



Grupo Red Eléctrica

Sustainability Committee

16 February 2021

Report on the Activities of the
Sustainability Committee in 2020

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1. Introduction

The Plan of Action of the Sustainability Committee for 2021 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:

The Sustainability Committee was created by a resolution of the Board of Directors dated 27 November 2018, according to the provisions of article 22 of the Articles of Association and article 14 of the Board of Directors Regulations, and in accordance with Recommendation no. 53 of the Code of Good Governance of Listed Companies (GGCLC).

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 within Grupo Red Eléctrica via the restructuring of the Board's Committees, the creation of a new Sustainability Committee and the updating of the functions of the other two Committees, the Audit Committee and the Appointments and Remuneration Committee. The responsibilities of the Appointments and Remuneration Committee were strengthened in relation to the Group companies, in accordance with the best international corporate governance practices, and in addition, the general oversight and risk control function to be carried out by the Audit Committee was reviewed, in conjunction with the specific functions assigned to each of the other Committees in the area 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, updating the functions of the Board of Directors and of its Committees in matters of sustainability, some of which are of cross-cutting nature, and strengthening the mechanisms of coordination among the three Board Committees, 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. reporting directly to the chairperson of the Board or the managing director and of the Group's strategic executives as established by the Board, as well as the establishment of the basic conditions of their contracts, including their remuneration) adopted by the Board in 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 relating to institutional representation, supervision of the company's and the Group's 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 22 of the Articles of Association stipulates that the Board of Directors can create, depending on the corporate governance recommendations in force at the time, those committees deemed appropriate for the best organisation and functioning of the company. Articles 18 BIS and 18 TER of the Board of Directors Regulations govern the structure, composition and functions of the Sustainability Committee.

The Sustainability Committee has been attributed, among others, responsibilities in connection with ethical leadership, compliance with the Group's sustainability policies, actions and proposals in respect of the sustainability, the 2030 Sustainability Commitment, sustainability policies and their connection with the Strategic Plan; processes for relations with different stakeholders, the Annual Report on ethical management in the Group, information in respect of sustainability in accordance with international benchmarks, review and validation of reports concerning specific aspects of sustainability and monitoring compliance with the Code of Ethics.

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

Article 18.4 BIS of the Board of Directors Regulations stipulates that the calling of meetings, with the associated documents, can be effected 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 18.6 BIS 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 end 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 when carrying out its functions.

2.3. Composition:

The composition of the Sustainability Committee is governed by article 18 BIS of the Board of Directors Regulations. In accordance with said article, the Committee shall be comprised of three members appointed among the non-executive directors, and the majority of its members must be 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 dismissal of the members of the Committee will be carried out by the Board of Directors as proposed by the chairperson of the Board, with a report previously issued by the Appointments and Remuneration Committee. The members of the Committee shall discharge 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.

The changes in the composition of the Sustainability Committee during financial year 2020 have been as follows:

- The Board of Directors of Red Eléctrica Corporación, S.A., at its meeting held on 24 November 2020, at the proposal of the chairperson of the Board and following a report by the Appointments and Remuneration Committee, resolved to appoint the independent director Ms. Carmen Gómez de Barreda Tous de Monsalve as a member of the Audit Committee of Red Eléctrica Corporación, S.A. for the three-year period provided for in the Board of Directors Regulations, pursuant to article 23 of the Articles of Association and article 15 of the Board of Directors Regulations of Red Eléctrica Corporación S.A., for the three-year period provided for in the Board of Directors Regulations, in accordance with article 23 of the Articles of Association and 15 of the Board of Directors Regulations, ceasing to be a member and chairperson of the Sustainability Committee.
- The Board of Directors of Red Eléctrica Corporación, S.A., at its meeting held on 24 November 2020, at the proposal of the Chairperson of the Board of Directors and following a report by the Appointments and Remuneration Committee, resolved to appoint the independent director Mr José Juan Ruíz Gómez as a member of the Sustainability Committee of Red Eléctrica Corporación, S.A., for the three-year period provided for in the Board of Directors Regulations, in accordance with article 22 of the Articles of Association and 18 BIS of the Board of Directors Regulations, ceasing to be a member of the Appointments and Remuneration Committee.
- Finally, the Sustainability Committee of Red Eléctrica Corporación, S.A., at its meeting held on 24 November 2020, in accordance with the provisions of articles 18 BIS.1 and 18 BIS.2 of the Board of Directors Regulations, resolved to appoint independent director, Mr. José Juan Ruiz Gómez, as Chairperson of the Sustainability Committee, for a three-year period.

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

Director	Position	Class of Director
José Juan Ruiz Gómez	<i>Chairperson</i>	Independent external
María Teresa Costa Campi	<i>Member</i>	Proprietary external (SEPI)
Alberto Francisco Carbajo Josa	<i>Member</i>	Independent external

All the members of the Committee have a proven ability to carry out the functions entrusted to the Committee given their ample experience, skills and knowledge.

Brief summaries of the careers of its members at 31 December 2020 are included below:

- *Mr. José Juan Ruiz Gómez*, born 30 July 1957, holds a degree in Economics from the Universidad Autónoma of Madrid. He is a State Trade Expert (civil servant).

He is currently an independent consultant and adviser on macroeconomic issues and Latin American markets. Member in a personal capacity of the Scientific Committee of the Real Instituto Elcano (since 2012).

Member of the Editorial Board of El País and Grupo Prisa. Member of the Advisory Council for Economic Affairs reporting to the Third Vice-President of the Spanish Government.

He has been, among others, Chief Economist and Head of the Research Department of the Inter-American Development Bank (2012-2018). Chief Economist for Latin America at Banco Santander (1999-2012). Representative of Banco Santander on the Board of Directors of the Real Instituto Elcano (until 2012). Member of the Social Council of the University of Castilla La Mancha (2005-2009) and Chairperson thereof (2010-2012). Member of the boards of directors of both state owned companies (INI, Aviaco, Autopistas del Atlántico, Renfe and Tabacalera) and private sector companies, in particular in the banking sector, holding between 1999 and 2012 the positions of director at Banco de Santiago (Chile), Banco Santander Colombia, Banco Santander Puerto Rico, Banco Santander Peru and Banco Venezuela. Director of the Strategy and Planning Department of Banco Santander (1996-1999).

In addition, he has been Chief Economist of International Financial Advisors (1996). Member of the Independent Committee of Experts of the Ministry of Economy and Finance in charge of the construction of macroeconomic scenarios for the Spanish economy (1994-1998). Member of the Editorial Board of Grupo Recoletos (1994-1999). Chief Economist of Argentaria (1993).

Most relevant positions held in the Public Administration (Ministry of Economy and Finance): Undersecretary for International Economy and Competition, Ministry of Economy and Finance (1991-1993). Member of the Management Committee of the Ministry of Economy and Finance (1991-1993). Head of Cabinet to the Secretary of State for Economic Affairs (1988-1990). Executive adviser to the Secretary of State for the Economy (1985-1987). Head of the Balance of Payments Service, State Secretariat for Trade (1984-1985). Economic Adviser to the Secretary of State for Trade and the Secretary General for Trade (1983). Technical support to the General Technical Secretariat during the negotiation of Spain's accession to the EU (1984-1985). Chairperson of the Spanish delegation to the OECD for the annual macroeconomic surveillance meetings (1990-1993). Chairperson of the Economic Policy Committee of the European Union (1992-1993). Member of the EU Economic Policy Committee (1989-1992). Responsible for Spain's relations with the IMF, the World Bank and the Development Banks (Africa, Asia, Latin America and Europe) (1986-1993).

In addition, he is active as a speaker at conferences with different institutions and collaborates as a lecturer in the International Master of the Instituto de Empresa.

- *Ms. María Teresa Costa Campi*, born on 31 July 1951, holds a degree and PhD (*Cum Laude*) in Economics from the University of Barcelona.

She is a professor (*catedrática*) of Economics of the University of Barcelona since 1987, Director of the Chair of Energy Sustainability at the University of Barcelona, coordinator of the Energy Economics Programme and Professional Seminars in the Master's Degree in Renewable Energies at the University of Barcelona and Lead Researcher of the Energy Sustainability and Environment Research Group. Corresponding member of the Royal Academy of Moral and Political Sciences and personal member of the Energy and Environment Commission of the Real Instituto Elcano (since 2006).

She has held high-level responsibilities in public institutions in the energy sector. She has been Chairperson of the National Energy Commission (CNE) (2005-2011); Chairperson of ARIAE (2005-2011); Vice-Chairperson of MEDREG (2010-2011) and Chair of its Scientific Committee (2014-2016); member of CEER (2005-2009) and Chairperson of the Board of MIBEL (2006-2007).

In the private sector she has been, among others, a member of the Board of Directors of EDP RENOVÁVEIS, S.A. (EDPR) and member of the Audit, Control and Related Parties Committee of said company (July-September 2018); member of the Board of Directors of ABERTIS (2013- 2018), having been a member of the Audit and the Appointments and Remuneration Committees and Chairperson of the CSR Committee; member of the Advisory Board of the CSN (2016-2018); member of the advisory board of EDP Universidade (2014-2016) and member of the Advisory Board of Abertis (2011-2013).

She also has a long academic career with a very active presence in research and teaching, as well as in conferences and presentations at international congresses in the fields of energy, industry and business. She has published more than 170 publications in Spanish and international books and academic journals specialized in energy and economics. The research group she manages at *Economía de la Energía* has been recognised for Research Excellence by the relevant official agency for evaluating the quality of research. She has received the 2019 Victoriano Reinoso Energy and Society Award (Spanish Energy Club).

She has also been Secretary of Industry and Energy of the Government of Catalonia (2004-2005); Chairperson of EPLICSA (2004-2005), member of the Board of Directors of INCASOL (2004-2005); Vice-Chairperson of CIDEM (2004-2005) and member of the Board of Directors of the ICF (2004-2005).

In the VII Legislature (2000-2004) she was a Member of the Spanish Parliament.

- *Mr. Alberto Francisco Carbajo Josa*, born on 8 August 1949, has a degree in Mining Engineering from the Universidad Politécnica of Madrid, is an Economic Science Graduate of the Universidad Autónoma of Madrid and has a Master's degree in the European Union from the Escuela Diplomática de Madrid.

He is currently an international independent advisor in the field of electrical energy; "Ad Honorem" professor at the Universidad Politécnica de Madrid and member of the Advisory Board of the Escuela Técnica Superior de Ingenieros de Minas y Energía.

He has been, among others, general manager of the Compensation Office of the Electrical Sector – OFICO – (until 1991); general manager of the Mining and Construction Industries of the Ministry of Industry and Energy (1992-1995); member of the boards of directors of ENDESA and Petronor (1992-1995); member of the board of the National Energy Commission (1995-2000); executive of International Regulations for the *Corporación Unión Fenosa*, providing his services to the Secretary General of Regulation (2002-2004), and general manager of Operation of Red Eléctrica de España, S.A. (2004 - March 2012).

In addition, he has been an associate professor in the Department of Energy Systems of the Escuela Técnica Superior de Ingenieros de Minas y Energía de Madrid; professor of the Master's programme in Renewable Energies at the Escuela de Organización Industrial; professor of the Master's programme in Energy and Competitiveness at Orkestra (Instituto Vasco de Competitividad); professor for the Advanced Course of Energy Business of the Club Español de la Energía and professor at University of Alcalá de Henares in subjects related to energy supply.

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 Sustainability Committee.

Throughout 2020, at the request of the Committee itself, the Committee meetings have usually been attended by: the Corporate Director of Sustainability and External Affairs, the head of the Department of Sustainability and the persons who held the office of Director of Internal Audit and Risk Control; and occasionally, by the Economic-Financial Corporate Director, the Corporate Director of Transformation and Resources, and the head of the Tax 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.

3. Activities carried out in 2020

At a meeting held on 10 December 2019 the Sustainability Committee approved its Annual Plan of Action for 2020, in view of the responsibilities assigned to it in the Board of Directors Regulations.

The Sustainability 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 Sustainability 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:

- Analysis and follow-up, on a quarterly and half-yearly basis, of the Management Sustainability Objective.
- Analysis of the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).
- Analysis of the process and methodology for obtaining Sustainable Board Certification.
- Analysis and conformity of the Non-Financial Information Statement of Red Eléctrica Corporación, S.A. for the 2019 financial year and the External Verification Report.
- Analysis of the resolutions proposed by the Board to the Annual General Meeting of Shareholders within the scope of the Committee's responsibilities.
- Analysis and approval of the 2019 Sustainability Report.
- Analysis, approval and submission to the Board of Directors of the proposal to review and update the Group's Code of Ethics and Conduct.
- Analysis and validation of the 2020-2022 Sustainability Plan and the third quarter monitoring report.
- Analysis of the updated biodiversity commitment.
- Analysis and approval of the Committee's Activities Report for the 2019 financial year.
- Review and favourable report on the sections of the 2019 Annual Corporate Governance Report within the scope of the Committee's responsibilities.
- Analysis, approval and submission to the Board of Directors of the Annual Management Report on the Code of Ethics.
- Analysis and approval of the 2019 Diversity Report.
- Analysis of main aspects of the Dow Jones Sustainability Index evaluation process. Analysis of the report on the results obtained and the comparative study.
- Analysis of the internal regulations relating to the Principles and Guidelines of Conduct in relation to People.
- Analysis of the update of the internal regulations relating to ethical principles in relation to people.
- Analysis of the results of the stakeholder perception study: Results 2019.

- Analysis of the review of risks and opportunities arising from climate change.
- Analysis of the 2019 Annual Report on Tax Transparency 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 monitoring of the first half of the year on the Circular Economy Roadmap.
- Approval of the Annual Sustainability Report for the 2019 financial year.
- Analysis of the progress of the project to review the policies of Grupo Red Eléctrica.
- Analysis of the situation of high level risks and of special monitoring at 30 June 2020, in matters of sustainability.
- Analysis of the evaluation processes in progress in sustainability matters.
- Analysis of the proposal to update the Corporate Governance Policy of Grupo Red Eléctrica within the scope of the Sustainability Committee's responsibilities.
- Monitoring and reporting on the Comprehensive Diversity Plan of Grupo Red Eléctrica 2018-2022, and the 2020 Annual Programme.
- Analysis of the start of the process of preparing the Sustainability Report 2020.
- Analysis of the update of the Criteria for communication of financial, non-financial and corporate information with shareholders, institutional investors, proxy advisors and other stakeholders.
- Monitoring and reporting on the Green Framework for the issuance of green bonds to finance green projects.
- Analysis of the monitoring of Grupo Red Eléctrica's contribution to the Sustainable Development Goals and structure of the report.
- Analysis of the Strategic Plan of Grupo Red Eléctrica.
- Approval of the Committee's Action Plan for 2021.
- Approval of the schedule of Committee meetings for the 2020 and 2021 financial years.

4. Directors' attendance at meetings

The Sustainability 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 36 attendances in person, which represents a 100% percentage.