

redeia

Valuing the essentials



# Audit Committee Activities Report for 2023

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## 1 Introduction

Under Section 16.6(a) of the Board Regulations of Redeia Corporación, S.A. (the "**Company**"), the Audit 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 23 of the Articles of Association deals with the structure, composition, functions, and duties of the Audit Committee (the "**Committee**"), implemented by sections 15 and 16 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 23.1 of the [Articles of Association](#) and section 15.1 of the [Board Regulations](#) stipulate the composition of the Audit Committee. According to those provisions, the Committee is to consist of four (4) members appointed from among the non-executive directors, and the majority of its members must be independent directors. Currently, 75% of the members of the Committee are 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 Board appoints, reappoints, and removes Committee members at the proposal of the Board Chair subsequent to a report by the Appointments and Remuneration Committee. 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 by the Committee's members from among its independent directors after one (1) year has elapsed after replacement.

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

Director	Position	Director category
Antonio Gómez Ciria	Chair	Independent non-executive
Mercedes Real Rodrigálvarez	Member	Proprietary non-executive (SEPI)
José María Abad Hernández	Member	Independent non-executive
José Juan Ruiz Gómez	Member	Independent non-executive

Accordingly, 75% of the Committee's members are external independent directors and 25% proprietary directors. In accordance with the Company's internal rules and applicable current law, no member is an executive director. Furthermore, 25% of the Committee members are women, a figure that has remained constant since 2021.

No Audit Committee members were appointed, reappointed, or removed in 2023.

The directors making up the Committee are particularly well qualified for their positions. They have extensive professional experience, in positions of the highest responsibility outside Redeia, where they performed duties related to those entrusted to the Committee. According to their professional profiles, the members are knowledgeable and experienced in accounting, auditing, and financial and non-financial risk management, and this was taken into account when appointing the Committee as a whole, in particular when appointing its Chair, as stipulated in section 529 quaterdecies Corporate Enterprises Act, Recommendation 39 of the Code

of Good Governance of Listed Companies, and section 15.2 of the Board Regulations, which further provides that the members of the Committee as a whole must have the relevant technical knowledge in the sectors in which the companies in the Redeia group are active. The Chair has prior experience as a member of audit committees or as a director or member of senior management at companies comparable in size and complexity.

The Company also has clear criteria concerning the composition of the Committee. Accordingly, the composition of the Committee is in line with the criteria set forth in Technical Guide 3/2017 on Audit Committees at Public Interest Entities published by the Spanish National Securities Market Commission on 27 June 2017 ("**Technical guide 3/2017**").

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 Secretary of the Board, 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.

There should be a unit in charge of the internal audit function under the supervision of the Audit Committee to monitor the effectiveness of internal reporting and control systems. According to Recommendation 40 of the Code of Good Governance of Listed Companies, this unit should report functionally to the Audit Committee.

Regular information for reviewing the quality and efficiency of the external auditor was received at the various meetings with the auditor. This highlights the smooth communication between the Committee and the Auditor as recommended in Technical Guide 3/2017 and has facilitated the Committee's assessment.

### 3 Responsibilities and activities

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Article 23 of the [Articles of Association](#) and sections 15 and 16 of the [Board Regulations](#) deal with the Audit Committee's structure, composition, and functions. In carrying out its duties the Committee applies the basic principles of responsibility, scepticism, constructive dialogue promoting free expression by its members, ongoing dialogue with the internal audit, the auditor, and management, and using experts to assure sufficient analytical capacity, as recommended in Technical Guide 3/2017.

Among other functions, the Audit Committee is tasked with supporting the Board in monitoring the process of preparing the Company's economic/financial and non-financial information and internal control and risk management systems, in supervising relations with external auditors, compliance with legal and internal regulations, and the relationship with the Company's shareholders in matters within its competence, in reporting on related-party transactions that must be approved by the General Meeting or the Board, and in supervising internal procedures established by the Company. In recent years the separate and consolidated financial statements submitted to the Audit Committee for approval by the Board have previously been certified by the Chief Executive Officer and the Corporate Chief Financial Officer in keeping with salient corporate governance recommendations.

The Committee must meet at least on a quarterly basis and when called by its Chair or at the request of two of its members, and whenever the Board or the Board Chair asks it to issue a report or submit proposals.

Section 15.4 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 15.6 of the Board Regulations establishes the possibility that Committee meetings may be held by conference call, video conference, or 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 13 December 2022, the Audit 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 and Recommendation 41 in the Code of Good Governance of Listed Companies. An Action Plan is approved and evaluated annually.

In accordance with the recommendations set out in Technical Guide 3/2017, 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 Audit Committee met 11 times in 2023, reporting to the Board on the Committee's activities the same number of times.

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, i.e., of the 44 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, in accordance with Recommendation 43 in the Code of Good Governance of Listed Companies, the Director of Internal Audit and Risk Management, the Corporate Chief Financial Officer, the Corporate Director of Sustainability and Studies, the Corporate Director of Transformation and Resources, the Management Control Director, the Economic Director, the Finance Director, the Chief Information Technology Officer, the Regulatory and Legal Affairs Director, the Procurement Director, the Corporate Development Director, the Sustainability Department Head, the Risk, Compliance, and Quality Control Department Head, the Transformation Coordination Project Department Head, the Internal Audit Department Head, the Chief Information Security Officer (CISO), and the Tax Department Head 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 Director of Internal Audit and Risk Management attended eleven (11) meetings, and the Internal Audit Department Head attended 3 Audit Committee meetings to contribute to agenda items relating to matters within their competence. The Chair of the Sustainability Committee attended the meeting held on 21 February 2023 to discuss the review of the Non-Financial Information Statement (NFIS) included in the group's Consolidated Management Report.

The external auditor attended 3 meetings, and the non-financial information verifier 2 meetings, each for agenda items relating to areas of their responsibility.

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

*Financial and non-financial information (section 16.1 of the Board Regulations):*

- Assessment of the periodic economic and financial reporting and favourable report to the Board.
- Analysis and approval of the accounting and tax criteria applied for Redeia at year-end 2022.
- Favourable report to the Board, for its approval, on the proposed renewal of the Annual European Commercial Paper (ECP) Programme and subsequent analysis of the Prospectus. Subsequent analysis of the Information Prospectus.
- Analysis of the quarterly reports monitoring the main investment projects.
- Analysis and approval of the content of the sections of the Annual Corporate Governance Report for 2022 within the scope of the competencies of the Audit Committee.
- Assessment of the Company's financial statements and management report and of the group's consolidated financial statements and management report for 2022 and favourable report to the Board. Review of the non-financial information statement.
- Evaluation of the additional reports prepared by the external auditor, KPMG, in compliance with Article 11 of Regulation (EU) No 537/2014 of the European Parliament and of the Council and section 36 of Spanish Audit Act [*Ley 22/2015 de 20 de julio de Auditoría de Cuentas*].
- Analysis of the proposed distribution of the Company's profits in 2022, including, e.g., the proposed approval of a supplemental dividend charged to 2022 profits, and favourable report to the Board.
- Analysis of the reporting of the 2022 results and the quarterly and half-yearly results for 2023 and favourable report to the Board.
- Assessment of the analysis of the profitability of diversification investments and report to the Board.
- Analysis of the proposed renewal of the Annual EMTN Programme and subsequent analysis of the Prospectus and favourable report to the Board for approval.
- Analysis of the estimated results for the year-end 2023.
- Analysis of the tax criteria for settling the Corporation Tax and other taxes for 2022.
- Assessment of the Consolidated Financial Statement and Consolidated Interim Management Report for the first half of 2023 and of the draft external auditor's limited review report on them and favourable report to the Board.
- Analysis of the proposed allocation of an interim dividend in 2023 and favourable report to the Board for approval.
- Approval of the schedule for the 2023 financial close.
- Analysis of the Company's share price trend.
- Assessment of the tax transparency report for 2022 to be submitted to the Tax Authority and the tax transparency report for 2022 to be published on the website.
- Analysis of the country-by-country report for 2022 that has to be submitted to the Spanish tax authorities.
- Analysis of the Redeia budget for 2024 and favourable report to the Board for approval.

*Internal control and risk management systems (section 16.2 of the Board Regulations):*

- Analysis of the annual report on the 2022 Compliance System, and the 2023 Activities Plan.
- Analysis of the follow-up report on the Annual Activities Plan for the Integrated Risk Management System (IRMS) for 2022 and the Annual Activities Plan for 2023.
- Analysis of the report on key risk indicator trends as at 31 December 2022.
- Analysis of the Redeia Risk Map.
- Assessment of the proposed update to the Corruption and Fraud Prevention: Zero Tolerance Guide, favourable report, and submission to the Board for approval.
- Analysis of the annual report on the Criminal and Anti-Bribery Compliance System for Redeia in Spain for 2022.
- Analysis of the Key Risk Indicators quarterly performance.
- Analysis of the planning of the annual external audit work and of the review of ICFR for 2023 by the external auditor.
- Analysis of the high-level risk situation and special monitoring report for the first half of 2023.
- Analysis of the follow-up report on the Criminal and Anti-Bribery Compliance System for the first half of 2023.

*Internal audit services (section 16.2 of the Board Regulations):*

- Assessment of progress made in delivering Redeia's Internal Control over Non-Financial Reporting (ICNFR) System (2022 and 2023).
- Analysis of the quarterly reports on the internal audits carried out in the fourth quarter of 2022 and the subsequent quarters of 2023 and the results of each of those audits and on compliance with Internal Audit recommendations.
- Analysis of the Annual Report on Internal Audit Activities for 2022.
- Analysis of the Internal Auditor's Report on the Internal Control over Financial Reporting (ICFR) for 2022.
- Approval of the Annual Internal Audit Plan for 2024.
- Approval of the budget, means and resources of the Internal Audit service for 2024.
- Assessment of the status of cybersecurity in a Redeia company.

*External auditors (section 16.3 of the Board Regulations):*

- Analysis and approval of the report on the independence of the external auditor issued by KPMG Auditores, S.L. in accordance with Recommendation 6 of the Code of Good Governance of Listed Companies.
- Assessment and approval of contracting with Ernst & Young, S.L. (EY) and its fees for audit services for other audit-related services in 2023.
- Evaluation and approval of the updated fees of Ernst & Young, S.L. (EY) for 2023.
- Analysis of the external auditor's reports on the financial statements for 2023 and the preliminary external auditor's report for 2023.
- Evaluation of the findings of the external auditor's report on the group's certified management systems for 2023.



#### *Compliance with internal legal and regulatory provisions (section 16.4 of the Board Regulations):*

- Analysis of periodic occupational health and safety reports.
- Analysis of various related-party transactions and favourable report to the Board for approval.
- Analysis of the annual activity report and monitoring of internal regulations in 2022 and the first half of 2023.
- Analysis of the annual management report on the Code of Ethics for 2022.
- Analysis of the annual 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*].
- Analysis of the half-yearly report on the approval of delegated related-party transactions for the first half of 2023.
- Analysis and approval of the Annual Related Transactions Report for 2022.

#### *Company shareholders (section 16.5 of the Board Regulations):*

- Assessment of the resolutions proposed by the Board at the Annual General Meeting on matters within its competence.
- Analysis and approval of the external audit of the management procedures of the Annual General Meeting held in 2022.
- Follow-up on possible initiatives, suggestions, and complaints raised by shareholders during the year: No initiatives, suggestions, or complaints from shareholders were received in 2023.

#### *Other activities (section 16.6 of the Board Regulations):*

- Appointment of the external auditor for the additional annual review of accounting separation of Red Eléctrica de España, S.A.U.'s transmission activities and operation of the mainland and non-mainland systems in 2022.
- Evaluation of Redeia's Corporate Insurance Programme for the second half of 2022 and first half of 2023.
- Approval of the Audit Committee's Annual Activities Report for 2022.
- Assessment of the annual report on the measures implemented to ensure suitable independence of the Organic Unit acting as Transmission Network Manager and System Operator for 2022.
- Evaluation of Redeia's 2023-2025 comprehensive security strategy.
- Approval of the Committee's 2024 meeting schedule.
- Approval of the Committee's 2024 Action Plan.

At the meeting held on 21 February 2024 at which the Audit Committee approved its 2023 Activities Report, the Committee carried out the following activities in respect of 2023:

- Review of the Company's and its consolidated group's financial statements, the external auditor's report, and the non-financial information statement for 2023.
- Analysis of the proposed distribution of profits and payment of dividends for 2023 by the Company.

Ernst & Young, S.L. (EY), the external auditor of the Company and its group and the Non-Financial Information Verifier, attended that meeting to provide the Committee with the relevant explanations and



details. The Sustainability Committee Chair also attended the above Audit Committee meeting to help in reviewing the Non-Financial Information Statement (NFIS), which has been included in the consolidated group's Management Report.

The Committee's reports were favourable in both cases.

At its meeting on 21 February 2024, the Committee reviewed the question of auditor independence and confirmed the independence of the external auditor based on the information provided by the external auditor (EY). In performing this evaluation the following were considered: (i) the remuneration paid to the external auditor for its audit services and services of any other type; (ii) the non-audit services provided by the external auditor (it was confirmed that requirements for independence under the applicable legislation had been met); and (iii) potential personal situations affecting the external auditor or persons carrying out the audit work in the group. The external auditor submitted written confirmation of its independence from Redeia.

The Audit Committee identified no aspects calling into question compliance with audit regulations on auditor independence currently in force in Spain. More particularly, the Committee confirmed that no aspects of this kind that might compromise external auditor independence had been found. The external auditor's independence report has been published on the Company's website pursuant to Recommendation 6 of the Code of Good Governance of Listed Companies.

Consequently, the Committee approved the report on the independence of the external auditor of the Company and its subsidiaries.

### 3.2 Assessment of compliance with the principles and recommendations established by the CNMV (Technical Guide 3/2017)

On 27 June 2017 the Spanish National Securities Market Commission (CNMV) approved the Technical Guide for Audit Committees of Public Interest Entities under sections 21(3) and 21(4) of the consolidated text of the Securities Market Act (*Ley del Mercado de Valores*), enacted by Royal Legislative Decree 4/2015, of 23 October.

Technical Guide 3/2017 is currently under review by the Supervisor to take into account (i) certain aspects relating to non-financial risk supervisory functions, sustainability in particular, and (ii) applicable sustainability reporting. Therefore, the Company too is reviewing its internal regulations as they apply to the Audit Committee to adapt them to the Supervisor's update to the guide as necessary.

In any case, Technical Guide 3/2017 is intended to provide guidance on the functioning of audit committees and includes recommendations for the companies concerned to be taken into account by the CNMV 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 3/2017, as explained in the Company's Annual Corporate Governance Report.

In view of the recommendations in Technical Guide 3/2017, the following should be noted as regards the Company's Audit Committee:

- a) The structure, composition, and functions of the Audit Committee are specified in Article 23 of the Articles of Association and elaborated on in sections 15 and 16 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 relationship of the Committee with the Board and shareholders, the rules on communication with the External Auditor and the internal auditor, the assessments performed by the Committee, and the reports to be issued. For reasons of legal certainty, it is considered more appropriate to include the Audit 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) To ensure the External Auditor's full independence, the corresponding Articles of the Articles of Association and sections of the Board Regulations have been amended to take into account the provisions in this respect in the revised version of the Corporate Enterprises Act.
- d) Ongoing dialogue is kept up with the various stakeholders related to the Committee's own functions. In addition, diversity of opinion is encouraged within the Committee so that each member may act in accordance with their personal criteria.
- e) The Committee members have significant experience in management, financial matters, and business.
- 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 perform its duties properly, at least once a quarter, though as a rule it meets monthly and reviews and analyses current aspects relating to financial and non-financial information, internal control and risk management systems, compliance with legal provisions and internal regulations, and information on occupational health and safety.
- 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.
- k) Redeia has various mechanisms to prevent unlawful transactions, money laundering, and fraudulent concealment or disposal of assets. These notably include the Code of Ethics and Conduct, which includes specific principles and guidelines for conduct related to Tax Liability, the Code of Conduct for suppliers, the Compliance Policy, the Criminal Compliance and Anti-Bribery System Manual, the "Third-Party Due Diligence and Human Rights Guidelines", and the "Corruption and Fraud Prevention: Zero Tolerance Guide", which are available to Redeia's employees, suppliers, and the different stakeholder groups on the corporate website.

## 4 Considerations and conclusions

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

- The composition of the Committee was in line with the provisions of law and the Company's own provisions, consisting of members that have the relevant expertise in relation to the Committee's functions, in particular accounting, auditing and/or financial and non-financial risk management, and the Company's sector of activity, with the majority of Committee members being independent directors.

- The Committee met more frequently than the minimum stipulated in section 15 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. When necessary, the Committee has also consulted external experts for advice.
- 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 3/2017.

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 Audit Committee has complied with the rules stipulated by law and in the Company's corporate texts and that the Audit Committee dealt with the matters within its competence in 2023.

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Valuing the essentials