

2021

Annual Report on the Management

Code of Ethics and Conduct



Contents

| | |
|--|---|
| 1. Introduction | 1 |
| 2. The ethics manager and stakeholder ombudsman..... | 1 |
| 3. Ethics and Compliance Channel..... | 1 |
| 4. Ethics and Compliance Culture..... | 4 |
| 5. Supplier's Code of Conduct..... | 4 |
| 6. Integrity and transparency | 4 |
| 7. Acknowledgements and alliances..... | 5 |
| 8. Main measures to be promoted in 2022..... | 5 |

1. Introduction

The Code of Ethics and Conduct provides an ethical guide for all people who are part of Red Eléctrica Group, determining the ethical values, principles and conduct guidelines that should govern their professional activity within the scope of the company.

Many of these values and commitments have been part of Red Eléctrica since, in 1987, when its first set of shared values system was drafted, under the title "Basic performance principles". In 2007, Red Eléctrica's ethical commitment is further strengthened by the approval of the "Code of Ethics and corporate values", the implementation of the ethical channel for queries and complaints, and the creation of the role of the Ethics Manager as the highest-ranking figure for the development, consolidation and management improvement of ethics in Red Eléctrica Group. By updating the Code in 2013 the Group sought to compile the best practices identified at international level and taking into account the reform of the Criminal Code implemented in 2010, introducing the criminal liability of legal persons in Spain.

The current edition of the Code of Ethics and Conduct at Red Eléctrica Group was approved by the Board of Directors of its parent company on May 26th, 2020, and it includes the demands of different stakeholder groups and the recommendations of organisations involved in this field.

The Code of Ethics and Conduct applies to all employees and members of administrative bodies of the companies that are part of Red Eléctrica Group, in the exercise of their duties and responsibilities, and is applicable to the companies in which Red Eléctrica Group is a major stakeholder, regardless of their geographical location and activity.

The purpose of this annual ethical management report is to gather and to disseminate circumstances related to Corporate System for the Ethics Management at Red Eléctrica Group in the financial year 2021: operation of the ethics and compliance channel, initiatives developed, alliances promoted, acknowledgements obtained and measures to be implemented.

2. The ethics manager and stakeholder ombudsman

In order to ensure the acknowledgment, implementation and compliance with the Code of Ethics and Conduct, Red Eléctrica Group appointed Carlos Méndez-Trelles García, Secretary General and a member of the Board of Directors, as Ethics Manager and stakeholder ombudsman.

The Ethics Manager's responsibilities are the following:

- To solve queries related to Red Eléctrica Group's Code of Ethics and Conduct.
- To process complaints related to the application of the Code and to ensure that they are properly dealt with.
- To prepare action plans to solve complaints received and present them for approval by the Chairperson of Red Eléctrica Group. If the complaint is related to any member of the Executive Committee or the Board of Directors, it shall be submitted to the Chairperson of the Audit Committee or, where appropriate, to the Chairperson of the Sustainability Committee, depending on the nature of the complaint.
- To prepare a periodic review report of the ethics management system and to propose actions for its improvement.

3. Ethics and Compliance Channel

In order to promote the application of the Code of Ethics and Conduct, the corporate website contains an ethics and compliance channel through which queries, complaints or suggestions may be submitted to the Ethics Manager.

This Channel shall be used to:

- Make any query related to the interpretation of the Code's ethical values, principles, and behavioural guidelines.
- Report any breach of the Code, legislation, including criminal and anti-bribery legislation, internal regulation and commitments undertaken by the organisation.
- Report any possible irregularity or breach related to financial, accounting or commercial bad practices.

Similarly, the Ethics and Compliance Channel may be used to:

- Submit improvement suggestions related to the Code of Ethics and Conduct.
- Report facts or queries to other bodies linked to the supervision of legal obligations and commitments undertaken by the organisation.

The Ethics and Compliance Channel is managed by the Ethics Manager in coordination with the Compliance Area and its performance is regulated by the Guide on the management of the channel. In 2021 the implementation of the new IT

tool strengthening the guarantees of the channel users and a better follow up of queries and complaints submitted through the channel was completed. This channel is audited periodically and ensures the confidentiality of all users.

In addition, Red Eléctrica has other means of processing breaches, complaints, queries, and ethical suggestions through a support service called Dígame, the purpose of which is to receive requests by external stakeholder groups who are not familiar with the above-mentioned channel. This service forwards all received requests to the Ethics Manager, in complete confidence.

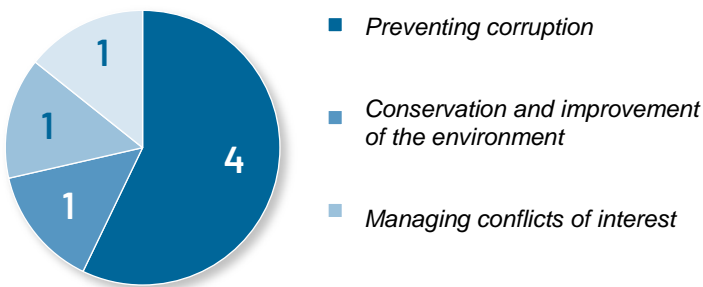
Regarding the system for the detection and processing of possible breaches, complaints, queries or suggestions, in 2021, 7 queries were sent to the Ethics Manager, of which 4 came from internal stakeholders and 3 from external stakeholders. The maximum resolution time for queries was 10 days in accordance with the Ethics and Compliance Channel Management Rule.

The queries submitted were related to the following ethical principles:

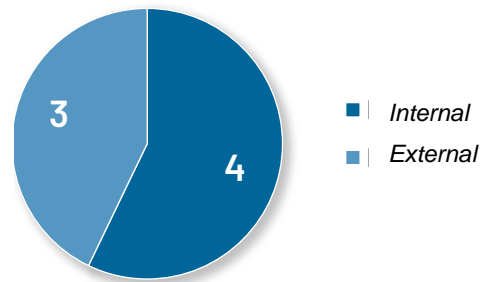
- Corruption prevention,
- Preservation and improvements to the environment,
- Conflicts of interest management.

Below is a pie chart of the distribution of queries submitted to the Ethics Manager in 2021, in accordance with the related ethical principle and the stakeholder group submitting the query.

NO. OF QUERIES DISTRIBUTED BY ETHICAL PRINCIPLES

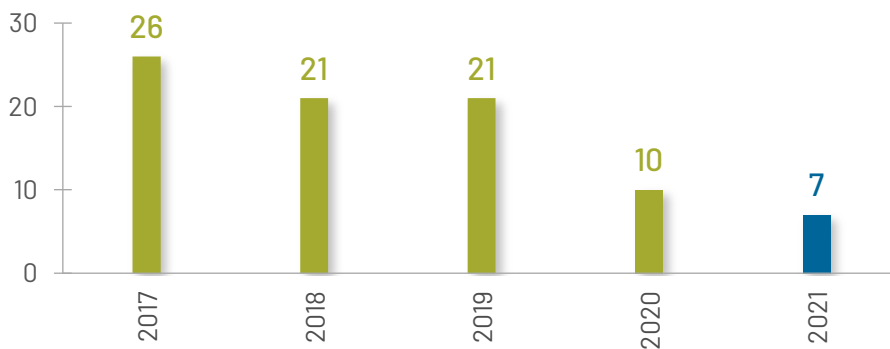


NO. OF QUERIES DISTRIBUTED BY STAKEHOLDER GROUPS



Here is a chart of the evolution of the number of queries submitted to the Ethics Manager in the last five financial years.

NO. OF QUERIES SUBMITTED TO THE ETHICS MANAGER



During 2021, four complaints were received in relation to the compliance with the Code of Ethics and Conduct, 3 from external stakeholder groups and 1 anonymous complaint, whose content is analysed below:

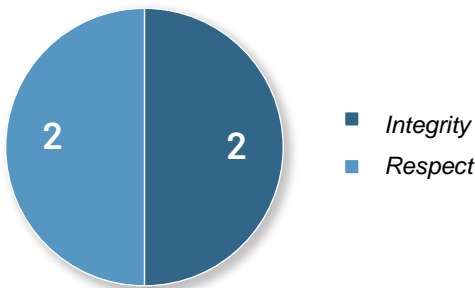
- A complaint submitted by a person employed by Red Eléctrica Group regarding the corporate value "integrity", resulting from an alleged breach of legal requirements and an alleged falsification of evidence within an external quality

certification process. The complaint was filed following a previous investigation since the veracity of the facts reported could not be proven.

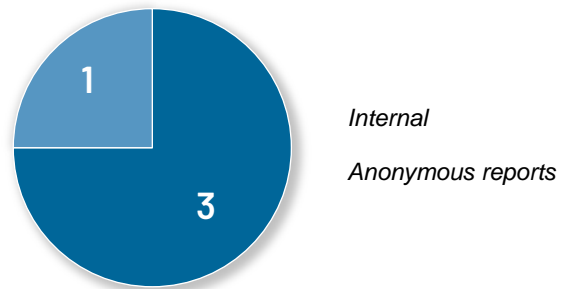
- A complaint submitted by a person employed by Red Eléctrica Group regarding the corporate value "respect", resulting from alleged workplace harassment. The complaint was filed since the events required for the situation to qualify as workplace harassment did not concur.
- A complaint submitted by a person employed by Red Eléctrica Group regarding the corporate value "respect", resulting from alleged workplace harassment. The complaint was filed since the events required for the situation to qualify as workplace harassment did not concur. However, since in the facts reported there could be labour breach in relation to the corporate value "respect", they were reported to the area responsible for managing people, for the purposes of adopting the necessary measures to correct the breaches that could have concurred and report the Ethics Manager on the actions to be taken in relation to these facts.
- A complaint whereby it is anonymously informed that there could be irregularities by a Red Eléctrica de España S.A.U.'s supplier regarding the documentation required to its workers to carry out field works. The complaint was admitted to process and the investigation carried out conclude there was evidence of a possible breach of Red Eléctrica Group's Suppliers' Code of Conduct. Therefore, the area responsible for managing suppliers was reported on this to apply the measures that, in that case, were necessary to correct said situation. The Ethics Manager was also reported on the actions expected to be taken regarding the supplier.

Below is a pie chart of the distribution of complaints submitted to the Ethics Manager in 2021, in accordance with the related ethical principle and the stakeholder group submitting the query.

NO. OF COMPLAINTS DISTRIBUTED BY ETHICAL PRINCIPLES



NO. OF COMPLAINTS DISTRIBUTED BY STAKEHOLDER GROUPS



Below is a bar chart of the evolution of the number of complaints submitted to the Ethics Manager in the last five financial years.

NO. OF REPORTS SUBMITTED TO THE ETHICS MANAGER



On the other hand, the functions undertaken by the Ethics Manager include providing information of complaints that may lead to criminal risk to Red Eléctrica Group companies, so that the Group's Criminal Compliance Committee, of which it is a member, may be able to assess these complaints and, where appropriate, initiate investigations into the event until a conclusion has been reached.

In 2021, as occurred in previous financial years, the Ethics Manager did not receive any reports concerning breaches related to criminal risks, and none of Red Eléctrica Group's companies were under investigation or convicted by any court of law for breaches related to criminal risks at the organisation.

4. Ethics and Compliance Culture

Awareness, training, and sensitisation are fundamental elements for the development of a culture of ethics and compliance and must adapt to the needs and responsibilities of the functional areas and fields in Red Eléctrica Group affected.

During 2021 an e-learning course on "Ethics and Compliance" has been designed and implemented to raise awareness and sensitise all members of the organisation on ethical values, principles and behaviour guidelines in the Code of Ethics and Conduct and the principles of the Compliance Policy. Through this training, the Groups provides the company's professionals the tools necessary to settle possible situations of risks in the development of their duties and responsibilities, as well as the existing means to communicate any matter related to ethics and compliance.

Before launching the course, an internal communication campaign was done, which included the sending of an e-mail by the Chairperson of the Red Eléctrica Group to all group employees in which, in addition to showing their commitment to ethics and compliance, the Chairperson invited them to participate in this course.

At closing date, the course was successfully completed by 83% of the people at Red Eléctrica Group, exceeding the goal set at 80%. This course is part of the plan to integrate new hires in the Group.

5. Supplier's Code of Conduct

Red Eléctrica Group has a specific code for its suppliers, which highlights the monitoring of the respect for human rights and compliance with occupational and environmental safety requirements by its supplier in the development of their products or services required by the company, whether they have been carried out directly or through other companies.

As a result of the approval of the Code of Ethics and Conduct, in 2020 a review and update were carried out on the Suppliers' Code of Conduct with the aim of ensuring the appropriate alignment between the two documents.

Red Eléctrica makes available to its interest groups, as well as to other media, the Ethics and Compliance Channel, to facilitate the reporting of breaches to the Code of Conduct on the part of Red Eléctrica suppliers, ensuring their full confidentiality.

During 2021, with the aim of ensuring the correct compliance with the Code of Conduct for Suppliers, social audits were carried out on 35 suppliers. As a result of the audits, 7 action plans have been agreed with 6 suppliers, allowing the supplier to develop and confirm the improvement implemented.

6. Integrity and transparency

The Code of Ethics and Conduct and the corresponding queries and complaints management system, which include aspects related to the fight against corruption, constitutes an efficient mechanism for the detection and processing of possible cases of corruption and fraud. Governance bodies, managers, and the rest of the workforce at Red Eléctrica Group have to adapt their behaviour to the content of the Code of Ethics and Conduct, and suppliers to the Code of Conduct for company suppliers.

As a result of the commitment undertaken by Red Eléctrica to prevent any practice related to corruption, bribery or facilitation payment, the parent company's Board of Directors approved, on December 22nd, 2015, the "Guide for corruption prevention: zero tolerance", as a fundamental element of Red Eléctrica Group's integrity model. Its purpose is to provide an orientation guide in the field of corruption prevention for all professionals of the companies of the Red Eléctrica Group, setting out the commitments and criteria for action that, for this purpose, should govern their professional activity within the Group. Its purpose is to provide Red Eléctrica Group's members with an analysis of the circumstances and risks they face in terms of corruption, as well as moving forward in the dissemination of criteria and instruments the company has at its disposal for its eradication.

The Group has a criminal compliance and anti-bribery system that aims to identify the rules, procedures, and tools in place in the Group to prevent non-compliance with the criminal legislation applicable to the company and its personnel. Thus, it is added to the due control exercised by Red Eléctrica Group is the management and prevention of criminal risks that may affect it in accordance with its activity and business sector.

In 2021 the certification of the Criminal and Anti-bribery Compliance System of Red Eléctrica Group's parent company (Red Eléctrica Corporación) and of its subsidiary company Red Eléctrica de España was followed up, in accordance with the standards UNE 19601 Management system for criminal compliance and UNE-ISO 37001 Anti-bribery management systems.

Over the last year, no complaint has been registered through the ethics channel regarding possible cases of corruption. No company in Red Eléctrica Group has been investigated or sentenced by a court of law for breach related to corruption cases, like in previous years.

7. Acknowledgements and alliances

In the field of external acknowledgements, the leadership of Red Eléctrica in the "Code of business conduct" criteria in the assessment by S&P Global which is determined by Dow Jones Sustainability Index should be highlighted. Red Eléctrica obtained the highest score possible (100 out of 100 points) in this section, while it also attained a maximum score of 100 in the assessment and leadership in its sector.

Among the initiatives in which Red Eléctrica Group has participated in order to drive business ethics, it is worth pointing out its situation as a premium member of the "Corporate Integrity Forum" of NGO Transparencia Internacional España. The Forum brings together large-sized companies that are committed to driving forward and developing a company compliance, integrity, and transparency culture. It offers a space for reflection, analysis and debate, a place of exchange for perspectives, know-how and experiences in areas linked to regulatory compliance, corruption prevention, corporate transparency and best practices, with aim of collaborating with continual improvement in its members' integrity models.

Furthermore, Red Eléctrica Group is a member of the Spanish Compliance Association (ASCOM, in Spanish) and is part of the group of large-size companies that make up the Forética Cluster of Transparency, Good Governance, and Integrity.

8. Main measures to be promoted in 2022

Highlighted below are the relevant issues in which advancements are being made or analysed in the area of ethics and conduct management:

Preparing an action protocol to internally investigate irregularities and breaches linked to the Ethics Management and Compliance System in the Group.

The purpose of this initiative is to provide Red Eléctrica Group with common action criteria to be applied by the different Group companies in investigations linked to the Ethics Management and Compliance System, as well as the steps to take in the investigation and the nature of the actions to apply, among other.

Review and update of the Corruption and Bribery Prevention Guide

The aim of this initiative is to adapt the Corruption Prevention Guide to Red Eléctrica Group's Code of Ethics and Conduct, strengthening the management, prevention, control, and monitoring mechanisms required by a system that has been developed in compliance with standards UNE 19601 and ISO 37001.

Ethics and compliance relationship model for companies where there is not a majority stake from Red Eléctrica Group.

The aim of this initiative is to establish homogeneous criteria to be applied in the field of ethics and compliance by the companies where Red Eléctrica Group does not have a majority stakeholder, to be aligned with the Ethics and Compliance Management System.