



RED
ELÉCTRICA
CORPORACIÓN

Grupo Red Eléctrica

Audit Committee

February 18, 2021

**Independent External Auditors
Report**



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1. Justification

Pursuant to the provisions set forth in Sub-section 4 (f) of Section 529 *quaterdecies* of the Spanish Capital Companies Act (the "Capital Companies Act"), as amended by Section twenty of the fourth final provision of Law 22/2015, dated July 20, Auditing of Accounts, and under the provisions set forth in Section 16.3 h) of the Regulations of the Board of Directors of RED ELÉCTRICA CORPORACIÓN, SA (hereinafter REC or the Company) regarding the regulation and functions of the Audit Committee, it is determined that a report shall be issued on an annual basis, prior to the issuance of the accounts audit report, in which an opinion on whether the independence of the external auditors or audit firms is deemed to be compromised.

The above mentioned report shall contain, in any case, the reasoned assessment of the provision of each and every additional service, individually and collectively considered, other than the legal audit and in relation to the independence rules or the regulations governing the auditing accounts activity, provided by the above mentioned external auditors or auditing firms, according to the provisions set forth by the regulations mentioned in the above paragraph. Therefore, this report is issued by the Audit Committee, which shall be published on the corporate website sufficiently in advance of the Ordinary General Shareholders' Meeting thereof, according to the provisions set forth in Recommendation No. 6 of the Spanish Code of Good Governance of Listed Companies.

2. Analysis of the Independent External Auditors Report

In financial year 2013, KPMG Auditores, S.L. ("KPMG") were appointed account auditors of the parent company, Red Eléctrica Corporación, and of the Consolidated Group thereof for three years and subsequently, the REC Ordinary General Shareholders' Meeting held on April 15, 2016 reappointed KPMG Auditores as accounts auditors of the Company and the Consolidated Group thereof to audit the individual annual accounts of the Company and its Consolidated Group, for the 2016, 2017 and 2018 financial years. The Ordinary General Shareholders' Meetings held on 22 March 2019 and May 14, 2020 agreed to reappoint KPMG for the 2019 and 2020 financial years, respectively.

Regarding the contractual conditions provided for in Section 40 of the Accounts Auditing Law, and taking into account that Red Eléctrica is considered a public interest entity pursuant to the provisions set forth in Section 3 of the above mentioned Law, the Audit Committee concludes that the obligation to rotate the auditor signatory of the audit report has been complied with.

Pursuant to Section 529 *quaterdecies*, subsection 4.e), of the Capital Companies Act, Red Eléctrica Corporación shall receive on an annual basis from the Accounts Auditor the declaration of the independence thereof regarding the Company's affiliated entities. Likewise, KPMG shall provide detailed and individualised information regarding additional services of any kind that it may have provided to the Red Eléctrica Group (Grupo RE), including the fees received (both by KPMG and by the subsidiaries or individuals thereof), according to the provisions set forth in the regulations governing auditing accounts.

In compliance with the above, the Account Auditor of the Company and the Consolidated Group thereof sent a document to the Audit Committee (the "Written Statement on KPMG Independence" signed by the Partner responsible for auditing the accounts, Eduardo González Fernández) stating as follows:

"The audit assignment team, KPMG Auditores, S.L. and, if applicable, other individuals of the audit firm and, if applicable, other firms within the group, to the extent that may be applicable thereto, have complied with the applicable independence requirements according to the provisions set forth by the LAC and Regulation (EU) No. 537/2014, of April 16."

In order to ensure the independence of the External Auditor, throughout the 2020 financial year, the Audit Committee has monitored compliance with the current regulations on the provision of services other than the auditing accounts regulations, thus authorising the services other than those services prohibited under the applicable regulations, according to Section 16 of the Accounts Auditing Law in force.



Below are details of the fees approved by the Audit Committee in the financial year ended December 31, 2020, which have been provided by KPMG Auditores, S.L. and other firms within its group to the Company and the subsidiaries thereof linked by a control relationship:

Thousands of Euro	2020
Audit Services	666.1
Audit-related Services	190.0
Other Services	29.4
Total audit-related Services and Other Services	219.4
Total Services approved by the Audit Committee (*)	885.5

(*) Certain services include VAT and local taxes in the case of companies that are not entitled to a refund.

2.1 Audit Services

Audit Services fees approved by the Audit Committee amount to 666.1 thousand euros and include the statutory audit of the financial statements of Red Eléctrica Corporación and the Consolidated Group thereof corresponding to the 2020 financial year.

Thousands of Euro	
Audit services for REC, the Group and other Spanish and European companies (excluding the Hispasat Subgroup)	305.8
Audit Services for Peruvian and Chilean companies	131.3
Audit Services for Brazilian companies	27.0
Audit Services for the Hispasat Subgroup	202.0
Total Audit Services	666.1

2.2 Audit-related Services

Audit-related Services fees include both services that should be legally hired from the auditor, as well as other services which are not, but which are common market practice, to be provided by the auditor. In general they are verification services carried out based on specific standards (limited review of interim financial statements, agreed upon auditing procedures, or standards set forth by local regulations) and which comply with regulatory requirements or best market practices. The global amount totals 190 thousand euros and is broken down as follows:

1. Review of the Group's interim financial statements for the 2020 financial year for an amount of 45.2 thousand euros.
2. Issuance of the report on the Internal Control System on Financial Reporting (SCIIF, for its acronym in Spanish) for an amount of 47.6 thousand euros.
3. Issuance of *Comfort Letters* for an amount of 29.6 thousand euros.
4. Translation services into English of annual accounts amounting to 22 thousand euros.
5. Agreed upon procedures related to the Hispasat Subgroup for an amount of 45.6 thousand euros.

2.3 Other Services

Other services include agreed upon procedures related to REINTEL Company for an amount of 14.4 thousand euros and strategic consulting human resources services for an amount of 15 thousand euros.



3. Relationships with Account Auditors

During the 2020 financial year, KPMG appeared before the Audit Committee on fourth occasions, in order to report on the following points:

1. At the meeting held on February 19, 2020, a report was given regarding the progress made on the report for the Board of Directors on the economic and financial information of Red Eléctrica Corporación and the Consolidated Group thereof at the end of the 2019 financial year, including both financial and SCIIF audits. Dated February 25, 2020, in compliance with Section 11 of Regulation (EU) No. 537/2014 of the European Parliament, and as required under Section 36 of Law 22/2015 of July 20 on the Auditing of Accounts, the additional Report on both the Consolidated Group and Red Eléctrica Corporación, SA. was sent to the Audit Committee.
2. At the meeting held on July 22, 2020, KPMG reported on the progress of the report for the Board of Directors on the economic and financial information of Red Eléctrica Corporación and the consolidated group thereof corresponding to the first half of 2020.
3. At the meeting held on September 23, 2020, KPMG submitted the audit plan and strategy for the year ending December 31, 2020.
4. At the meeting held on December 18, 2020, a report was given regarding the auditing for the corresponding closing of financial year 2020.

It is hereby certified that in the above mentioned meetings the Auditor did not report any circumstance that could compromise its independence.

4. Conclusions

This report is based on the document sent to the Audit Committee and prepared by the Company's external account auditors, containing the written statement of independence thereof from the Company and the Subsidiaries thereof, as well as information regarding the auditing services and services other than auditing, provided to the above mentioned entities by the above mentioned auditors or by the persons or subsidiaries linked thereto, according to the provisions set forth by the Auditing of Accounts Act in force.

In the above mentioned independence statement, the auditor declares as follows: *"In this sense, according to our professional judgment and regarding the above mentioned audit, no circumstances have been identified which, individually or as a whole, could imply any incompatibility. Those circumstances that in our professional judgment involved significant threats were eliminated or reduced to an acceptably low degree by means of the application of the necessary safeguard measures."*

Taking into account the information provided by the external auditor, the Company's Audit Committee has not identified any aspects that may challenge compliance with the regulations in force in Spain regarding auditing accounts in terms of auditor's independence and, in particular, the Committee confirms that no aspects of this nature have been identified which could compromise the independence of the external auditor.