

redeia

Valuing the essentials



APPOINTMENTS AND
REMUNERATION COMMITTEE
19 February 2024

**Appointments and
Remuneration Committee
Activities Report for 2023**

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1 Introduction

In accordance with section 18.6(a) of the Board Regulations of Redeia Corporación, S.A. (the "**Company**"), the Appointments and Remuneration Committee's Annual Action Plan for 2024 directs that an annual report on the activities carried out by the Committee in 2023 should be drawn up, and that is the purpose of this document.

Article 24 of the Articles of Association deals with the structure, composition, functions, and duties of the Appointments and Remuneration Committee (the "**Committee**"), implemented by sections 17 and 18 of the Board Regulations. Both these sets of corporate rules are fully in line with the latest amendments to the Corporate Enterprises Act, the Code of Good Governance of Listed Companies, and the most recent international practices and recommendations concerning the composition of committees and the independence and qualifications of committee members.

2 Composition

Article 24.1 of the [Articles of Association](#) and section 17 of the [Board Regulations](#) stipulate the composition of the Appointments and Remunerations Committee. According to those provisions, the Committee is to consist of three (3) members appointed from among the non-executive directors, and the majority of its members must be independent directors. Pursuant to the Articles of Association and the Board Regulations, the Committee's Chair is to be an independent director chosen by the Committee from among its members, and the Board Secretary is to act as Secretary. The Committee is currently made up exclusively by external directors, and both the Chair and the majority of its members are independent directors, following the recommendations of Technical Guide 1/2019 on Appointments and Remuneration Committees approved by the Spanish National Securities Market Commission on 20 February 2019 ("**Technical Guide 1/2019**").

The Board appoints, reappoints, and removes Committee members at the proposal of the Board Chair subsequent to a report by the Appointments and Remuneration Committee, endeavouring to ensure that they have the knowledge, skills, and experience suited to the Committee's functions. Committee members are appointed to terms not to exceed four (4) years. They may be reappointed, and they cease to sit on the Committee when they cease to be directors or whenever the Board decides subsequent to a report by the Appointments and Remuneration Committee. The Chair must be replaced every four (4) years and may be reappointed.

The composition of the Committee from 1 January 2023 to 31 December 2023 was as follows:

Director	Position	Director category
Socorro Fernández Larrea	Chair	Independent non-executive
Ricardo García Herrera	Member	Proprietary non-executive (SEPI)
Marcos Vaquer Caballería	Member	Independent non-executive

Accordingly, in compliance with the requirements set forth in the Company's regulations and corporate governance best practice, 66.66% of the members of the Appointments and Remuneration Committee are independent directors, including its Chair, and 33.33% proprietary directors, and no executive director sits on this Committee. Furthermore, 33.33% of the Committee members are women, a figure that has remained constant since 2021.

No Appointments and Remuneration Committee members were appointed, reappointed, or removed in 2023.

The Company has clear and objective criteria in place regarding the composition of the Appointments and Remuneration Committee that are in line with the recommendations contained in Technical Guide 1/2019. When there are vacancies on the Board, any director may approach the Appointments and Remuneration Committee and propose candidates that it might consider suitable.

All the Committee members have been appointed having in mind their proven capacity to discharge the functions entrusted to the Committee as a result of their broad experience, skills, and knowledge, including in relation to corporate governance, analysis and strategic assessment, assessment of suitability requirements for performing senior management duties and designing remuneration policies and plans for directors and the executive team as may be necessary under the regulations applicable to the Company, etc. Diversity of opinion within the Committee is encouraged so that each member may act in accordance with their personal criteria. The Chair has prior experience as a director or member of senior management at companies comparable in size and complexity.

Details on the members of this Committee and their professional career are available on the Company's [website](#).

The Secretary of the Committee was Carlos Méndez-Trelles García, current Board Secretary, by virtue of his appointment to that position by the Company's Board at the proposal of the Appointments and Remuneration Committee on 26 May 2020.

3 Responsibilities and activities

Article 24 of the [Articles of Association](#) and sections 17 and 18 of the [Board Regulations](#) deal with the Appointments and Remuneration Committee's structure, composition, and functions. In carrying out its duties, the Committee applies the basic principles of independence and scepticism, constructive dialogue promoting free expression by its members, internal dialogue and sufficient analytical capacity, and the use of experts as recommended in Technical Guide 1/2019.

The Committee's functions include, among others, those related to appointments, performance, and removal of directors and executives who report directly to the Board Chair or the Company's Managing Director, to remuneration, to compliance with the duties of directors and with corporate governance and sustainability rules and policy in coordination with the Sustainability Committee and in relation to the group's employees.

The Committee meets with the appropriate frequency to discharge its duties properly. In any case, it must meet at least on a quarterly basis, when called by its Chair or at the request of two of its members, and whenever the Board or the Board Chair requests it to issue a report or submit proposals.

Section 17.5 of the Board Regulations stipulates that meetings may be called, furnishing the associated documents, by electronic means that ensure suitable security and confidentiality of the notice of meeting and the related documents.

This call notice, which must include the agenda, is to be sent by the Committee's Chair or Secretary to each Committee member at least three days before the scheduled meeting date, except in cases of emergency where a meeting needs to be called in a shorter period of time.

Section 17.7 of the Board Regulations establishes the possibility that Committee meetings may be held by conference call, video conference or by any other means of remote communication that allow them to be held, provided that all Committee members agree.

Committee meetings may be held when attended by a majority of its members and may pass decisions or recommendations by an absolute majority of votes of the directors attending the meeting in person or by

proxy. To better perform its functions, the Committee may engage independent professionals and may also access any type of information or documents of the Company that it needs to perform its functions.

3.1 Activities performed in 2023

At its meeting held on 14 December 2022, the Appointments and Remuneration Committee approved its Annual Action Plan for 2023, having in mind the responsibilities assigned to it in the Articles of Association and the Board Regulations. An Action Plan is approved and evaluated annually.

The Committee's Chair reports to the Board on the Committee's activities at the next Board meeting held after each Committee meeting and makes the session documents and a copy of the meeting minutes available to all directors on the intranet's "directors portal". The Board and the Company's management have provided the Committee with adequate, timely, and sufficient access to information, ensuring that the Committee has sufficient resources to carry out its mission.

The Committee also consults with the Board Chair and the CEO, especially in matters relating to executive directors and members of senior management.

The Appointments and Remuneration Committee met 14 times in 2023, 3 times as an extraordinary meeting, and it reported to the Board on all its meetings, both ordinary and extraordinary, in particular on the activities carried out by the Committee. Committee meetings were held well in advance of the Board meetings.

All the Committee members were present at all the meetings, either in person or by video conference. There were no absences and no attendance by proxy. That is, of the 42 possible times members could have been present, the attendance rate was 100%.

The Board Chair and the CEO do not attend Committee meetings. In 2023, the Corporate Chief Financial Officer, the Corporate Director of Transformation and Resources, the Corporate Director of Institutional Relations, Communication, and Territorial Affairs, the Corporate Director of Sustainability and Studies, the Management Control Director, the Investment Projects and Transport Management Director, the Director of Risk Management and Internal Audit, the Technology and Innovation Director, the Corporate Development Director, the Managing Director of the Telecommunications Business, the Managing Director of International Business, the Regulatory and Legal Affairs Director, the Managing Director of Operations, the People and Culture Director, the Organisation, Compensation, and Employment Relations Department Head, the Corporate Governance Department Head, the Transformation Coordination Project Department Head, and the Occupational Safety and Welfare Department Head all attended some of the Committee's meetings upon invitation by the Chair at the request of the Committee itself, in all cases solely to report on matters within their areas of responsibility and with safeguards to protect the independent functioning of the Committee in place at all times.

The external remuneration adviser (Willis Towers Watson) attended 3 meetings to contribute to the consideration of agenda items related to its competencies.

The main tasks performed by the Committee in 2023 included the following:

Appointments, performance, and removals (section 18.1 of the Board Regulations):

- Analysis of proposals for authorisation of the appointment and reappointment of directors at Redeia companies, favourable reports, and submission to the Board.
- Submission of a proposal to reappoint an independent director to the Board for subsequent submission to the Annual General Meeting.
- Submission to the Board for the approval of a proposal to update the Board's Competitive Matrix and favourable report.

Remuneration (section 18.2 of the Board Regulations):

- Approval of the proposed definition of Redeia's Business and Management Objectives and the System Operator's Company and Management Objectives for 2023.
- Approval of the proposal on compliance with the business and management objectives and the targets of the members of the Executive Committee and the Chief Operating Officer for 2022.
- Evaluation of the proposed definition of the Objectives of the Executive Committee and the Operations Department for 2023.
- Submission to the Board of the proposed annual remuneration of the Board for its non-executive functions, for all items, for 2023.
- Submission to the Board, for its approval, of the Annual Directors' Remuneration Report for 2022 for subsequent submission to the Annual General Meeting.
- Monitoring of the objectives of the Long-term Incentive Plan for the Energy Transition, Reduction of the Digital Divide, and Diversification (2021-2025 Plan).
- Analysis and monitoring of the annual share allocation programme for Redeia's employees, members of management, and executive directors in 2023.
- Monitoring of the business and management objectives and the targets of the Executive Committee and Chief Operating Officer for 2023.
- Approval of the proposed amendment to the 2023 objectives of the Company, Management, Executive Committee, and Chief Operating Officer.
- Analysis of the proposed annual share allocation programme for Redeia's employees, members of management, and executive directors, favourable report, and submission to the Board for approval.

Corporate Governance rules and activities (section 18.4 of the Board Regulations):

- Analysis of the Board's Self-Assessment Report for 2022 and submission to the Board for approval.
- Monitoring of the Board's self-assessment process Action Plan for 2021.
- Monitoring of implementation of the 2023 action plan for the Board's protocol for engaging with Redeia employees.
- Analysis of the tracking chart for resolutions passed by the Board, favourable report, and submission to the Board.
- Submission of the proposed Annual Corporate Governance Report for 2022 to the Board.
- Analysis of the Annual People Management Report for 2022.
- Submission of the proposed 2023 Action Plan to the Board for approval.
- Assessment of the 2022 work-life balance survey.
- Evaluation of proposals concerning the notice of meeting, agenda, resolutions, and reports for the Annual General Meeting in 2023; the procedure for appointing proxies, voting, and remote information ahead of Annual General Meetings; the procedure for attending General Meetings by electronic means; the electronic voting procedure; and the rules for the online shareholders forum, favourable report, and submission to the Board.
- Analysis of the report on compliance with the Internal Code of Conduct in the Securities Market.
- Evaluation of progress made in adapting the Ethics and Compliance Channel Management System to the Spanish Anti-Corruption and Whistleblower Protection Act [*Ley 2/2023, reguladora de la protección de las personas que informen sobre infracciones normativas y de lucha contra la corrupción*] and submission of (i) the updated Compliance Policy, (ii) the Ethics and Compliance

Channel Policy and Procedure, and (iii) appointment of the manager in charge of the Ethics and Compliance Channel Management System (Ethics Manager) to the Board for approval.

- Assessment of the annual report on the Criminal and Anti-Bribery Compliance System in 2022.
- Evaluation of the Annual General Meeting Results Report for 2023.
- Analysis of the Ibex-35 Boards Results Report and market trends in remuneration, and analysis of the vote against the Annual Remuneration Report at the Annual General Meeting in 2023.
- Report on progress on structuring the Company's new Annual Corporate Governance Report for 2023.
- Analysis of the Redeia executive team's annual salary update report.
- Analysis proposals on updating the contingency plans for succession of the Chair of the Board and the Company's Chief Executive Officer, favourable report, and submission to the Board for approval.

Sustainability (sections 18.4 and 18.5 of the Board Regulations)

- Assessment of updates to the Corruption and Fraud Prevention Guide.
- Evaluation of the delivery of people policies at a Redeia company.
- Analysis and supervision of the process of reporting non-financial information within the scope of the competencies of the Appointments and Remuneration Committee.
- Periodic analysis and monitoring of the Healthy Organisation Report.
- Analysis of the 2022 Healthy Organisation Report.
- Submission to the Board, for its approval, of the Diversity Report for 2022.
- Submission of the Summary of the 2023-2025 Sustainability Plan to the Board for approval and forwarding to the Annual General Meeting.
- Evaluation and monitoring of Redeia's 2023-2025 Comprehensive Diversity Plan.
- Monitoring completion of the collective bargaining processes undertaken in 2022 and 2023.
- Assessment of the Diversity Key indicators.
- Evaluation of a proposed new approach for the Welfare Indicator.
- Assessment and monitoring of the Multiannual Disability Plan implementing the 2023-2025 Comprehensive Diversity Plan.

Other activities (section 18.6 of the Board Regulations):

- Approval of the Committee's Annual Activities Report for 2022.
- Approval of the Committee's 2024 meeting schedule.
- Approval of the Committee's 2024 Action Plan.
- Evaluation of the Board's annual programme of activities for 2024, favourable report, and submission to the Board for approval.

3.2 Assessment of compliance with the principles and recommendations established by the CNMV (Technical Guide 1/2019)

Pursuant to section 21(3) of the Consolidated Text of the Spanish Securities Market Act enacted by Royal Legislative Decree 4/2015, of 23 October [*Ley del Mercado de Valores, aprobado por el Real Decreto*

Legislativo 4/2015, de 23 de octubre], on 20 February 2019 the Spanish National Securities Market Commission (CNMV) approved the Technical Guide for Appointments and Remuneration Committees.

The purpose of Technical Guide 1/2019 is to provide guidance on the functioning of appointments and remuneration committees and include recommendations for the companies concerned that the CNMV will take into account when performing its oversight function.

The Company's ongoing commitment to implementing international corporate governance best practices has enabled it to comply with the recommendations in Technical Guide 1/2019.

The following is to be noted as regards the Company's Appointments and Remuneration Committee:

- a) The structure, composition, and functions of the Appointments and Remuneration Committee are specified in Article 24 of the Articles of Association and elaborated on in sections 17 and 18 of the Board Regulations, which include, among other aspects, the composition, the requirements for the appointment of its members, the rules of operation, the responsibilities and functions assigned, the means to be placed at its disposal, the rules on the appointment, performance, and removal of directors and senior executives, on remuneration, on compliance with the duties of directors, on regulations and action in matters of corporate governance, and on relations with the employees of Redeia companies. For reasons of legal certainty, it is considered more appropriate to include the Appointments and Remuneration Committee's operating regulations in the Board Regulations, which are published on the Company's corporate website and the CNMV's website and are registered at the Commercial Registry.
- b) The Committee's independence is encouraged by the following:
 - i. It is composed exclusively of non-executive directors, and both the Chair and the majority of its members are independent directors.
 - ii. The remuneration of the Committee members is in accordance with the principle of moderation and is linked to their duties so as to avoid compromising their independence and objectivity.
 - iii. Furthermore, neither the Board Chair nor the CEO participate at Committee meetings.
 - iv. Executives attending Committee meetings do so at the request of the Committee and only in relation to agenda items that fall within their competence.
- c) The Company has not considered it advisable to have a separate Appointments Committee and a Remuneration Committee for the following reasons:
 - Due to the small size of the Board (comprising 12 members, 1 being an executive director) compared with other highly capitalised companies.
 - Also, it is considered that a single committee can fully comply with all the functions that the law and the recommendations attribute to two separate committees.
- d) Ongoing dialogue is kept up with the various stakeholders related to the Committee's own functions. Diversity of opinion within the Committee is encouraged so that each member may act in accordance with their personal criteria.
- e) The Committee members have a proven capacity to discharge the functions entrusted to the Committee as a result of their broad experience, skills, and knowledge, including in relation to corporate governance, analysis and strategic assessment, assessment of suitability requirements for performing senior management duties and designing remuneration policies and plans for directors and the executive team as may be necessary under the regulations applicable to the Company, etc.
- f) A diverse composition in terms of gender, professional experience, competencies, and industry knowledge is sought.

- g) The Committee has an Annual Action Plan and meets often enough to discharge its duties properly, at least once a quarter, though as a rule it meets monthly and reviews and analyses current aspects relating to appointments, performance, and removal of directors and senior executives, remuneration, compliance with the duties of directors, regulations and action in matters of corporate governance, relations with the employees of Redeia companies, etc.
- h) An annual self-assessment of the functioning of the Committee is performed, with external support, within the framework of the Board's annual self-assessment process.
- i) There is a Welcome Programme for new Committee members, part of the Annual Welcome Plan for new directors, known as the Orientation Programme, last updated in May 2021.
- j) There is an Annual Activities and Information Programme for directors which is updated annually and implemented throughout the year.

With regard to the Board's self-assessment and the preparation and updating of the Contingency Plans for the Succession of the Chair of the Board and the Chief Executive Officer, the Appointments and Remuneration Committee has played and plays an essential role in its design, planning and development, in coordination with the independent coordinating director, as explained in more detail in the Company's Annual Corporate Governance Report.

4 Considerations and conclusions

Based on the above, the Appointments and Remuneration Committee assessed its composition and functioning during 2023, and **in its considered opinion**:

- The composition of the Committee was in line with the legal and corporate provisions for such, being made up of members that have the relevant expertise in relation to the Committee's functions, with the majority of Committee members being independent directors.
- The Committee met more frequently than the minimum stipulated in section 17 of the Board Regulations, whenever necessary in view of the matters to be addressed.
- All Committee meetings were attended either in person or by video conference by all its members, who before the meetings had the necessary information in relation to the different agenda items at their disposal so that they could deliberate and take informed decisions.
- Lastly, the Committee performed all the functions assigned to it, both under regulations and those contained in the Articles of Association and Board Regulations, and also in accordance with the Recommendations of the Code of Good Governance of Listed Companies and Technical Guide 1/2019 on Appointments and Remuneration Committees.

In accordance with the above, it can be concluded that in terms of composition, frequency of meetings, attendance, and informed participation of its members, the Appointments and Remuneration Committee has complied with the rules stipulated by law and in the Company's corporate texts and that the Committee dealt with the matters within its competence in 2023.

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Valuing the essentials