



Grupo Red Eléctrica

Audit Committee

15 February 2022

**Report on external auditor
independence**



Index

1. Justification.....	3
2. Analysis of external account auditor independence.....	3
2.1 Audit services	4
2.2 Other audit-related services.....	4
2.3 Other non-audit-related services	5
3. Relationship with account auditors.....	5
4. Conclusions.....	5



1. Justification

In accordance with the provisions of section 4 (f) of article 529 quaterdecies of the Capital Companies Act (the "Capital Companies Act"), and by virtue of the provisions of article 16.3 h) of the Regulations of the Board of Directors of Red Eléctrica Corporación, S.A. (hereinafter REC or the "Company") in relation to the regulation and functions of the Audit Committee, it is established that a report shall be issued annually, prior to the issuance of the audit report on the accounts, expressing an opinion on whether the independence of the external auditor or audit firm is compromised.

The aforementioned report must contain, in all cases, a reasoned assessment of the provision of each and every one of the additional services provided by the aforementioned external auditors or audit firms, considered individually and as a whole, other than the statutory audit and in relation to the independence regime or to the regulations governing account auditing, in accordance with the provisions of the regulations set forth in the preceding paragraph. Accordingly, the Audit Committee issues this report, which shall be published on the corporate website with time to spare before the Ordinary General Shareholders' Meeting, in accordance with the provisions of Recommendation No. 6 of the Spanish Code of Good Governance of Listed Companies.

2. Analysis of external account auditor Independence

At the last General Shareholders' Meeting held on 29 June 2021, KPMG Auditores, S.L. ("KPMG") was appointed auditor of the Consolidated Group and of the Parent Company, Red Eléctrica Corporación, for the 2021 and 2022 financial years.

With regard to the contracting conditions set forth in article 40 of the Audit Act ("AA"), and given that Red Eléctrica is considered a public interest entity as set forth in article 3 of said Act, the Audit Committee states that the obligation to rotate the auditor signing the audit report is fulfilled, complying with the maximum period of 10 consecutive years permitted by Act 22/2015 on Account Auditing, in order to be the auditor of the Red Eléctrica Group ("RE Group").

In compliance with article 529 quaterdecies, section 4.e) of the Capital Companies Act, Red Eléctrica Corporation shall receive from the Accounts Auditor an annual statement of its independence with respect to entities related to the Company. Similarly, KPMG shall provide detailed and individualised information on additional services of any kind provided to the Red Eléctrica Group, including the fees received (both by KPMG and by its related persons or entities), in accordance with the provisions of the regulations governing account auditing.

Pursuant to the above, the Auditor of the Company and its Consolidated Group submitted to the Audit Committee a written statement (the "KPMG Written Declaration of Independence" signed by the Partner responsible for the audit of the accounts, Ana Fernández Poderós), stating the following:

"The assigned audit team, KPMG Auditores S.L. and, where applicable, other persons belonging to the audit firm and, where appropriate, other firms in the network, with the extensions applicable to them, have complied with the applicable independence requirements in accordance with the provisions of the AA and Regulation (EU) No. 537/2014 of 16 April 2014"

In order to guarantee the independence of the external auditor, the Audit Committee supervised throughout the 2021 financial year, compliance with the regulations in force on the provision of services other than audit services, proceeding to the authorisation of services other than those prohibited in accordance with the applicable regulations, in accordance with article 16 of the AA in force.



Below is a table of the fees approved by the Audit Committee for the year ended 31 December 2021 for services provided by KPMG Auditores, S.L. and other firms in its network to the Company and its entities bound by a control relationship:

Thousands of euros	2021
Audit services	707.6
Services beyond the scope of the audit	184.4
Other audit-related services	169.9
Other non-audit-related services	14.5
Total Services approved by the Audit Committee (*)	892.0

(*) Certain services include VAT and local taxes for companies that are not entitled to a VAT refund.

2.1 Audit Services

Fees for audit services approved by the Audit Committee amount to EUR 707.6 thousand and comprise the statutory audit of the financial statements of Red Eléctrica Corporación and its consolidated Group for the 2021 financial year.

Thousands of euros	
Audit services for REC, the Group and the other Spanish and European companies (except for the Hispasat Subgroup)	334.2
Audit services for LATAM companies (except for the Hispasat Subgroup)	138.0
Audit services for the Hispasat Subgroup	235.4
Total Audit Services	707.6

2.2 Other audit-related services

Fees for audit-related services include both services that have to be legally contracted to the auditor and services that do not, but for which it is common market practice for the auditor to perform. These are generally assurance services performed on the basis of defined standards (limited review of interim financial statements, agreed-upon audit-related procedures, or standards set out in local regulations) and which follow regulatory requirements or market best practices. The total amount totals EUR 169.9 thousand and is split up as follows:

1. Review of the Group's interim financial statements for the financial year 2021 for the amount of EUR 53.5 thousand.
2. Issue of the report on the Internal Control over Financial Reporting System (ICFR) under ISAE 3000 for the amount of EUR 32.8 thousand.
3. Issue of Comfort Letters for the amount of EUR 29.8 thousand.
4. Translation services into English of accounts and financial statements for the amount of EUR 22.0 thousand.
5. Agreed procedures related to the Hispasat Subgroup for the amount of EUR 31.8 thousand.



2.3 Other non-audit-related services

Other services include agreed-upon procedures provided for the company Red Eléctrica Infraestructuras de Telecomunicación, S.A.U. for the amount of EUR 14.5 thousand.

3. Relationship with account auditors

KPMG appeared before the Audit Committee on four occasions during the 2021 financial year to report on the following items:

1. At the meeting held on 18 February 2021, KPMG communicated the conclusions of the work of both the financial audit and the ICFR audit. It also sent the Report drafts to the Board of Directors on the consolidated annual accounts of the Red Eléctrica Group and the individual annual accounts of Red Eléctrica Corporación, S.A. and presented its confirmation of independence.

On 23 February 2021, in compliance with Article 11 of Regulation (EU) No. 537/2014 of the European Parliament and with the requirements of Article 36 of Law 22/2015, of 20 July, on the Audit of Accounts, the additional Audit Committee report was sent to the Audit Committee, both for the consolidated Group and for Red Eléctrica Corporación, S.A.

2. At the meeting held on 23 June 2021, KPMG presented the audit and strategy plan for the year ending 31 December 2021.
3. At the meeting held on 23 July 2021, KPMG reported the conclusions of the limited review work on the Group's interim financial statements and sent the draft report on the Group's consolidated interim financial statements for the first half of 2021 to the Board of Directors.
4. At the meeting held on 14 December 2021 KPMG reported on the progress of the audit work for the year-end 2021.

It is hereby stated that, at these meetings, the auditor did not report any circumstances that might have put their independence at risk.

4. Conclusions

This report is based on the document submitted to the Audit Committee and prepared by the external auditors of the Company, which contains the written confirmation of their independence vis-à-vis the Company and its Subsidiaries, as well as information on the audit and non-audit services provided to these entities by the aforementioned auditors or by persons or entities related to them, in accordance with the provisions of the AA in force.

In the aforementioned declaration of Independence the auditor states that:

"In this regard, in our professional judgement and in relation to the audit indicated above, no circumstances have been identified that individually or as a whole could give rise to any incompatibility. Any circumstances that, in our professional judgement, posed significant threats, were eliminated or reduced to an acceptably low level by applying the necessary safeguards".

In view of the information provided by the external auditor, the Company's Audit Committee has not identified any aspects that cast any doubt on compliance with the regulations in force in Spain for account auditing with regard to auditor independence and, in particular, the Committee confirms that no such aspects have been identified that could compromise the independence of the external auditor.