Committee has taken in this process.

- b) To propose to the Board of Directors, for submission to the General Shareholders' Meeting, proposals for the selection, appointment, re-election and replacement of the statutory auditors or audit firms, taking responsibility for the selection process, the conditions of employment, the scope of professional mandate and, where appropriate, the revocation or non-renewal, all in accordance with the applicable regulations, as well as to regularly collect from the aforesaid information on the audit plan and the implementation thereof, and to maintain their independence in the exercise of their duties.
- c) To monitor and evaluate the process of preparation and presentation of financial and non-financial information as well as the control and management systems of financial and non-financial risks related to the Company and, where appropriate, the group, including operational, technological, legal, social, environmental, political and reputational or related to corruption, reviewing compliance with regulatory requirements, the adequate delimitation of the consolidation perimeter and the correct application of accounting criteria.
- d) To establish the appropriate relations with the statutory auditors or external audit firms to receive information on issues which may threaten their independence, to be analyzed by the Committee, and any other issues related to the process of account auditing, and where appropriate, the authorization of services other than those prohibited in the terms contemplated in the applicable regulations, in relation to the independence regime as well as any other requirements set out in legislation and regulations on the auditing of accounts. In all cases, an annual statement must be received from the statutory auditors or audit firms, regarding their independence with regards to their relationship with the entity or directly or indirectly related entities, in addition to detailed information on an individual basis about any type of additional services provided and the corresponding payments received from these entities by the external auditors or audit firms or by persons or entities related to them, pursuant to the regulations on auditing activities.
- e) In the event of the resignation of the external auditor, to examine the circumstances that gave rise to it.
- f) To ensure that the remuneration of the external auditor does not compromise its quality or independence.
- g) Ensure that the Company communicates the change of external auditor through the Spanish Securities Market Commission, accompanied by a statement of any disagreements arising with the existing auditor and the reasons of the same.
- h) Ensure that the external auditor has a yearly meeting with the Board of Directors in full to inform about the work undertaken and developments in the Company's risk and accounting positions.
- i) To ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other regulations concerning auditor independence.
- j) To issue, on an annual basis, prior to the issuance of the Audit Report, a report containing an opinion regarding whether the independence of the statutory auditors

or audit firms has been compromised. This report must contain, in all cases, a reasoned evaluation of the provision of each and every additional service referenced in the previous paragraph, considering each service individually and jointly, other than the legal audit, and in relation to the independence regime or the regulations governing audit activities.

- k) To inform the Board of Directors in advance on all matters provided for by the Law, the Corporate Bylaws and in these Regulations and, in particular, regarding the financial information that the Company must publish periodically, on the creation or acquisition of shares in special purpose entities or that are registered in countries or territories considered tax havens and on transactions with related parties.
- l) To provide information in relation to situations and transactions that involve or could involve situations of conflicts of interest, and in general, on the matters contemplated in Chapter IX of these Regulations, as well as periodically review situations of potential conflicts of interest.
- m) To monitor the independence of the unit handling the internal audit function; propose the selection, appointment and removal of the head of the internal audit service; propose the service's budget; approve or make a proposal for approval to the Board of Directors of the priorities and annual work program of the internal audit unit, ensuring that it focuses primarily on the main risks the company is exposed to; receive regular information on its activities; and verify that senior management are acting upon the conclusions and recommendations of its reports.
- n) To monitor the effectiveness of the Company's internal control, , the internal audit, and the risk management systems, as well as discussing with the statutory auditors any significant weaknesses of the internal control system detected during the audit, without compromising their independence. For these purposes, and where appropriate, they may submit recommendations or proposals to the management body and the corresponding deadline for their monitoring.
- o) To establish and supervise a mechanism that allows employees and other persons related to the Company, such as directors, shareholders, suppliers, contractors or subcontractors to report, confidentially, irregularities of potential significance related to the Company, including especially financial and accounting irregularities, as well as those which may involve criminal responsibility for the Company.
- p) To analyze and report to the Board of Directors on the economic conditions of the structural and corporate modification operations that the Company plans, and its accounting impact and, especially, where applicable, on the proposed exchange ratio.

The above responsibilities are stated by way of example, without prejudice to any others that may be conferred upon the Committee by the applicable legislation, the Board of Directors or which may be attributed thereto by the regulations governing the auditing of accounts.

### **c) Operation**

The applicable legislation, the Company's By-laws and the Company's Board of Directors Regulations shall define the skills of the Committee and its scheme of organization and operation.

The members of the Committee will be appointed for a maximum term of four (4) years, may be re-elected, and will cease when they do so in their capacity as directors or when so agreed by the Board of Directors, following a report from the Nominations, Remunerations and Sustainability Committee. The Board of Directors will likewise determine who will hold the position of Chair from among the independent directors, who will be substituted every four (4) years, being able to be re-elected once a period of one (1) year has elapsed since his/her cessation. The Committee itself will appoint a Secretary and may also appoint a Vice Secretary, neither needing to be members thereof. The Committee will meet as many times as necessary for the execution of its functions and will be convened by its Chair, either on his/her own initiative or at the request of the Chair of the Board of Directors or of two Committee members.

The Committee will be validly constituted when the majority of its members attend the meeting, either present or represented. The resolutions will be adopted by a majority of the members in attendance, present or represented.

Any member of the Company's management team or of the Company's personnel who is required to do so, will be obliged to attend the Committee's sessions and to collaborate and provide access to the information in his/her possession. The Committee can also request that the Company's external auditor or external auditing company attend its sessions.

## **2. Activities**

During 2021, the Committee held nine meetings and carried out the activities listed below. The Committee has been fully updated by the management team on the topics of its competence (during the formal meetings, by means of other informal meetings or by correspondence and conference calls) and has been provided with the relevant supporting documentation.

### **a) Review of financial information**

- 2020 financial statements:
  - On 24 February 2021, the Committee supervised and evaluated the preparation process and the integrity of the financial and non-financial information 2020, the 2020 Consolidated Financial Statements and the 2020 Integrated Annual Report, including the external Auditors' Report, with the finance team and the external auditors who presented the main aspects and their conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve (i) the 2020 Integrated Annual Report and the 2020 Financial Statements (including the Management Report and the Annual Corporate Governance Report) and (ii) the application of the 2020 results.
  
- 2021 financial statements and 2022 budget:
  - On 5 May 2021, the Committee reviewed the financial results for the first quarter of the year,. This information was discussed with the members of the management team responsible for their preparation who presented the main aspects and their conclusions. The Committee unanimously agreed to provide a favourable recommendation to the Board of Directors to approve the first quarter results.

- On 27 July 2021, the Committee reviewed the half-yearly financial statements and the relevant external Auditors' Report. This information was discussed with the members of the management team responsible for their preparation and with the external auditors who presented the main aspects and their conclusions. The Committee unanimously agreed to provide a favourable recommendation to the Board of Directors to approve these interim financial statements that have been audited.
- On 22 September 2021, the Committee reviewed the August 2021 results and a first draft of the 2022 budget with the finance team who presented the main aspects and its conclusions.
- On 26 October 2021, the Committee reviewed the financial results for the third quarter of the year. This information was discussed with the members of the management team responsible for their preparation who presented the main aspects and their conclusions. The Committee unanimously agreed to provide a favourable recommendation to the Board of Directors to approve the third quarter results.
- On 26 October 2021, the Committee reviewed the 2022 budget with the finance team who presented the main aspects and its conclusions. The Committee unanimously agreed to provide a favourable recommendation to the Board of Directors to approve the 2022 budget.
- On 26 October 2021, the finance team presented an update of the business plan 2021-2025 which was fully aligned with the 2025 guidance provided to the market.
- On 26 October 2021, the Committee agreed to provide a favourable recommendation to the Board of Directors to approve a cash contribution to be paid to the shareholders against the share premium reserve for an amount of €20.4Mn. in accordance with the Company's Shareholder Remuneration Policy.

#### **b) External auditors**

- On 24 February 2021, the external auditors attended the Committee to review the 2020 Consolidated Financial Statements (including the Management Report and the Annual Corporate Governance Report) and the 2020 Integrated Annual Report, including the external Auditors' Report, and presented the main aspects and their conclusions.
- On 27 July 2021, the external auditors attended the Committee to present the report of the 2021 half-yearly financial statements.
- On 26 October 2021, the external auditors attended the Committee to present the external audit plan, focusing on the scope and audit team, planning and organization of the audit work and international coordination.

#### **c) Corporate Governance**

- On 24 February 2021, the Committee reviewed and unanimously approved the following reports for year 2020 in connection with the Annual Accounts, the Management Report and

the Annual Corporate Governance Report, namely: (i) Auditor's Independence Report; (ii) the 2020 Report on the Functions and Activities of the Committee; (iii) the Report on Related Party Transactions; and (iv) SCIIF report on internal audit from an external audit.

- On 5 May, 7 June and 22 September 2021, the Committee recorded that the financial information published in the Company's and CNMV's websites had been updated and matched the financial information drawn up by the Board of Directors and disclosed to the market, in accordance with recommendation 43 of the CNMV's Technical Guide on Audit Committees.
- On 26 October 2021, the Committee reviewed the amendment of the Cellnex Internal Code of Conduct that was carried out as a result of the amendments introduced by Law 5/2021 and the statement issued by the CNMV indicating that for quarterly financial information it was no longer mandatory to open closed periods because of the recent changes in the Securities Market Law. However, the Company will analyse in each case if this quarterly financial information contains inside information and, if so, it will open a restricted period.

#### **d) Capital markets**

- On 15 January 2021, the finance team presented to the Committee the features of the US market and introduced the possibility of a USD bond issuance. The Committee requested a further explanation of the mechanics of the cross currency swap.
- On 24 February 2021, the finance team provided the Committee with an overview of the recent bond issuances, explained the mechanics of the cross currency swaps that synthetically convert USD issuances into EUR issuances and presented the analysis of the refinancing options for the 2022 bond.
- On 5 May 2021, the Committee discussed the renewal of the European Medium Term Note (EMTN) and the multi-currency European Commercial Paper (ECP). The finance team presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve (i) the renewal of the existing EMTN Programme by Cellnex Finance Company, S.A.U with the guarantee of Cellnex Telecom, S.A. for one year and the increase of its limit to €15,000 million (or the equivalent amount in other currencies); and (ii) the renewal of the existing ECP Programme by Cellnex Finance Company, S.A.U and guaranteed , if necessary or convenient, by Cellnex Telecom, S.A. for one year for an amount of €750 million (or the equivalent amount in other currencies) and the capacity to drawdown the full amount.
- On 7 June 2021, the Committee discussed the USD bond issuance proposal in order to diversify the sources of funding. The finance team presented the main aspects and its conclusions. The Committee provided a favourable recommendation to the Board of Directors to approve the issue and offering by Cellnex Finance Company, S.A.U. of senior unsecured notes, guaranteed by Cellnex Telecom, S.A., for a nominal amount of up to the equivalent in US\$ of €500 million, together with the hedging agreement named Cross Currency Swap that will include a Cash Collateral Agreement.

- On 15 January, 24 February and 5 May, 2021, the Corporate Finance Director, together with the CFO, provided to the meeting a capital markets and financing update (including the liquidity and bond market assessment).
- On 22 September 2021, the finance team provided the Committee with an update on recent bond issuances and equity bond conversion and explained the FX exposure of the Group.
- On 26 October 2021, the finance team provided the Committee with an overview of treasury shares and reminded the commitments with shares that the Company had and the authorisations in place. The finance team presented a new Treasury Shares Policy and proposed to implement discretionary management transactions to acquire up to 1% of the share capital. The Committee provided a favourable recommendation to the Board of Directors to approve the Cellnex Treasury Shares Policy and an in-house discretionary management of treasury shares transactions.
- On 15 December 2021, the Committee discussed the establishment of an ESG Financing Framework under which issuing bonds, as this feature was becoming more relevant in the market, in order to issue a multi-tranche USD bond with ESG features. The Committee provided a favourable recommendation to the Board of Directors to approve the issuance of a multi-tranche USD bond with ESG features for 5, 10 and 30 years for an amount of up to USD 2,000Mn on the terms agreed.

#### **e) Capital structure**

- On 15 January, 24 February, 22 September, 26 October and 15 December 2021, the Business Plan and Capital Structure Director, together with the CFO, attended the Committee to:
  - Provide an update on the current situation with rating agencies (including MSA and IFRS 16 updates) and the different aspects affecting the Company's credit rating;
  - Review the M&A projects pipeline and the Company's financial firepower to execute said pipeline; and
  - Provide a capital structure assessment, including financing considerations, details on the financial and debt structure of the Company and its group and strategic and key considerations and all the information necessary regarding the April Company's capital increase.
- On 15 January 2021, a Spanish law firm and external financial advisors attended the Committee to present their views and strategic and key considerations on the Company's April capital increase. They explained the strong rationale for the Company to pursue the rights issue on the terms described and provided a favourable recommendation to go ahead with such capital increase.
- On 5 May 2021, the finance team presented to the Committee an update after the execution of the Company's April capital increase focusing mainly on investors and market feedback and on relevant financial aspects.

## f) Tax

- On 5 May 2021, the Global Tax Director presented to the Committee the total cash contribution of the Group in 2020, the tax audits update, the tax control framework and the campaign 2020 controls.
- On 27 July 2021, the Global Tax Director, together with the Global Head of International Tax, presented to the Committee an update of the achievement of the Company's tax policy. They explained that the Company's tax policy had been followed, achieving a successful fulfilment.

On 27 July 2021, the Global Tax Director, together with PwC presented to the Committee the option of creating a Tax Compliance Officer, which proposed structure consisted in: (i) an internal, specific and collegiate body, (ii) chaired by an independent third party and (iii) with direct reporting to the Audit and Risk Management Committee. This structure was among the best practices in the market. After due consideration, the Committee provided a favourable recommendation to the Board of Directors to approve: (i) the establishment of the Tax Compliance Committee, (ii) the appointment of the independent third party Chair of the Tax Compliance Committee, and (iii) the Regulations of the Tax Compliance Committee.

- On 27 July 2021, the Global Tax Director, provided an update to the Committee on the Tax Policies and Regulations, to align them to the new structure explained in the previous section. After due consideration, the Committee provided a favourable recommendation to the Board of Directors to approve: (i) the updated Tax Policy, (ii) the Tax Risk Management & Control Standard and, (iii) the Transfer Pricing Policy .
- On 27 July 2021, the Global Tax Director presented an update of the Tax Control Framework which needed to be redefined in order to be scalable to 12 countries. For these purposes, the tax key processes and tax key controls had been redefined and the Company was ready to do the international roll out. He also presented an analysis done by *Fundación Compromiso y Transparencia* related to the annual tax transparency ranking of the Ibx 35 companies, where Cellnex ranked in category 5.
- On 27 July 2021, the Global Head of International Tax presented to the Committee the analysis of Cellnex taxations vs. its peers and the tax cash measures in Italy.
- On 22 September 2021, the Global Tax Director, together with the Global Head of International Tax explained the tax cash evolution until 2030 and the main measures in which the Company was working.
- On 26 October 2021, the CFO of Cellnex Italy, together with PwC provided an overview of Big Merger II, the transaction by which Hutchison Italy would merge into Cellnex Italy (surviving entity).
- On 15 December 2021, the Global Tax Director together with the Chair of the Tax Compliance Committee presented to the Committee the Industrial Model proposal and explained the methodology for calculation the industrial fee, which was based on the value contributed to the companies. The Global Tax Director also presented the analysis of the Cellnex Finance Company one year later, concluding that there were economic-financial and organization reasons that motivated this financial structure.



- On 15 December 2021, the Global Tax Director together with the Chair of the Tax Compliance Committee provided an overview of the functioning and organization of the Tax Compliance Committee and reviewed the resolutions approved by the Committee, with particular reference to the Transparency Report. The Global Tax Director presented the amendments to the Tax Risk Control & Management Standard and the action plan for the deployment activities of the model in all the countries. The Committee provided a favourable recommendation to the Board of Directors to approve the submission of the Transparency Report to the Spanish Tax Authorities and the proposed amendments to the Tax and Risk Management & Control Standard.

**g) Other information**

- IFRS 16: the finance team has kept the Committee updated on the main aspects of this topic during all the year.
- 2025 guidance provided to the market: this has been a recurring topic on which the finance team has been updating the Committee throughout the year.
- Non-audit services: the Committee approved unanimously Deloitte's fees in relation to the Company's April capital increase. The scope of work undertaken as well as the details of the fees and the key justifications regarding the level of fees were explained to the Committee.
- Corporate matters:
  - Share capital increase by contribution in kind: On 24 February 2021, the Secretary of the Committee reminded that the UK perimeter of the transaction with Hutchison was to be paid partly in cash and partly in shares and in this regard the Company intended to do a capital increase by contribution in kind. The Committee provided a favourable recommendation to the Board of Directors to approve the issuance of the report on the share capital increase of the Company by way of contribution in kind and the submission to the Annual General Shareholders' Meeting of the approval of the share capital increase by way of contribution in kind.
  - Whistleblowing Channel: On 5 May 2021, the Committee discussed the composition of the Ethics and Compliance Committee in order to promote diversity of gender and nationality.
  - Ethics and Compliance Committee: On 27 July 2021, the General Counsel – Legal Affairs Director provided a quick overview of the two documents that were proposed for approval, the Committee of Ethics and Compliance Regulations and the Rule Zero and presented the three new members whose appointment to the Ethics and Compliance Committee was being proposed. The Committee provided a favourable recommendation to the Board of Directors to approve the Ethics and Compliance Committee Regulation, the Cellnex Rule Zero Standard and the appointment of three new members of the Ethics and Compliance Committee in order to promote diversity of gender and nationality.
  - Whistleblowing Channel: On 26 October 2021, the General Counsel – Legal Affairs Director explained that the Whistleblowing Channel had been amended to ensure not only confidentiality but also anonymity. The Committee discussed the need to

have a third party as the recipient of the complaint deciding how to deal with it and directing it to the appropriate person within the Company to guarantee the anonymity.

- Whistleblowing Channel: On 15 December 2021, the General Counsel – Legal Affairs Director reported on the new composition of the Ethics and Compliance Committee and explained the new process to be carried out in the Whistleblowing Channel, in which a third party would be the recipient of the complaints.
- Investor relations update: On 24 February, 5 May, 27 July, 22 September, 26 October and 15 December 2021, the Investor Relations Director, together with the CFO, provided to the Committee an update on this topic, focusing mainly on the share price performance and the relation with investors and analysts.

#### **h) Internal audit**

- Diagnosis of the internal audit function: On 24 February 2021, the Committee discussed this topic. The Global Internal Audit and Risk Control Expert explained the key points of the report prepared together with an external advisor aimed at reinforcing the area. On 27 July and 26 October 2021, the Global Internal Audit and Risk Control Expert provided the Committee with an update on this topic.
- Functions: The main internal audit functions are:
  - Propose the annual internal audit plan to the Committee. The audits are based on reasonable and established criteria, especially in the risk level assessment and focusing on the main organizational activities, giving priority to those that are considered to be more exposed to risk, and those that are requested by the Committee and / or by the Senior Management and /or Managing Directors.
  - Perform the auditing activities as defined in the annual audit plan and report directly to the Committee on its execution.
  - Report to the Committee and Senior Management regarding the key recommendations in each company of the group, as well as to provide them with the action plan to be performed by such companies.
  - Report to the Managing Directors the key recommendations, as well as to provide them with the action plan to be performed.
  - Maintain an adequate coordination with the external auditors for the exchange of information regarding the audits carried out with the aim of minimizing duplication and in order to track the audits performed as well as any weaknesses in the internal control identified.
  - Propose budget for the service.
- Activities: The main activities carried out by internal audit and supervised by the Committee are:

- Audits:
  - The performance of those audits included in the 2021 audit plan and of those audits not originally included in the audit plan but requested by the Committee and / or by the Senior Management and / or Managing Directors.
  - The monitoring of the recommendations and action plans proposed for the different audits. While carrying out its audit work, if internal audit detects that improvements can be made to the internal controls, it reports the main recommendations and the action plans defined by the area responsible that includes the implementation date of the action plan, with the aim of strengthening the existing control or implementing a new control.
  - The review of the defined processes and controls related to financial reporting which are included in the annual internal audit plan.
- Audit Plan: Prepare the audit plan for the next year. On 22 September 2021, the Responsible of the unit presented its annual work plan, the Committee reviewed and unanimously approved the audit plan for 2022 based upon:
  - Assessing the risk level and focusing on the main organization's activities, giving priority to those that are considered to be more exposed to risk, and those that are requested by the Committee and / or by the Senior Management and / or Managing Directors.
  - Defining the activities to be reviewed, i.e., basic processes (sales, procurement, etc.), other processes (rentals, investments projects, etc.) or compliance (ICFR, others).

**i) Risk control**

This function is carried out by internal audit, which participates in the internal Global Risk Committee made up of different departments.

The activities carried out in this regard by internal audit and supervised by the Committee in 2021 were:

- The review of the risk maps (including likelihood and impact) at corporate level and by country, including France, Ireland, Italy, the Netherlands, Poland, Portugal, Spain, Switzerland and UK.
- The review of the action plans associated to the risks in these countries, focusing in the consolidated risks map.

In addition, on 5 May 2021, the Committee reviewed the Security Master Plan defined to detect the main security risks and the main activities carried out in 2020 and on 22 September 2021, the Global Commercial Director presented the methodology to assess the customer dependency risk and the three ways to reduce the customer concentration impact.