



Grupo Red Eléctrica

Audit Committee

18 February 2021

Report on the Activities of the
Audit Committee in 2020



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1. Introduction

The Action Plan of the Audit Committee for 2020, in accordance with the provision included in article 16.6 a) of the Board of Directors Regulations, envisages the preparation of a report of the Committee's activities in 2020, that represents the object of this document.

2. Legal background, structure, functions and composition

2.1 Legal background:

Law 22/2015, of 20 July, of Auditing of Accounts, modified art. 529 quaterdecies LSC in relation to the Audit Committee and, consequently, on December 2016, the Board of Directors modified articles 15 and 16 of the Board of Directors Regulations regarding the composition, functioning and functions of the Audit Committee which are now fully adapted to said Law.

At a meeting held on 19 February 2019, the Board of Directors approved an amendment to the Board of Directors Regulations in light of the strategic focus the Board wished to give to sustainability in Grupo Red Eléctrica via the restructuring of the Board of Directors' Committees, the creation of a new Sustainability Committee and the updating of the functions of the other two Committees, the Audit and Appointments and Remuneration Committees. The responsibilities of the Appointments and Remuneration Committee were strengthened in connection with the Group companies, in accordance with best international corporate governance practices, and in addition, the general oversight and risk control function carried out by the Audit Committee was reviewed, in conjunction with the specific functions assigned to each of the other Committees within the scope of their respective responsibilities.

At a meeting held on 31 March 2020, the Board of Directors Regulations were amended to incorporate the appropriate adaptations to Law 11/2018, of 28 December, on matters of non-financial information and diversity, update the functions of the Board of Directors and of its Committees in respect of sustainability, some of which are of cross-cutting nature, and strengthen the mechanisms of coordination among the three Committees of the Board of Directors with the formal and material scope agreed by these.

The mentioned review improves the governance of Grupo Red Eléctrica, strengthening the role of the Board of Directors of Red Eléctrica Corporación, S.A. in relation to the Group, incorporating and strengthening resolutions in respect of governance (the appointment, renewal and removal of the directors of the Group companies, the appointment and removal of the executives of Red Eléctrica Corporación, S.A. and Red Eléctrica de España, S.A.U. who report directly to the chairperson of the board of directors or the managing director, and to the strategic executives of the Group as established by the Board of Directors, as well as the establishment of the basic conditions of their contracts, including their remuneration) adopted by the Board of Directors on September 2019.

Likewise, the concept of corporate reputation has been expressly included in the Regulations as being one of the main drivers of the actions of the Board of Directors, which should also ensure the interest of the company as a whole. In particular, the functions of the position of chairperson of the Board of Directors relating to institutional representation, supervision of the company's and the Group' policies and strategies and the need to ensure the independence of Red Eléctrica de España, S.A.U. as TSO are included.

Furthermore, in line with the above, the aforementioned review reinforces the principle of the TSO's independence -separation of regulated and non-regulated activities- and incorporates the amendment envisaged in the Draft Bill amending the consolidated text of the Spanish Companies Act (and other financial regulations) to adapt them to Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC



as regards the encouragement of long-term shareholder engagement) regarding the elimination of the figure of the natural person who is appointed as a representative of a director who is a legal person in listed companies. Finally, it introduces some other improvements in form or style.

2.2 Structure and functions:

Article 23 of the Articles of Association and 15 and 16 of the Board of Directors Regulations govern the structure, composition and functions of the Audit Committee.

The functions assigned to the Audit Committee include providing support to the Board of Directors in the monitoring of the preparation of the financial and non-financial information of the company, of internal control and risk management systems, of the supervision of relations with the external auditors, of compliance with legal provisions and internal regulations, and of relations with the company's shareholders, in matters concerning its responsibilities.

The Committee meets with the frequency required for the good development of its functions. However, it must meet at least quarterly and when convened by its chairperson or if two of its members request so and, also, whenever the Board of Directors or its chairperson requests the publication of a report or the submission of proposals.

Article 15.4 of the Board of Directors Regulations stipulates that the calling of meetings, with the associated documents, can be done by electronic means that guarantee the due security and confidentiality of the call and of the relevant documents.

This call, which shall include the agenda of the meeting, will be sent by the chairperson or secretary of the Committee to each of its members at least three days prior to the date of the meeting, unless due to reasons of urgency it is necessary to call the meeting within a shorter period of time.

Article 15.6 of the Board of Directors Regulations stipulates that meetings of the Committee may be held by conference call, video-conference or any other remote means of communication always provided all the members of the Committee have access to it.

The Committee shall be duly constituted with the assistance of the majority of its members and may adopt decisions or recommendations by an absolute majority of votes of the members attending the meeting, present or represented, which shall be included in the minutes at the conclusion of the meeting. To better carry out its functions, the Committee may seek assistance from independent professionals and may also access any kind of information or documents of the company required in when carrying out its functions.

2.3 Composition:

The composition of the Audit Committee is governed by article 23.1 of the Articles of Association and article 15 of the Board of Directors Regulations. In accordance with the mentioned articles, the Committee shall be comprised of the number of directors established by the Board of Directors, with a minimum of three (3) and a maximum of five (5), among the non-executive directors, with a majority of its members being independent directors. The chairperson of the Committee will be an independent director chosen among its members and the secretary will be the secretary of the Board of Directors.

The appointment and replacement of the members of the Committee will be carried out by the Board of Directors as proposed by the Chairperson of the Board of Directors. The members of the Committee shall fulfil their duties for a period of no more than three years, may be re-elected and will be replaced when they cease to be directors or



when the Board of Directors so resolves, with a report previously issued by the Appointments and Remuneration Committee. The chairperson will be replaced every three years and can be re-elected when one year has elapsed since his/her replacement.

The appointments, re-elections and removals to and from the Audit Committee in 2020 were as follows:

- Mr. Arsenio Fernández de Mesa y Díaz del Río, independent director and member of the Audit Committee, was re-elected as member of the Audit Committee of Red Eléctrica Corporación, S.A., for the three-year period provided for in the Board of Directors Regulations, at the proposal of the Chairperson of the Board and following a report from the Appointments and Remuneration Committee, at the meeting of the Board of Directors of Red Eléctrica Corporación, S.A. held on 28 April 2020, in accordance with Article 23 of the Articles of Association and 15 of the Board of Directors Regulations.
- On 27 October 2020, the Board of Directors of Red Eléctrica Corporación, S.A., resolved to re-elect the independent director Mr. Antonio Gómez Ciria as member of the Audit Committee of Red Eléctrica Corporación, S.A., for the three-year period provided for in the Board of Directors Regulations, at the proposal of the Chairperson of the Board and following a report from the Appointments and Remuneration Committee, in accordance with Article 23 of the Articles of Association and 15 of the Board of Directors Regulations.
- At a meeting held on 24 November 2020, the Board of Directors of Red Eléctrica Corporación, S.A. resolved to appoint the independent director Ms. María José García Beato as a member of the Appointments and Remuneration Committee of Red Eléctrica Corporación, S.A., for the three-year period provided for in the Board of Directors Regulations, at the proposal of the Chairperson of the Board and following a report from the Appointments and Remuneration Committee, in accordance with article 24 of the Articles of Association and article 17 of the Board of Directors Regulations, thereby ceasing as of the same day to be a member of the Audit Committee.
- The Board of Directors of Red Eléctrica Corporación, S.A., at a meeting held on 24 November 2020, appointed the independent director Ms. Carmen Gómez de Barreda Tous de Monsalve as member of the Audit Committee of Red Eléctrica Corporación S.A., for the three-year period stipulated in the Board of Directors Regulations, at the proposal of the Chairperson of the Board and following the report from the Appointments and Remuneration Committee, in accordance with the provisions of article 23 of the Articles of Association and article 15 of the Board of Directors Regulations, to cover the vacancy in the Audit Committee, and ceasing as a member of the Sustainability Committee.
- The Audit Committee, at its meeting held on 24 November 2020, unanimously appointed Ms. Carmen Gómez de Barreda Tous de Monsalve as Chairperson of the Committee for a three-year period, in accordance with the provisions of Articles 15.1 and 15.2 of the Board of Directors Regulations, due to the expiry of the term of office of the former Chairperson of the Audit Committee, Mr. Antonio Gómez Ciria.

The composition of the Committee at 31 December 2020 was as follows:

Director	Position	Class of Director
Ms. Carmen Gómez de Barreda Tous de Monsalve	<i>Chairperson</i>	Independent external
Ms. Mercedes Real Rodríguez	<i>Member</i>	Proprietary external (SEPI)
Ms. Antonio Gómez Ciria	<i>Member</i>	Independent external
Mr. Arsenio Fernández de Mesa y Díaz del Río	<i>Member</i>	Independent external



The directors comprising the Committee are especially qualified for the duties required by their position, with lengthy professional experience, having held positions of great responsibility outside Grupo Red Eléctrica in functions related to those entrusted to the Committee. The members of the Committee have outstanding knowledge and experience in accounting, auditing or both, attributes that were taken into account for their appointment, as stipulated in article 529 quaterdecies of the Spanish Companies' Act and in Recommendation 39 of the Code of Good Governance of Listed Companies, given that Article 15.2 of the Board of Directors Regulations, stipulates that, in addition to taking into account their knowledge and experience in accounting and auditing for the appointment of the members of the Audit Committee, and especially of its chairperson, account will also be taken of their knowledge and experience in risk management in a broad sense, including, therefore, financial and non-financial risks. In addition, the Committee has sought the services of an expert in integral security, which involves the physical security of persons and installations and cybersecurity, complementing the professional skills and knowledge of the directors that comprise it.

Brief summaries of the careers of its members at 31 December 2020 are included below, these having knowledge and experience in matters of accounting, auditing and/or risk management:

- *Ms. Carmen Gómez de Barreda Tous de Monsalve*, born on 20 May 1968, holds a degree in Economics and Business Administration from the Universidad Pontificia de Comillas (ICADE) and a Master's Degree in Business Administration from IESE (Executive MBA) at the University of Navarra.

She is currently a member of the Board of Directors of Grupo Ezentis S.A., a member of the Advisory Board of the Board of Directors of Grupo Antolin-Irausa, S.A. and belongs to the Strategic advisory group of Sidenor Aceros Especiales. Within Grupo Red Eléctrica, she is a member of the Board of Directors of Hispasat S.A. and lead independent director of Red Eléctrica Corporación, S.A.

Among other positions, she has been General Manager of Corporación de Reservas Estratégicas de Productos Petrolíferos (CORES); in charge of Cogeneration, Commercial Management, Enagas; in charge of the International, Petrochemical and Marketing areas of Repsol; Director of Services Development of Unión Fenosa; Deputy Director of Oil Markets at the National Energy Commission (CNE); Director of Institutional Relations and Communication at BP Oil España; representative of the Spanish delegation in the Emergency Issues Group and in the Markets Group of the International Energy Agency (IEA); representative in different international working groups on energy regulation and security of supply issues (ARIAE and CEER) and lecturer in sessions and/or lectures in different Masters (University of Barcelona, ICAI, Cesma, Spanish Energy Club).

- *Ms. Mercedes Real Rodríguez*, born on 6 January 1968, has a degree in Economics and Business Sciences and in Law from the Universidad Pontificia de Comillas (ICADE E-3), and an Executive Development Program Degree from the IESE.

She is currently Director of the Division of Investee Companies - Energy in the State Industrial Holding Company (SEPI); and member of the Board of Directors and Chairperson of the Audit Committee of ENRESA, S.A., S.M.E.

She has been a member of the Board of Directors of ENUSA Industrias Avanzadas, S.A.; Chief Financial and Control Officer; Controller and Head of Human Resources of the INFOBOLSA Group (BME Group and Deutsche Börse Group, AG); member of the Board of Directors, Chief Financial and Control Officer of OPEN FINANCE, S.L. and Head of the Audit Team, of Financial Sector entities, in Arthur Andersen (currently DELOITTE & TOUCHE).



- *Mr. Antonio Gómez Ciria*, born on 25 March 1957, has a degree in Economics and Business Studies and a degree in Mathematics from the Universidad Complutense de Madrid, an Executive MBA from IESE and is a Chartered Certified Accountant – AECA.

He is currently a member of the Advisory Board of Experts on Accounting and Financial Information (ECIF) of the General Council of the Spanish Association of Economists; member of the Board of Directors of Mapfre S.A. and of its Risk Committee; member of the Board of Directors of Mapfre España Compañía de Seguros y Reaseguros S.A.; member of the Board of Directors of Mapfre Re Compañía de Reaseguros S.A. and member of its Management Committee; member of the Board of Directors of Mapfre Vida, S.A. de Seguros y Reaseguros sobre la Vida Humana. He is also a Member of the Board of Directors of Hispasat, S.A. and its Audit Committee.

Among other positions, he has been member of the Boards of Directors of Mapfre Global Risks Compañía Internacional de Seguros y Reaseguros S.A. and member of its Management Committee; General Manager of Administration and Information Technology and member of the Management Committee of the FCC Group; representative of the FCC Group at the Large-Scale Company Forum of the Ministry of Finance and Public Administrations; General Manager for Internal Auditing and member of the Management Committee of the FCC Group; Manager of Internal Auditing of the FCC Group; member of the Advisory Board of the Institute of Internal Auditors and member of the Management Committee; Technical Secretary General of InverCaixa (investment management company belonging to La Caixa group); Chairperson of the Instituto de Contabilidad y Auditoría de Cuentas, ICAC; Director of Empresa Nacional de Uranio, S.A.; Director of Empresa Nacional de Autopistas, S.A.; Director of Tabacalera, S.A.; Market Inspection Manager for the Governing Body of the Madrid Stock Exchange (Sociedad Rectora de la Bolsa de Valores de Madrid); Deputy Manager of Budget Planning and Studies for Radio Televisión Española; Manager of the Controlling and Accounting Department of Banco de Crédito Agrícola and Controller and Auditor for General Intervention Board of the State Administration.

- *Mr. Arsenio Fernández de Mesa y Díaz del Río*, born on 20 July 1955, expert with more than thirty years dedicated to Security and Defence, as well as to the Maritime Sector, both in private companies and in the public sector.

He is currently Senior Advisor at VIMAD GLOBAL SERVICES S.L.; Advisory Member of the Board of BRUZON CORREDURÍA DE SEGUROS Y REASEGUROS; member of the Scientific Board of the International Institute of Political Sciences of the UNESCO Chair in Political Science and Comparative Administrative Study, assigned to the areas of Defence, Industry and National Security since 2010; holds a Masters degree in National Defence from the Rey Juan Carlos University; holds a Diploma in 'Advanced Military Studies' from the Centre for Advanced National Defence Studies (1991); holds a Diploma in 'Advanced National Defence Studies' from the Centre for Advanced National Defence Studies (1991); holds a Diploma for completing the Executive Management Programme (EMBA) for members of Parliament from the Instituto de Empresa (IE.BS) Business School (2009); Parliament-Business Companies Programmes in IBERDROLA, INDRA and INFORPRESS; Ad Honorem professor at the International Institute of Political Sciences of the UNESCO Chair in Political Science and Comparative Administrative Study, assigned to the areas of Defence, Industry and National Security since 2010 and Honorary Professor at the Alfonso X El Sabio University of the Royal Forum Chair in Senior Management.

He has also held other positions, as Civil Servant of the General State Administration (1979-2016); Chief Technical Inspector of vessels for International Marine Coatings, Ltd. (1982-2016); senior advisor for Preventia Neurotechnology (2016-2017); professor at the International Studies Society, Advanced International Studies Course (2014); Director General of the Guardia Civil (2011-2016), with the rank of deputy secretary;



Deputy-Chair of the Congressional Committee on Defence for the Spanish Parliament (2004-2011); spokesperson for Defence of the GPP in the Spanish Parliament (1996-2000); Chairperson of the Party's National Defence Committee (1996-2000); Government Delegate in Galicia (2000-2004), with the rank of deputy secretary; member of the OSCE International Parliamentary Assembly; Member of the NATO Parliamentary Assembly; elected as a Member of Parliament in the following legislative periods: 1989-1993; 1993-1996; 1996-2000; 2000-2004 (resigned as a Member of Parliament to become the government delegate in Galicia); 2004-2008; 2008-2011 and 2011-2015 (resigned as a Member of Parliament to become director general of the Guardia Civil); he has held the position of spokesperson for the Fishery sector, the Naval Sector and the Merchant Marine and spokesperson for Defence in the Spanish Parliament; First Deputy Mayor of El Ferrol (1987-1989); councillor of the City Council of El Ferrol (1983-1991); speaker at seminars and conferences on Fisheries, Defence, the Naval Sector, Merchant Marine and National Security in various universities and in other national and international forums, among others, the CHEMI (Centre des Hautes Études du Ministère de l'Intérieur de France) and the Escuela de Guarda di Finanza (Italy).

He is in possession of several national and international decorations, among others, awarded by the governments of Spain, France, Italy (twice), Portugal, Peru, Mexico, and Colombia and is a Gold Master Statutory of the Royal Forum of Senior Management.

The secretary of the Committee is Mr. Carlos Méndez-Trelles García, current secretary of the Board of Directors of the company, by virtue of his appointment as such, approved by the Board of Directors of Red Eléctrica Corporación, S.A., at the proposal of the Appointments and Remuneration Committee, on 26 May 2020. On the same date, the former secretary of the Board of Directors, Mr. Rafael García de Diego-Barber, resigned (for reasons of age), thereby ceasing to hold his position as secretary of the Board of Directors and, consequently, his position as secretary of the Audit Committee.

Throughout 2020, at the request of the Committee itself, the Committee meetings have usually been attended by the persons who held the position of Director of Internal Audit and Risk Control, the Corporate Economic-Finance Director and the Economic Director; and, occasionally, the Corporate Director of Transformation and Resources, the Director of Technology, the Corporate Director of Telecommunications and International, the Director of Strategy and Control, the Corporate Director of Sustainability and External Relations, the head of the Internal Audit Department and the head of the Risk, Compliance and Quality Control Department, all of them exclusively to report on matters concerning the Committee's areas of responsibility, safeguarding at all times the independence of the aforementioned Committee.

In 2020, as regards the review of the Annual Accounts of the company and its Group for 2020, the external auditor of the company and its Group explained to the Committee the audit procedures carried out in the Group. The Committee resolved to inform favourably on the Annual Accounts for 2020. The Committee also met with the external auditor on several occasions to analyse matters regarding its areas of responsibility.

3. Activities carried out in 2020

At a meeting held on 12 December 2019 the Audit Committee approved its Annual Plan of Action for 2020, in view of the responsibilities assigned to it in the Articles of Association and in the Board of Directors Regulations.

The Audit Committee informed the Board of Directors of its activities at the meetings of the latter immediately subsequent to each meeting of the Committee and via the "directors' portal" intranet sent all the directors the documents corresponding to the meetings and copies of the minutes of the same.



The Audit Committee met twelve (12) times in 2020, informing the Board of Directors the same number of times about the activities carried out by the Committee.

The main tasks carried out by the Committee in 2020 were as follows:

3.1 In relation to financial information:

- Review of and favourable report on the Annual Accounts for 2019 of the company and its Consolidated Group and on the external auditor's report.
- Analysis of the draft version of KPMG's Report for the Audit Committee in compliance with Article 11 of (EU) Regulation No 537/2014 of the European Parliament and article 23 of Law 22/2015 of 20 July on Auditing, which includes the most significant aspects of the audit process and the response to each of these.
- Analysis of the external legal report on tax criteria for the payment of Corporate Income Tax for 2019.
- Analysis of quarterly results reports for the year.
- Analysis and approval of the accounting and tax criteria adopted to carry out the end of year close.
- Analysis of the Annual Tax Transparency Report for 2019.
- Analysis of the proposed distribution of earnings and payment of dividends of Red Eléctrica Corporación, S.A. for 2019 and issue of a favourable report for the Board of Directors.
- Analysis of the tax transparency report.
- Analysis of half-yearly and annual financial information for market oversight bodies and publication of a favourable report.
- Analyse and submit to the Board of Directors a favourable report on monthly economic-financial reports.
- Review and acceptance of the sections of the Annual Corporate Governance Report for 2019, in the areas of the Committee's responsibilities.
- Monitoring of monthly treasury stock reports.
- Monitoring of quarterly reports on related party transactions.
- Favourably report to the Board on the proposed renewal of the Annual Programme of European Commercial Paper (ECP) and on the updating of the ECP Prospectus.
- Analysis of the proposal for the renewal of the annual EMTNs plan and the submission of a favourable report thereon to the Board of Directors. Review and updating of the EMTN Prospectus.
- Analysis of the consolidated financial statements for the first half of 2020 and the external auditor's report on the same.
- Analysis and conformity with the schedule for the 2020 financial close.
- Analysis of the proposed payment of an interim dividend for 2020 and resolution to submit a favourable report to the Board of Directors.
- Approval of the "País por País" statement which has to be submitted to the Spanish tax authorities for the year 2019.



- Analysis of reports monitoring the main investment projects.
- Analysis of the report on the profitability of international and telecoms investments.
- Analysis of the Financial Strategy report.
- Analysis and approval of the report on the adoption of resolutions for tax consolidation and distribution of the tax burden of Grupo Red Eléctrica.
- Issue favourable report to the Board on the consolidated budget of Grupo Red Eléctrica for 2021.
- Analysis of and favourably report to the Board, for approval, on resolutions regarding the process of corporatization.
- Analysis and report favourably to the Board on the proposal to implement the resolution adopted by the Board on 17 December 2019 on the financing of the acquisition of Argo Energía.
- Analysis of the issue of a Red Eléctrica Corporación bond in the amount of 400 million euros.
- Analyse and report favourably to the Board of Directors, for its approval, on the ratification of the granting of the guarantee by Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A. (ELEWIT) in favour of ORANGE ESPAÑA.
- Report favourably to the Board, for its approval, on the relevant resolutions relating to the transfer of the registered office of a company of Grupo Red Eléctrica.
- Analysis of the mechanisms for hedging the exchange rate of the investment made in Brazilian reais in ARGO.

3.2 In relation to internal control and risk management systems:

- Analysis of the report on the monitoring of the Integral Risk Management System Action Plan for 2019, and the Annual Plan for 2020.
- Analysis of the report on the monitoring of the annual Compliance System Action Plan and the Annual Plan for 2020.
- Analysis of the planning of annual external audit work and of the review of SICFR by the external auditor.
- Analysis of the Internal Audit Report on the System for Internal Control over Financial Reporting (SICFR) for 2019.
- Analysis of the review of the Map of Risks at 31.12.19, and the current status of and prospects for the main risks.
- Analysis and favourable report on the Annual Report of the Body for the Control and Oversight of the Prevention of Criminal Risk Programme for 2019.
- Analysis of and favourable report on the proposal for the updating of the Criminal Compliance System.
- Approval and report to the Board on the 2019 Annual Report on the Follow up of the Criminal Compliance System.
- Analysis of the report on the review of the current status of high-level risks of the Integral Risk Management System.
- Analysis of the report on the current status of the main actions being carried out on reputational risks.



- Analysis of Key Risk Indicators (KRIs).
- Review of the table of Key Risk Indicators (context/management).
- Analysis and approval of the proposed improvement to the Table of Impacts of the Risk Management System.
- Information regarding the Integral Security system of Grupo Red Eléctrica.

3.3 In relation to internal audit services:

- Analysis of the report on Summary of Internal Audits carried out in 2020 and the results of each of these, and on compliance with Internal Audit recommendations.
- Analysis of the Annual Report on Internal Audit Activities for 2019.
- Analysis of the quarterly reports on the internal audits carried out.
- Analysis of the Internal Audit Report on the System for Internal Control over Financial Reporting (SICFR) for the year 2020.
- Analysis of the quarterly reports on compliance with Internal Audit recommendations.
- Approval of the budget, means and resources of the Internal Audit service for 2021.
- Approval of the Annual Internal Audit Plan for 2021.
- Analysis and approval of the proposed appointment of the new Director of Internal Audit and Risk Management.

3.4 In relation to the external auditors:

- Analysis of the reports of the external auditor on the annual accounts for 2019 and the preliminary report of the external auditor for 2020.
- Analysis and approval of the report on the independence of the external auditor issued by KPMG Auditores, S.L., in accordance with the provisions of Recommendation nº 6 of the Code of Good Governance of Listed Companies.
- Analysis and approval of the fees of KPMG Auditores for 2020 for audit-related services, and for other services envisaged in 2020, and favourable report on the proposed renewal of KPMG as auditors of Grupo Red Eléctrica for a period of one year.
- Analysis of the Report of the external auditors on the Group's certified Management Systems.
- Approve and authorise the performance of a Financial Information Internal Control System (SCIIF) audit of Hispasat by the external auditor.

3.5 In relation to compliance with legal provisions and internal regulations:

- Analysis of the Report on the Monitoring of Internal Regulations.
- Analysis of the report on the annual evaluation of compliance with Internal Regulations regarding Securities Market Conduct.



- Review of monthly Health and Safety at Work reports.
- Analysis of the Annual Report on Management of the Code of Ethics for 2019.
- Review and favourable report to the Board on the proposed review of the Code of Conduct of the Group.
- Analysis of the 2019 Annual Tax Transparency Report of Grupo Red Eléctrica and the Report of the Commitment and Transparency Foundation.
- Analysis of the reform of the Code of Good Governance of Listed Companies.
- Analysis of the update of the Criteria for reporting financial, non-financial and corporate information to shareholders, institutional investors, proxy advisors and other stakeholders.
- Analysis of the proposal to update the Corporate Governance Policy of Grupo Red Eléctrica within the scope of the responsibilities of the Audit Committee.

3.6 In relation to the company's shareholders:

- Analysis of the resolutions proposed by the Board of Directors to the Annual General Meeting of Shareholders in matters concerning its responsibilities.
- Monitoring of possible shareholder initiatives, suggestions and complaints during the year. In 2020 no initiatives, suggestions or complaints were received from the company's shareholders.
- The Committee has been informed about the external audit of the procedures for managing the Annual General Meeting of Shareholders.

3.7 Other activities:

- Approval of the Report on the Activities of the Audit Committee in 2019.
- Analysis of the report on the Group's Corporate Insurance Programme in 2020.
- Analysis of and favourable report on proposed new Tax Lease transactions to be entered into in 2020, and the extension of the maximum authorised limit.
- Analysis of, and conformity with, the Annual Healthy Workplace Report for 2019.
- Approval of the Committee's Plan of Action for 2021.
- Approval of the schedule of Committee meetings for 2021.
- Analysis of the Annual Report on the measures adopted for the adequate independence of the Organic Unit that exercises the function of the Electricity System Operator and Transmission Grid Manager for 2019.

4. Directors' attendance at meetings

The Audit Committee met twelve (12) times in 2020, informing the Board of Directors the same number of times about the activities carried out by the Committee. There were no non-attendances or attendances via representation, so there were a total of 48 attendances in person, a 100% percentage.



5. Review of the annual accounts for 2020

The Audit Committee, in the meeting in which the Report of the Audit Committee's Activities for 2020 was approved, proceeded, in relation to FY 2020, to:

- Review the Annual Accounts for 2020 of the company and of its Consolidated Group, the external auditor's Report and the Statement of Non-Financial Information.
- Analyse the proposed distribution of earnings and payment of dividends of Red Eléctrica Corporación, S.A.

As usual, the External Auditor of the company and of its Group for the aforementioned year, KPMG, attended the meeting to provide the Committee with the appropriate clarifications and explanations.

In both cases the Committee has reported favourably on these proposals.

6. Assessment of compliance with the principles and recommendations stipulated by the CNMV (Guía Técnica 3/2017)

On 27 June 2017 the CNMV approved the Technical Guide on Audit Committees of Public-Interest Entities (Guía Técnica 3/2017), under the scope of the provisions established in articles 21.3 and 21.4 of the restated Spanish Securities Market Act approved by Royal Legislative Decree 4/2015, of 23 October.

The purpose of this Technical Guide is to provide guidance on the functioning of audit committees and includes certain recommendations for the affected companies that the CNMV will take into account in the performance of its oversight function.

The constant commitment of the company to use the best international practices in respect of corporate governance, has allowed it to comply in advance with the recommendations of the Guía Técnica 3/2017, as explained in the company's Annual Report on Corporate Governance.

In respect of the recommendations of the Guía Técnica 3/2017, the following points are worthy of mention with regard to the company's Audit Committee:

a) The structure, composition and functions of the Audit Committee are governed by article 23 of the Articles of Association and developed in articles 15 and 16 of the Board of Directors Regulations, that envisage, among other aspects, the composition of the Committee, the requirements for the appointment of its members, the rules of its functioning, the responsibilities and functions assigned thereto, the means at its disposal, rules governing the relations of the Committee with the Board of Directors and the shareholders, rules governing its communications with the External and Internal auditors, the evaluations to be carried out by the Committee and the reports it is required to publish. For reasons of legal certainty, it is deemed more appropriate that the regulations of the functioning of the Audit Committee be included in the Board of Directors Regulations, published on the corporate website and in the Mercantile Registry.

b) The Committee's independence is fostered as:

- i. It is comprised exclusively of external directors and both the Chairperson and the majority of its members are independent directors.
- ii. The compensation of the members of the Committee is in accordance with the principle of moderation and is linked to their responsibility, and therefore does not compromise their independence and objectivity.



iii. Moreover, neither the Chairperson of the Board of Directors nor the Managing Director take part in Committee meetings.

iv. Those executives who attend the meetings of the Committee do so at its request and only in relation to the points on the agenda regarding their area of responsibility.

c) In order to ensure the full independence of the External Auditor, the relevant articles of the Articles of Association and of the Board of Directors Regulations were brought into line with the reform of the Spanish Companies' Act governing this issue.

d) An ongoing dialogue is maintained with the various stakeholders in connection with the Committee's areas of responsibility. In addition, diversity of opinion is encouraged within the Committee so that each member may act in accordance with their personal criteria.

e) The members of the Committee have significant experience in the fields of financial and business management. Due to the growing importance of digitisation and virtual processes, in 2017 a director with significant experience and knowledge of aspects of integral security joined the Committee.

f) A diverse composition is sought in terms of gender, professional experience, and sector skills and knowledge. On 31 December 2020, 50% of Committee members were women.

g) The Committee has an annual Action Plan and meets monthly and as required to review and analyse aspects concerning financial and non-financial information, internal control and risk management systems, compliance with legal provisions and internal regulations, in addition to information regarding Health and Safety in the Workplace.

h) The functioning of the Committee is subject to an annual self-assessment process, with external support, as part of the annual self-assessment of the Board of Directors.

i) There is a "Welcome Programme" for new members of the Committee, which is part of the Annual Welcome Plan for new directors, called the Induction Plan.

j) There is an "Annual Knowledge and Information Programme" for directors, updated annually and implemented throughout the year.

k) Grupo Red Eléctrica has various mechanisms for the prevention of illicit transactions, money-laundering and fraudulent concealment or disposal of assets. These include the Code of Ethics and Conduct, which sets specific conduct guidelines and principles concerning Tax Liability, the Code of Conduct for suppliers, the Compliance Policy and the "Guide for the prevention of corruption: Zero Tolerance", which are at the disposal of Grupo Red Eléctrica's employees, suppliers and the various stakeholders on the corporate website.