



Corporate Governance Policy

24th November, 2020



RED
ELÉCTRICA
CORPORACIÓN



I Justification

Article 22 of the Corporate By-laws of Red Eléctrica Corporación S.A. (hereinafter also referred to as 'Red Eléctrica' or the 'Company') provides that the Board of Directors shall approve its internal Regulations with a view to ensuring the highest standards of professionalism and efficiency in the execution of its duties, encouraging the active participation of all its members and placing the interests of the Company and of its shareholders above its own, while upholding the law, the Corporate By-laws and principles of good corporate governance.

Article 6.3 of the Regulations of the Board, which establishes the principles of action of the Board of Directors, states that the Board shall adopt the necessary measures to ensure that the Company, in its relationship with stakeholders, abides by the applicable laws and regulations, and conducts itself according to principles of good faith, ethics and respect for commonly accepted customs and best practices regarding business conduct and reputation, and shall also observe any additional principles regarding sustainability and, in particular, of good corporate governance that it may have voluntarily adopted.

Article 2 of the Regulations of the Board (interpretation criteria) indicates that said Regulations shall be interpreted in accordance with the applicable provisions of the law and the Corporate By-laws, as well as with the principles and recommendations of good corporate governance of listed companies.

Furthermore, Article 5 of the Regulations of the Board, which sets out the duties and responsibilities that the Board must exercise directly and which may not be delegated, establishes that, in particular, the Board of Directors is responsible for directly approving not only the general policies and strategies of the Company and the Red Eléctrica Group (hereinafter also referred to as the 'Group' or the 'Group's companies') but also the Corporate Governance Policy (Article 5.5(a)(vi)). The present document sets out the Corporate Governance Policy of the Red Eléctrica Group (hereinafter also referred to as the 'Corporate Governance Policy' or the 'Policy').

The Board of Directors, at its meeting held on 26 May 2020, approved the new Code of Conduct and Ethics of the Red Eléctrica Group (the fourth edition since the Company was founded), which formalises the commitment of the Red Eléctrica Group regarding the ethics and commitments assumed in relation to the business environment and with the various stakeholders affected by the activities of the Group. The Code serves as an ethical guide to identify and facilitate the commitment to ethical values and to the principles and guidelines of business conduct that shall govern the professional activity within the organisation.

In view of the foregoing, the Corporate Governance Policy shall be applied and interpreted, in all cases, taking into account the various corporate governance rules of the Group and, especially, the ethical values, business conduct guidelines and standards established in the Group's Code of Conduct and Ethics.



II Purpose

In its Code of Conduct and Ethics, the Red Eléctrica Group establishes the ethical values that provide the global framework of business conduct for the Group's professionals, as a fundamental pillar for the development of its mission and vision and its proper functioning, and which must be applied to strengthen the commitment to the various stakeholders, contributing to the achievement of the strategies and the sustained maximisation of the value of the Group. These values, which are embodied in respect, integrity and sustainability, are reflected in the principles governing the Group's Corporate Governance Policy.

This Policy summarises the catalogue of principles that evidence not only the Group's compliance with applicable laws and regulations but also its alignment with the latest national and international corporate governance recommendations and best practices, which Red Eléctrica has been adopting voluntarily since it was first listed on the Spanish Stock Exchange. These principles are incorporated with the firm commitment that they remain and be observed in the organisation in the long term, given that, without prejudice to the fact that they shall be continually updated and will include any commitments undertaken in the future, they form the corporate governance culture of Red Eléctrica.

In this respect, the corporate governance system of the Red Eléctrica Group is based on strict compliance with the Spanish Companies Act and the National Securities Market Act, as well as the application of the highest ethical standards and compliance with the recommendations of good governance generally recognised in international markets, adapted to the needs and business reality of the Red Eléctrica Group. The Company is committed at all times to complying with the recommendations of the Good Governance Code of Listed Companies, last modified in 2020, as well as with the recommendations and current trends of the codes and organisations that are a benchmark in matters regarding corporate governance.

This Policy seeks to align the interests of the Company with those of its shareholders and other stakeholders, by safeguarding and promoting a value shared by all; a value that incorporates economic, social, environmental and good governance criteria, to contribute not only to the sustainability, solvency and good reputation of the Company and the Group vis-à-vis its shareholders and other stakeholders, but also to strengthen trust, stability, the long-term shareholder implication, progress and the socio-economic development of our society.

III Scope of application

The Corporate Governance Policy of the Red Eléctrica Group applies to and is incumbent on



the Company and the subsidiary companies of the Red Eléctrica Group, insofar as it is applicable to them. Furthermore, in those companies in which the Red Eléctrica Group has a stake but does not have effective control, the Company shall promote principles and guidelines in line with those established in this Policy.

IV Principles

The following are the principles that support the Corporate Governance Policy and that inspire the content and application of the internal corporate governance rules of the Group's subsidiary companies, as well as the actions of its governing bodies, serving also as a reference for the Group's actions in its relations with its stakeholders:

- Consolidate, develop and encourage symmetrical dialogue and engagement mechanisms with shareholders, investors and the main stakeholder groups, guaranteeing transparency, active listening and equal treatment in order to improve relations, strengthen commitment and consolidate their trust.
- Promote the informed participation of Company shareholders at General Shareholders' Meetings.
- Adopt the necessary measures in order to ensure that all shareholders are able to adequately exercise their rights at General Shareholders' Meetings.
- Safeguard and protect the highest standards of corporate reputation and other aspects necessary for the generation of trust in the Group.
- Promote sustainability as the Group's commitment to its long-term continuity and success through the creation of shared value for all its stakeholders in the responsible execution of its activities.
- Exercise the necessary control and oversight of the most critical and relevant areas for the Group through the direct undertaking of duties and responsibilities by the Board of Directors, establishing such duties and responsibilities in its Internal Regulations as non-delegable powers.
- Preserve the adequate balance and proportionality of powers in the structure and composition of the administrative bodies of the Group's subsidiary companies by adopting the necessary measures that enable them to act with unity of purpose and independence of criteria, pursuing the interests of the Company and its shareholders, as well as the sustainability of the Group.
- Ensure the existence of appropriate procedures for the selection of Directors, which guarantee the reasonable balance and comprehensive diversity within the Board of Directors in the execution of its mission.
- Consolidate the Group's commitment to diversity in a broad sense, not only in terms of gender but also in terms of experience, knowledge, age, nationality, or length of service in the



position of Directors, among other aspects, in the composition of the Board of Directors and its Committees.

- Safeguard the protection of the employees of the Group's companies.
- Establish adequate mechanisms that delimit the duties and responsibilities of Directors, allowing them to disclose and resolve possible situations of conflict of interest between them and the Group's subsidiary companies.
- Consolidate a remuneration policy for Directors of the Group's subsidiary companies based on the principles of moderation, relationship with their effective dedication, alignment with the strategies and long-term interests of the Group, the Company and its shareholders and other stakeholders, which is incentive in nature but which, due to its amount, would in no way influence the independence of the Director.
- Continue to submit for approval at the Company's General Shareholders' Meeting the Directors' Remuneration Policy, the annual remuneration of the Board of Directors and the Annual Report on Directors' Remuneration.
- Ensure the quality and efficiency of the functioning and performance of the Board of Directors, the Chairperson of the Board, the Chief Executive Officer of the Company, the Board's Committees and the Lead Independent Director, by means of an annual assessment, endeavouring to do so with the support and collaboration of external independent advisors.
- Ensure the independence of the Electricity System Operator and the adequate separation and transparency between regulated activities –transmission and system operation– and non-regulated activities.
- Promote the continuous training of the Board Members on the different areas and activities of the Red Eléctrica Group through an annual programme to update their knowledge and to provide updated information, as well as to facilitate an induction programme (incorporation plan) that provides new Board Members with current knowledge on the Group and the rules of corporate governance.
- Guarantee the orderly succession of the Chairperson of the Board of Directors and of the Chief Executive Officer of the Company, in order to ensure the continuity and sustainability of the Group.
- Maintain the model of separation of functions between the positions of the Chairperson of the Board of Directors and of the Chief Executive Officer in the structure of the Company's Board of Directors, in accordance with the most advanced international standards regarding corporate governance.
- Establish the necessary mechanisms and instruments in order to ensure that the Group identifies, analyses and adopts, where appropriate, the best practices, principles and recommendations in matters of good corporate governance, following the principle of excellence adopted by the Group in the execution of its actions.



- Guarantee the utmost quality and transparency of information regarding the Company and the Group, in such a way that public information is presented in a clear, complete, simple, orderly and comprehensible manner for the various stakeholder groups.
- Review, update and improve, on a permanent basis and further to international standards, the content and structure of the corporate website.
- Consolidate the Company's commitment to innovation and digital transformation, as strategic elements that have a cross-cutting effect on all the businesses and activities of the Group.
- Promote knowledge of the principles and values that inspire the Corporate Governance Policy both internally, in the Red Eléctrica Group, and externally among all its stakeholders.

V Corporate governance practices of the Red Eléctrica Group

Having outlined the principles of this Policy, this section sets out the practices currently observed by the Company and the Group which it undertakes to adopt in compliance with said principles, all of which taken together constitute Red Eléctrica's Corporate Governance Policy.

V.1 Regarding the Company's shareholders

• Engagement

Further to the principle of consolidating, developing and encouraging symmetrical dialogue and engagement mechanisms with shareholders and investors, Red Eléctrica seeks to fulfil the needs of institutional shareholders, given their large presence in the Company's shareholding structure, as well as those of the most relevant proxy advisors and other stakeholders, in order to improve its relations, increase commitment and strengthen their trust, without prejudice to the guarantees and equal treatment enjoyed by other shareholders.

Similarly, in application of the aforementioned principle, Red Eléctrica undertakes to provide its shareholders and the markets with financial information, relevant non-financial information and corporate information on its performance and activities that meets the most demanding criteria in terms of clarity, reliability and integrity. In particular, the non-financial information statement, prepared by the Board of Directors and approved by the General Shareholders' Meeting, aims to reflect the performance of the Red Eléctrica Group in the three areas of sustainability –social, environmental and good governance–, as well as the social dividend generated and shared with its stakeholders.

In addition, the Company has communication criteria with shareholders, institutional investors, proxy advisors and other stakeholders, which respond to the commitment of the



Board with a permanent focus on the transparency of financial, non-financial and corporate information and the relations with its shareholders and other related stakeholders, establishing the principles and guidelines in matters of communication with its stakeholders, which guarantee they can properly exercise their rights and interests and which promote the Company's commitment to shareholders through dialogue which is open, transparent and sustainable.

• **General Shareholders' Meeting**

In application of the principle of promoting the informed participation of its shareholders at General Shareholders' Meetings, the Company publishes and makes available to the shareholders all the documentation related to the different items on the agenda of the General Meetings in a timely a fashion.

In relation to the principle of guaranteeing the proper exercise of the shareholders' rights at General Meetings, the Company implements mechanisms and adopts measures that facilitate the performance of the functions and powers that the Law and the best corporate governance practices confer on the General Shareholders' Meeting.

In addition, Red Eléctrica pays special attention to the shareholders' right to participate in General Shareholders' Meetings, without requiring a minimum number of shares to attend and facilitating the maximum participation of shareholders by setting up electronic and remote communication mechanisms both for the casting of the vote and for the granting of proxies at the Meeting and in addition making it possible to participate in the Meeting via remote means, in accordance with the provisions of the applicable law and the Company's corporate rules.

The Company also undertakes to continue applying the practice of conducting an external audit of the management processes of its General Shareholders' Meetings, which it has already been carrying out for years, with the possibility of extending its scope to other areas of corporate governance, for the benefit of the legal certainty and guarantees afforded to its shareholders.

V.II Regarding the Company's Board of Directors and its Committees

• **Core duties and responsibilities and functioning of the Board**

In order to apply the principle of exercising the necessary control and oversight of the most critical and relevant areas for the Group, the Board has, among other direct and non-delegable responsibilities, the following core duties and responsibilities:

- Approve the essential action guidelines and the general policies and strategies of the Company and of the Group, inter alia, the strategic or business plan of the Company and its Group, the investment and financing policy, the basic structure of the Group of com-



panies, the corporate governance policy, the sustainability policies and the remuneration policy for senior-level executives.

- In addition, approve the control and management policy of the main risks of the Company and the Group, including financial, non-financial and, in particular, those risks related to corruption, and carry out regular monitoring of the internal control, prevention and information systems.
- Carry out effective oversight of the management team.

To carry out the performance of its direct duties and responsibilities, as well as the rest of the functions and responsibilities, the Board of Directors usually holds meetings on a monthly basis, and, at least, once a quarter. Additionally, at the Chairperson's request, it can meet as many times as deemed appropriate for the proper functioning of the Company.

Additionally, the Board meets whenever it is requested by the Lead Independent Director or by at least three of the other directors.

The Board prepares an annual plan for ordinary meetings and has a formal document outlining the matters to be addressed.

• **Balance of powers in the structure and composition of the Board of Directors**

Within the framework of the principle of acting with unity of purpose and impartiality, the Board performs its duties and responsibilities while pursuing the interest of the Company and that of its shareholders, as well as ensuring the sustainability of the Group. To do this, it is necessary to preserve an adequate balance and proportionality of powers in the composition of the Board, whereby it undertakes the following commitments:

– **Independent directors**

Red Eléctrica undertakes to maintain an effective majority of independent directors in the composition of the Board, in all cases proportional to its share capital structure.

Independent directors shall annually sign and deliver to the Company, a declaration of independence in accordance with the model approved by the Board of Directors.

– **Board Committees: An effective majority of independent directors**

This principle, derived from the principle of a majority of independent directors on the Board, applies to all Board Committees irrespective of their legal or regulatory name and type.

The Company has three Board Committees: the Appointments and Remuneration Committee, the Audit Committee and the Sustainability Committee. The three Committees are set up with an eminently technical profile in order to support the Board of Directors in the performance of its duties and responsibilities, with a view to achieving a greater level of efficiency.



► **Appointments and Remuneration Committee**

The Company undertakes to have an Appointments and Remuneration Committee exclusively comprised of non-executive directors, with the majority of its members and its chairperson being independent directors.

Said Committee is attributed powers, *inter alia*, for the appointment and removal of Board members and senior-level executives reporting directly to the Board, the Chairperson or the Chief Executive Officer, as well as those of the directors of the Group's companies; for the oversight of the remuneration policy of the Board of Directors and senior-level executives and of the fulfilment of the duties and responsibilities of the Board members and their observance of the corporate governance rules and principles, in addition to those applicable to the relationship with the employees of the companies of the Red Eléctrica Group. Regarding the latter, it is also responsible for maintaining a permanently updated protocol for relations between the Board and the employees of the Group's subsidiary companies to ensure the adequate protection of their interests, in line with the most advanced international good governance practices and in accordance with the principle contemplated in this Policy of safeguarding and protecting the well-being of the employees of the Group's companies.

► **Audit Committee**

The Company undertakes to have an Audit Committee exclusively comprised of non-executive directors, all of whom are appointed taking into account their knowledge and experience in accounting, auditing and risk management, with the majority of its members and its chairperson being independent directors.

Among other duties and responsibilities, the Audit Committee provides the Board support in the oversight of the financial and non-financial reporting process of the Red Eléctrica Group, of the effectiveness and independence of the internal audit and of the internal control and risk management systems, as well as the monitoring of compliance with legal provisions and internal regulations. It also has the function of serving as a communication channel between the Board and the external auditor, regularly receiving information on the planning of the external audit and its execution, in addition to ensuring the independence of the external auditor and proposing their appointment to the Board for approval.

► **Sustainability Committee**

The creation of the Sustainability Committee is voluntary and does not respond to any legal requirement. The creation of this Committee actually responds to the strategic nature that the Board of Directors gives to sustainability within the Group, thus contributing significantly to strengthening the standing of the Red Eléctrica Group in the fields of sustainability and good governance.

The Regulations of the Board establish that the Sustainability Committee shall be made



up exclusively of non-executive directors, with the majority of its members and its chairperson being independent directors.

Among other duties and responsibilities, the Sustainability Committee is assigned the oversight of the Group's strategy and practices in relation to the Group's 2030 Sustainability Commitment and to the sustainability policies and their link to the Strategic Plan. Furthermore, it oversees compliance of the Group's sustainability policies, aimed at fulfilling the Group's mission, strategy and goals and maximising the Group's contribution to achieving the UN Sustainable Development Goals, in addition to monitoring stakeholder relationship processes and overseeing and coordinating the sustainability reporting process.

– **Non-Delegable powers of the Board of Directors**

Red Eléctrica is committed to maintaining a broad catalogue of direct responsibilities reserved for the Board of Directors in the Board Regulations, without the possibility of being delegated to the Chairperson of the Board, to the Chief Executive Officer or to the Board's Committees.

The Board's policy is to delegate the ordinary management of the Company to the executive bodies and management team and to concentrate on its general oversight function, on the approval of essential operating guidelines and strategies and on decisions that are highly relevant to the interests of the Group.

– **Separation of the powers of the non-executive Chairperson and the Chief Executive Officer**

In line with best international corporate governance practices, the Company has a system in place to maintain the separation of the positions of the Chairperson of the Board of Directors and the Chief Executive Officer of the Company.

The Company has a corporate system in place for the separation of powers between the Chairperson of the Board of Directors and the Chief Executive Officer in the structure and composition of the Board of Directors. This enables the responsibilities for oversight and institutional representation of the Company and of the Group, as well as the role of safeguarding the principle of independence of the Electricity System Operator and the duty of ensuring the adequate separation between regulated and non-regulated activities, which are spearheaded by the non-executive Chairperson, to coexist with the management of the Group's business, managed directly by the Chief Executive officer, therefore establishing an international model of good corporate governance.

– **Lead Independent Director**

The structure of Red Eléctrica's Board of Directors includes a Lead Independent Director, despite the fact that it is not mandatory for the Company as the Chairperson of the Board does not have the status of executive director, and this, together with the responsibilities conferred on the Lead Independent Director, constitutes an efficient corporate



governance practice. Among the Lead Independent Director's functions, note-worthy is that he/she is entrusted with organising possible common positions adopted by independent directors and to act as spokesperson for such common positions vis-à-vis the Chairperson of the Board of Directors, the Board itself and its Committees. Furthermore, the Lead Independent Director is entrusted with the power to call meetings of the Board of Directors for duly justified reasons when such a request has not been dealt with by the Chairperson of the Board.

- Moreover, the Company undertakes to continue carrying out a permanent analysis of other possible additional counterbalancing measures that facilitate the proper balance of powers and responsibilities within the Board and in the structure of the management bodies of the Group's companies.

• **Appointment of Directors**

Red Eléctrica applies the principle of ensuring the existence of appropriate procedures for the selection of Board directors, which guarantee a reasonable balance and comprehensive diversity within the Board of Directors for the proper performance of its role. In this regard, when evaluating the candidates participating in the selection process, the procedure takes into account the competencies, training, experience, professionalism, suitability, age, gender, impartiality, knowledge, qualities, abilities and availability of the members of the Board of Directors at any time, with the Appointments and Remuneration Committee taking on the most important role in this process,

In addition, the Board of Directors has a skills and competencies matrix in place, which is personalised for each director. The Board's skills and competencies matrix is a tool of good governance that facilitates the supervision of the overall and individual balance, diversity and quality of the Board of Directors, at any time, and is aligned with international practices and the most advanced recommendations on corporate governance. The Company undertakes to keep the aforementioned skills and competencies matrix duly updated so that it always remains current and is perfectly aligned with the strategy of the Red Eléctrica Group.

Similarly, the Board of Directors of the Company authorises the appointment, renewal and removal of the directors of the Group's companies.

• **Duties and responsibilities of Directors**

Further to the principle that obligates the Group's companies to establish adequate mechanisms that clearly define the overall duties and responsibilities of directors, and the duties of diligence and loyalty in particular, a complete internal regulation is established in accordance with the provisions of current legislation, the main function of the director is to guide and control the management of the corresponding subsidiary company in order to achieve the interests of the Group.



Among the duties and responsibilities of directors, the following are noteworthy:

- **General duty of care and diligence.** Directors must perform the functions of their position and fulfil the duties imposed by law with the diligence of a prudent business manager, taking into account the nature of the position and the functions attributed to it. Furthermore, directors shall commit the appropriate dedication and attend the administrative body meetings duly informed and prepared, as well as actively participate in all deliberations.
- **Duty of loyalty.** Directors shall carry out their duties with the loyalty of a faithful representative, acting in good faith and in the best interest of the Group's company they represent, and will comply with the duties imposed by law and the internal regulations of the Company and the Group.

In particular, the duty of loyalty obligates the director, *inter alia*, to maintain the confidentiality of all information, data, reports or background materials to which they have had access while in office, even after they cease to be in such post, unless otherwise permitted to or required by law.

- **Directors' duty of disclosure.** Directors must disclose to the Company any holding they have in its share capital, as well as stock options or derivatives linked to the share price, whether this holding is direct or through companies in which he/she has a significant holding.
- **Duty to avoid situations of conflict of interest.** Further to the principle of establishing adequate mechanisms that enable the disclosure and resolution of any potential conflict of interest between the directors and the Group's companies, the Company establishes controls and adopts measures that prevent the director that may potentially be affected from intervening in matters in which he/she may hold a direct or indirect personal interest, in all cases prioritising the corporate interest in any course of action.

• Remuneration policy of Board directors

The Company applies the principle of maintaining a remuneration policy for directors based on the principles of moderation, the director's effective dedication and the alignment between the strategies and long-term interests of the Group, of the Company and its shareholders and other stakeholders, and also includes performance incentives whose monetary value would, in no way, influence on the independence of the Board director. To do this, the Company carries out comparative analyses with other comparable or peer companies and maintains permanent contact with its shareholders and proxy advisors.

In response to the Board's commitment to paying permanent attention to the transparency of information and its relations with its shareholders, the Directors' Remuneration Policy, which contributes to the business strategy, interests and long-term sustainability of the Group and explains how it does so, describes the different components of fixed and variable remuneration –the latter only applicable to executive directors–, highlighting, in particular,



the link between remuneration and the financial and non-financial performance criteria to which it responds in each case.

Red Eléctrica undertakes to permanently review the remuneration scheme of the Board of Directors in order to continue, insofar as possible, to adapt it to international corporate governance standards and to the demands of the Company's shareholders.

In application of the principle of submitting the annual remuneration of the Board of Directors, the Annual Report on Remuneration of Directors and the Directors' Remuneration Policy to the approval of the General Shareholders' Meeting, for many years now the Company has been following the practice of submitting such items as separate topics on the agenda of the General Shareholders' Meetings, thus facilitating the shareholders' right to have a say on each one of the items.

- **Comprehensive diversity in the Board of Directors**

The Company applies the principle of promoting diversity in a broad sense, not only in terms of gender but also considering, among other things, such aspects as the experience, knowledge, age, nationality or length of service in the position of the directors when deciding on the composition of the Board of Directors and its Committees, pursuing diversity as an essential factor that enables it to achieve its objectives from a plural and balanced perspective.

- **Assessment of the Board of Directors**

For many years Red Eléctrica has applied the principle of carrying out an annual assessment of the functioning and performance of the Board of Directors, the Chairperson of the Board, the Chief Executive Officer of the Company, the Board Committees and the Lead Independent Director, endeavouring to do so with the support of independent external advisors. The process is carried out under the supervision of the Appointments and Remuneration Committee, in coordination with the Lead Independent Director, and a summary of the assessment's main conclusions is voluntarily published in the Annual Corporate Governance Report.

- **Directors' training and information plan and induction programme (incorporation plan)**

In application of the principle of providing directors with ongoing training on the various areas and activities of the Company, Red Eléctrica has undertaken to have in place an updated Annual Training and Information Plan for Directors, therefore enabling them to expand their knowledge regarding the Company's various areas and activities, particularly those that are predominantly technical in nature. For many years now, informative sessions have been organised for the Board.

Furthermore, the Company has an Induction Programme for new Board directors that sets out the essential information and documentation to be provided to the same.



- **Contingency Plan for the succession of the Chairperson of the Board and the Contingency Plan for the succession of the Chief Executive Officer**

In application of the principle of guaranteeing the orderly succession of the Chairperson of the Board of Directors and of the Chief Executive Officer of the Company, hence ensuring the continuity and sustainability of the business in the long term, the Company undertakes to provide and keep updated the 'Contingency plan for succession of the Chairperson of the Board' and the 'Contingency plan for succession of the Chief Executive Officer, each setting out the profiles and functions of the positions of Chairperson of the Board and of Chief Executive Officer, and which lay down the actions that should be taken immediately inside the Company if unexpected or unforeseeable events impede the Chairperson of the Board or the Chief Executive Officer from performing their duties during their term of office.

- **Secretary of the Board of Directors**

In application of the principle undertaken by Red Eléctrica to establish the necessary mechanisms and instruments in order to ensure that the Company identifies, analyses and adopts, where appropriate, the best practices, principles and recommendations regarding good corporate governance, the Secretary of the Board of Directors, within the framework of his/her powers established by Law, in the Corporate By-laws and in the Regulations of the Board, provides the Board of Directors and its Committees with the mechanisms and instruments necessary to carry out the identification, analysis, and, where appropriate, a proposal for the adoption of best practices, principles and recommendations in good corporate governance, enabling the Company to monitor the evolution of such practices in the Red Eléctrica Group and to adequately disseminate them among its stakeholders

V.III Regarding the principles of information transparency and dissemination of the Corporate Governance Policy

- *Further to the principle of guaranteeing the utmost quality and transparency of information regarding the Company and the Group, in such a way that public information is presented in a clear, complete, simple, orderly and comprehensible manner for the various stakeholder groups, the Company, in relation to the annual corporate governance information, specifically undertakes to:*

- Approve an Annual Corporate Governance Report that not only complies with the statutory requirements that regulate its structure and content, but also satisfies the most prominent national and international recommendations on corporate governance.
- Approve an Annual Report on the Remuneration of Directors and a Directors' Remuneration Policy, taking into account the main structure and content requirements in accordance with the most noteworthy international standards. Said Report and Policy are submitted for approval at the General Shareholders' Meeting.



- Approve an Annual Report on Diversity on the Board of Directors and within the organisation, which reflects the situation of the Red Eléctrica Group in this field, details the progress and improvements carried out and indicates the most relevant upcoming actions, incorporating, insofar as possible, both the information of the Red Eléctrica Group and of other comparable or peer companies.

When possible and whenever it is deemed convenient, the corresponding annual reports may be subject to external verification by specialised consultants, advisors and auditors, and the Company will also value the opportunity to disseminate the results of such evaluations.

- In view of the principle that establishes the commitment to review, update and improve the content and *structure of the corporate website on a permanent basis*, international standards are taken into account in order to incorporate the most relevant information for stakeholders, and improve the level of accessibility, functioning and quality of information of the same.
- Within the framework of the principle of the promotion of knowledge of the *principles and values that inspire the Corporate Governance Policy both internally, in the Red Eléctrica Group, and externally among all its stakeholders*, Red Eléctrica will carry out whatever actions it deems necessary or convenient to promote such disclosure in an effective way.

This **Corporate Governance Policy** of the Red Eléctrica Group was initially approved by the Board of Directors on 25 November 2014 and was last updated and approved by the Board of Directors on 24 November 2020, coming into force on the same day at its updating.