

REPORT ON THE AUDITOR'S INDEPENDENCE DURING THE 2022 FINANCIAL YEAR

1. Introduction

Section 1 of article 14 of Act 22/2015 of 20 July on financial audits provides that: *"Auditors and audit firms must, when carrying out their work, be independent of the entities audited, and must refrain from acting when their independence in relation to the review and verification of annual accounts, financial statements or other accounting records may be compromised."*

Furthermore, Article 529 quaterdecies section 4.f) of the consolidated text of the Corporate Enterprises Act approved by Royal Legislative Decree 1/2010 of 2 July (hereinafter the "LSC") states that the Audit Committee shall *"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 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"*.

Section 4.e) of the same provision, moreover, stipulates that *"At all events, the external auditors shall provide on a yearly basis 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."*

Accordingly, the aforesaid functions set forth in Article 529 quaterdecies section 4 of the LSC have been incorporated into Article 17 of the Regulations of the Board of Directors of Duro Felguera S.A. (hereinafter "Duro Felguera" or the "Company").

In order to fulfil these obligations, the Company's Audit, Risk and Compliance Committee has issued this report on the independence of the external auditor (Deloitte, S.L.) for the 2022 financial year.

2. Analysis of the auditors' independence

2.1. Information provided by the external auditor

Having received all the required cooperation from the Group's personnel to enable them to conduct their activity, the external auditors have not informed the Audit, Risk and Compliance Committee of any limitations on access to the required information during performance of their work. Furthermore, appropriate channels have been set up with the external auditor to receive information for scrutiny by the Audit, Risk, and Compliance Committee regarding matters that could pose a threat to their independence and any other issues related to the financial auditing process and any other notifications required by auditing legislation and auditing standards.

Moreover, in accordance with section e) Article 529 quaterdecies of the Corporate Enterprises Act, the Committee has received written assurance from the external auditor regarding their independence from Duro Felguera Group in addition to their compliance with the independence standards laid down in the currently applicable regulations. The Committee has also received 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 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.

2.2. Safeguard measures that enable detection of threats

In order to ensure the independence of the external auditor, the Audit, Risk and Compliance Committee has overseen compliance with the currently applicable regulations on the provision of services other than financial audits by both Duro Felguera and Deloitte throughout the 2022 financial year. In accordance with the law, the Committee has authorised services different from those that are prohibited.

Furthermore Deloitte, the financial auditor, includes the following statement in their written confirmation of independence:

"We have designed and implemented internal policies and procedures aimed at providing reasonable assurance of maintaining our independence. These procedures include protocols aimed at identifying and evaluating threats that could arise from circumstances related to audited entities, including some that could constitute grounds for incompatibility and, as required, application of the required safeguard measures [which can be consulted in Deloitte's Transparency Report available at www.deloitte.es]. As for the audit in question and for the period covered by the financial statements up until issuance of this statement, Deloitte has not identified any circumstance that could individually or collectively pose a significant threat to our independence and thus require application of safeguards or that could constitute grounds for incompatibility."

The Company has also set up measures to safeguard the independence of the external auditor that require the prior approval of the Audit, Risk and Compliance Committee of any ancillary services to be provided by the External Auditor. The Audit, Risk and Compliance Committee bases its assurance on a prior analysis including information regarding the circumstances related to the procurement, the scope of the work to be performed, the Group company to which the services are provided, the cost of the services and confirmation of independence of the external auditor.

2.3. Fees paid to the external auditor

The total fees considered in relation to the services provided by the external auditor and its network for the 2022 financial year amount to **EUR 611,002** broken down as follows¹:

Services provided	Fees (EUR)
Audit services	487,500
Other verification services	61,500
Total audit and related services	549,000
Fiscal services	60,502
Other services	1,500
Other services	62,002
Total professional services	611,002

2.4. Tenure and rotation of the external auditor

Pursuant to section 4.e) of Article 529 quaterdecies of the Corporate Enterprises Act, which states that the Audit Committee shall "submit proposals for the selection, appointment, re-election and replacement of the financial auditor to the Board of Directors, taking responsibility for the selection process in accordance with articles 16 sections 2, 3 y 5 and 17.5 of Regulation (EU) 537/2014 of 16 April and for the terms and conditions of their engagement" and the provisions of Act 22/2015 of 20 July on financial audits regarding the appointment, rotation and engagement of statutory auditors, the Board of Directors of Duro Felguera resolved to propose the election of Deloitte, S.L. as the Company's statutory auditors and of its consolidated group for the 2020, 2021, and 2022 financial years at the general meeting held on 31 May 2019. 2022 is the third financial year that Deloitte, S.L. has acted as Duro Felguera's statutory auditor.

In accordance with the above, at the General Meeting to be held on 28 June 2023, the Committee will propose reappointment of Deloitte for an additional year ending on 31 December 2023 due to the fact that the ongoing capital increase process for incorporation of reference shareholders has not concluded and it is expected that the two capital increases – the second being a credit capitalisation – will require a report from the same auditor who initially conducted it in accordance with the terms of the Management Agreement entered into with the Fondo de Apoyo a la Solvencia de Empresas Estratégicas [Strategic Business Solvency Support Fund] (FASEE) on 31 March 2021. Said Agreement limits the choice of auditors to four (4) under agreement 3.(i).XIX and according to the responses received from the other three firms, only Deloitte has not incurred in incompatibility.

¹ The breakdown of related and other services is attached hereto as **Annex I**.

IV. Conclusions

Based on the information set forth in this report, the Company grounds its opinion regarding the independence of the financial auditor during the 2022 financial year as follows:

- Confirmation of independence document received from the financial auditor. Said document, written and signed by Deloitte, S.L. on 30 April 2023, confirms that the fees for auditing and other services provided to Duro Felguera S.A. and its group companies by all firms pertaining to Deloitte's network amounted to EUR 611,002 as set forth in section 2.3 of this report and its associated annex (Annex I).
- Appearances at meetings of the Audit, Risk and Compliance Committee and the Board of Directors throughout 2022 to report on progress in drafting the financial statements, the Group's financial position and internal control aspects in Duro Felguera Group among other matters. The fact that the statutory auditor reported no circumstances whatsoever that could pose a risk to their independence is duly noted.
- Confirmation by the External Auditor that it has implemented internal procedures such as policies, informational notifications, compliance controls and quarterly and yearly certificates to safeguard their independence ensure Deloitte's compliance with its independence policy and the currently applicable regulations.
- Internal measures to safeguard the independence of the external auditor in Duro Felguera, S.A. that require approval of the Audit, Risk and Compliance Committee for any services to be provided by the external auditors.

Based on the above and on verifications conducted by the Audit, Risk and Compliance Committee regarding the aspects set forth above, the opinion requested from the financial auditor and other reports received, there is no evidence that could question full compliance of the financial audit activity with the currently applicable regulations governing its independence regime. Consequently, in its session held on 30 April 2023, the Audit, Risk and Compliance Committee unanimously agreed to issue a favourable opinion regarding the independence of Deloitte, S.L. as the Company's statutory auditors.

Annex I - Breakdown of related and other services

Other verification services	Fees
Audit report on the 2022 financial information internal control system	14,000
Verification report on the 2022 non-financial information	28,000
Report on covenants on ratios linked to financing and acquisition contracts for the first half-year	4,500
Special report on the capital increase by credit compensation (first report)	15,000
TOTAL	61,500
Fiscal services	Fees
Fiscal services related to transfer pricing 2018-2020 (Spain)	26,000
Fiscal services related to transfer pricing 2020-2021 (India)	4,236
Fiscal services related to general consultancy 2022 (India)	25,266
Fiscal services related to general consultancy 2023 (Spain)	5,000
TOTAL	60,502
Other services	Fees
Translation of the audit report on the individual annual financial statements and the audit report on the consolidated annual financial statements for the 2021 financial year.	1,500
TOTAL	1,500