FINANCING POLICY

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Konecta

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This policy lays the foundation for implementing a prudent management of liquidity risks, based on the maintenance of sufficient cash, and the availability of funding through an appropriate amount of committed credit facilities and capacity to settle market positions.

The Corporate Finance Department defines and coordinates the financial work of the Konecta Group companies, and provides the support they may need. In this regard, Spain processes all the financial information from the different countries for its consolidation, together with the information derived from Spain's operations.

To this end, the people making up the Finance Department are responsible for providing, among others, support and control functions in the financing of the different subsidiaries of the Group.

Likewise, the Corporate Office in Spain is responsible for channeling the main financing needs of the Group, and analyzing the formalization of intra-group financing agreements or, where necessary, the procurement of financing at the local level.

Given the dynamic nature of its underlying businesses, the Group's Treasury Department aims to maintain flexibility in financing through the availability of pledged credit lines.

Konecta Group's financial debt is exposed to variable interest rate risks. In this regard, derivative financial instruments from a portion of its financial debt should be formalized, so as to mitigate the effect of the change in interest rates on financial results.

The Company must conduct a prospective and retrospective effectiveness test, in order to classify this instrument as an effective hedge.

1.- PURPOSE

The purpose of this policy is to guide the decision-making process for the financing of Konecta Group, and seek a sustainable direction in this matter. The goal is to manage capital so as to ensure:

- The normal functioning of operations and business continuity in the long term;
- The financing of new investments to maintain sustained growth over time;
- Maintaining an appropriate capital structure, according to the economic cycles that impact the business, and the nature of the industry;
- Maximizing the value of the Company, providing an appropriate long-term ROI for shareholders.

In order to meet the above-mentioned objectives, three fundamental pillars must be considered:

- Financial strength:
  - Credit metrics shall remain at levels deemed appropriate for Konecta Group's structure.
  - The dividend policy must be conservative; adapting to the proper maintenance of net worth, and the cash requirement of the company distributing them.
  - Liquid funds should be able to cover short-term commitments.

- Optimal capital allocation:
  - The parent company shall ensure that the net debt of the subsidiaries is kept at reasonable levels, in accordance with the approved investment projects
  - Debt channels must be the most appropriate for the Company, and consider all the options available and the conditions pertaining to terms, rates, national or foreign financial institutions, direct borrowing with market holdings of securities, diversification of sources, etc. The financial areas of the subsidiaries under control of the Corporate Finance Department shall plan their financial needs in a timely manner to anticipate access to the financial markets, and obtain the best possible conditions.
  - Transfers of financial resources to subsidiaries must follow market criteria.

- Strategic establishment of flows:
  - Debt maturities shall be appropriately distributed over time, as well as reasonably established with the flows generated by operations.
  - The objective is to correctly match the currency in which the debt is expressed in order to meet flows, and minimize exchange rate variations.
  - Hedging of interest rates for the protection of cash flows when the Corporate Department so establishes.

2.- SCOPE OF APPLICATION

This Policy applies to all Konecta entities, and is endorsed by the General Management. Each member of the Company is responsible for promoting the principles and commitments contained herein while performing their duties.

It is important to mention that, by including debt level metrics and targets, this policy shall also have an impact on the investment decisions of Konecta Group entities. It is therefore considered appropriate that all relevant investment projects be accompanied by an impact analysis on financial metrics.

Where an unexpected event, occurrence, situation, or change that could individually or jointly cause a material adverse effect on the business, financial conditions, assets, financial or operational results, cash flow and/or compliance with the contractual obligations of the Konecta Group entities takes place, the guidelines established in this policy may be reviewed.

3.- GENERAL PRINCIPLES OF ACTION – CONTINGENCY PLANS

By way of example:

Debt levels
Where debt levels exceed those committed by Konecta Group, one or more measures on the following aspects shall be studied:

- Reduction of investments.
- Operational Efficiencies.
- Dividend policy for Konecta Group entities.
- Sale of assets.
- Increase in capital.

Additionally, where any subsidiary presents adjusted metrics, the following measures may be considered:

- Capital Contributions.
- Changes to the Subsidiary Dividends.

Maturities
Where the maturity profile is not within the agreed parameters, the following is recommended:

- Debt rollover.
- Debt prepayment.

Liquidity
Where liquidity is below expectations, borrowing, credit lines or other liquidity-enhancing instruments shall be assessed.

4.- EFFICIENCY IN THE SOURCES OF FINANCING

Lower financial costs and better loan conditions
Borrowing channels must be the most efficient for each term, and be the most appropriate to meet the relevant maturity distribution objectives. Konecta Group subsidiaries shall consider bank and public sources (where applicable) when making financing decisions.

In compliance with the applicable legal requirements, certain Konecta Group entities may provide guarantees on debts taken by subsidiaries and/or related companies, provided that this does not pose a risk to the financial stability of the Company, and the indicators mentioned in this policy. The guarantees in force shall be included in their calculation.

Excess cash and dividend policy in subsidiaries

Unjustified excess cash may be withdrawn from some subsidiaries and made available to the parent company to help finance or support business opportunities within the Group, or strengthen subsidiaries that may be in a more vulnerable credit situation. Cash analyses shall consider the nature of each subsidiary and the respective investment plans, among other factors.

This shall materialize through the payment of dividends from the subsidiaries to the parent company, which shall vary according to the situation and needs of each of them at a given time. It is in the interest of Konecta Group that the metrics of its main subsidiaries are in line with the requirements to be an investment-grade company.

Funds raised via dividends shall be managed in the parent company, and invested and/or distributed in accordance with the Company's Financial Investment Policy and Dividend Policy.

Subsequently, the parent company may allocate resources for use by its subsidiaries upon request, following approval by the Corporate Finance Department.

The distribution of dividends or transfer of flows from a currency other than the Group's functional currency shall entail a prior analysis of exchange rate hedging.

5.- UPDATE AND REVIEW

This Financing Policy shall be reviewed and updated on an annual basis to adjust to the changes experienced by Konecta's business model, or to those which may be likely to occur in the company's field of action, or to those resulting from the adoption of rules of direct application, while ensuring its effectiveness and compliance.

NOTE: This Financing Policy was revised and approved on 19 December 2022 by the Konectanet Group's governing body, S.L.U.