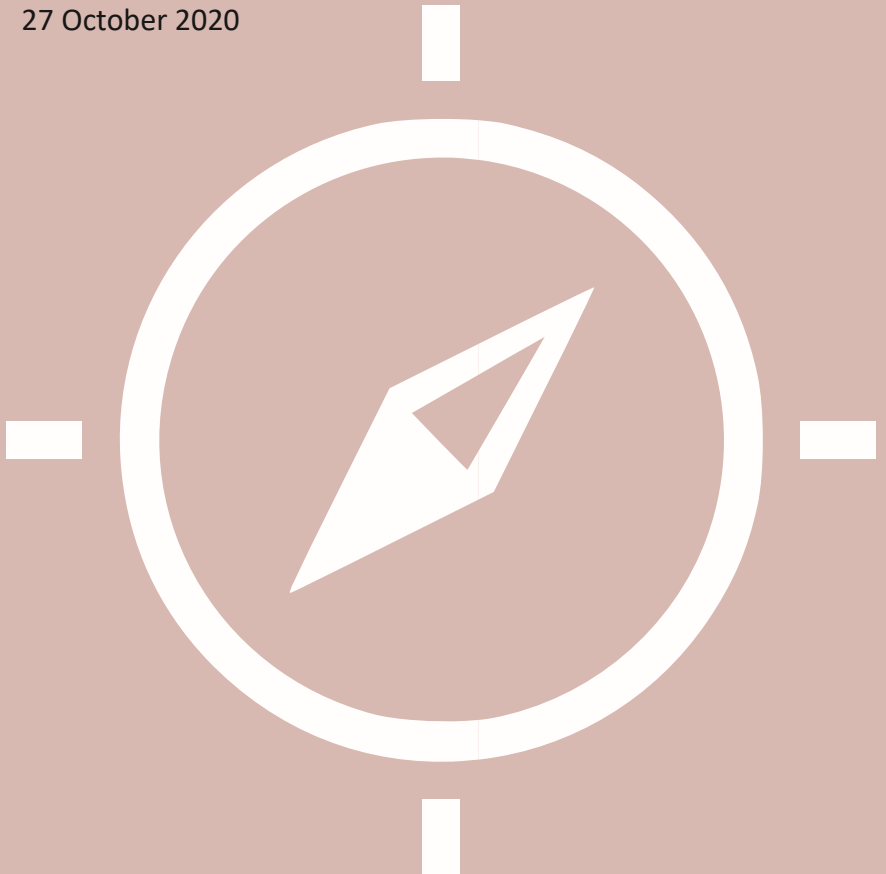




Protocol for Board engagement with employees

27 October 2020





Justification

The Red Eléctrica Group understands sustainability to mean the commitment of the company's permanence through the creation of shared value for all of its stakeholders in the responsible execution of its activities.

This multi-disciplinary commitment to sustainability with a long-term vision is at the core of our business strategy to achieve our overall objectives. It is underpinned by the principles defined in the company's corporate responsibility policy and is based on four priorities identified as driving forces (decarbonisation of the economy, responsible value chain, contribution to the development of the environment and anticipation and action for change) to address the challenges and opportunities facing the company. Achievement of these objectives will be determined by measuring 11 targets with the year 2030 as the horizon.

More specifically, under the "responsible value chain" priority, we are committed to extending our commitment to responsibility to all of the links in the value chain, from our people to our suppliers and customers, through the creation of alliances and based on our model of governance and integrity. Therefore, the Board Regulations for Red Eléctrica Corporación, S.A. (the "Company") establishes that the Board will adopt the necessary measures to ensure that, in its relations with stakeholders and in the pursuit of its corporate interests, the Company must, in addition to observe laws and regulations and behaviour based on good faith, ethics and respect for customs and best practices of business conduct and reputation, at all times attend to the legitimate interests of its employees, while also observing those additional principles of sustainability and good corporate governance that it has voluntarily accepted.

The Board Regulation itself provides that a protocol must be maintained for the relationship of the Board with employees of Group companies, which ensures adequate protection of their welfare and interests, in line with the most advanced international practices and good governance recommendations.

This document, proposed by the Appointments and Remuneration Committee, fulfils this commitment.



Objective

To establish the principles and guidelines regarding the Board's engagement with employees of Group companies, which ensure that the Board and its committees have the appropriate mechanisms to achieve the following goals:

- Listening to the employee perspectives and thus being able to consider them in the decision-making process when assessing the impact of these decisions on all stakeholders.
- Assessing the work of the Board and its committees by making it known to Group employees.

This protocol will apply without prejudice to the establishment of specific mechanisms for involvement with employees for the Chair and/or the Chief Executive Officer.

Scope of application

Red Eléctrica Corporación, S.A. and Red Eléctrica Group companies, to the extent applicable to them.

Basic principles and guidelines

- Encouraging the Board to include ideas through employee opinion regarding certain Company realities, applying the principles of excellence and incorporating and promoting best practices in the area of the Board's engagement with its employees, establishing appropriate mechanisms for regular exchanges of information.
- Promoting information and relationship practices with employees that are transparent, effective and in line with the company's interests.
- Empowering the sustainable engagement of the Company and its Board with the Group's employees, so as to hear the views of employees and strengthen mutual trust
- Encouraging employee familiarity with the figure of the Board, its composition and the work it carries out.
- Ensuring that the communications go-between with employees is the Board and/or its committees, without any directors having any particular, exclusive or different powers.



When the participation of the Board in certain channels of communication is instrumented through the attendance of some of its members at some event or initiative, the selection of the director(s) who will participate in those initiatives will be made on the basis of objective and previously agreed criteria.

- Guaranteeing that the involvement mechanisms respond to the supervisory function of the Board. This mechanisms will be ensured not to conflict with the responsibility for the day-to-day management of the Company that rests with the Group's senior management and, in particular as regards the employee listening strategy, with HR. Likewise, independence will be guaranteed in the functions of the chair and the CEO, which are not affected by this protocol.
- Promoting engagement mechanisms to be directed at a large group of employees, without favouring or harming specific groups or individuals.
- Ensuring scrupulous respect for the competencies of workers' representatives included in current law.
- Following a prudence and cost efficiency approach before establishing new engagement mechanisms seeking to incorporate listening communication channels already established by the Company.
- In particular, observing the rules on treatment of inside information established in applicable law and in the Company's corporate rules (Board Regulations, Internal Market Conduct Regulations, General Meeting Regulations and Code of Ethics).



Engagement mechanisms

The categories or types of engagement mechanisms that the Board and its committees have at their disposal to meet the above objectives and principles are defined below.

The Board, or the body it delegates, may determine, at any given time, the partial or total use of these mechanisms, based on the specific objectives that they wish to achieve, so that the most appropriate mechanism(s) are used.

In the future, as part of our philosophy of continuous improvement in the adoption of responsible practices and in the follow-up to corporate governance recommendations for institutional investors, other categories of engagement mechanisms that the Board, or the body it delegates, consider appropriate may be included in this protocol and that make it possible to optimise the process of engagement with the employees.

a) In-person or digital meetings

The following may be organised:

- Briefings (conferences, presentations, webcasts, etc.) led by the Company on issues of interest related to the Group's activity, which must be attended by Board members. The attending employees may speak and share their opinion with the Board members present.
- Specific actions to discuss the work carried out by the Board and the profile of its members where employees may interact with Board members.

These meetings may be held either in person or remotely. They may also be transmitted live through the Company's internal networks, and once completed, they may be available for viewing later. The Board, or the body it delegates, will assess whether the proceedings of the meetings should be disclosed through internal social networks. If so, the main headlines of the event may be published on the internal networks in real time and photos of the event may be posted live on various channels, as considered appropriate for each meeting.

In no case will these meetings involve the delivery of confidential information or conflict with the management work performed by the Company's senior management.

The Human Resources Management and the Board Secretariat, where appropriate, are responsible for organising these meetings.



b) Employee listening studies

Total engagement survey

The Company regularly invites all its employees to participate in an engagement survey that includes their perception of the employee experience, and various aspects related to the Company, with the aim of identifying strengths and areas for improvement.

The Human Resources Department is responsible for organising, designing and implementing this listening project:

- To obtain a detailed diagnosis of the employee experience, this survey is conducted with a certain regularity. In addition, as a complement to the total engagement survey, specific surveys may be conducted to monitor the improvement areas detected or to respond to specific listening needs.
- To maintain the confidentiality of individual employee responses at all times in a way that guarantees that employees can safely share their perceptions and ideas and encourage everyone's participation by ensuring that the process is inclusive, the Company:
 - Use, from the outset, listening tools from external providers that guarantee this commitment to confidentiality.
 - The results of the survey will be presented in aggregate; individual responses are never provided.
- The Group's results will be shared with employees and the management team. Appointments and Remuneration Committee members and, subsequently, the Board members, will receive a summary of the results of the survey.

Other employee listening surveys

The Company carries out a programme of perception studies as a tool for dialogue to ensure an understanding of stakeholders' needs and expectations (including those of employees) and to identify the actions to be taken to align the relations of the Red Eléctrica Group with best practices and achieve continuous improvement.

Stakeholder perception studies allow for a quantitative and qualitative analysis of their demands and needs. These studies are carried out regularly by an external consultant to ensure the confidentiality and validity of the process.



The evaluation and analysis of the needs gathered in the studies leads to the preparation of improvement plans and the subsequent monitoring of their fulfilment. The results of the studies and the plans are communicated to the stakeholder group analysed, so as to reach a consensus with them on the improvements proposed by the company, and their degree of compliance.

The Sustainability Committee and, subsequently, the Board, will receive a summary of the results of the studies carried out that are related to employees.

c) Corporate intranet and social networks

The Red Eléctrica Group considers internal communication key to sharing its mission and objectives, keeping employees engaged in the various projects of the organisation, and improving its working climate, which contributes to increasing pride of ownership.

Through the internal communication channels considered appropriate from time to time, the Board may inform employees on matters it considers relevant, including the activities it carries out or the profile of its members. Means may also be enabled for employees to interact in relation to the Board engagement actions.

In addition, the Board may, in coordination with the Communication Department, disseminate information of interest on the progress and activities of the Board on social media.

d) Training and mentoring programmes

As part of the Board's commitment to advancing the careers and development of Red Eléctrica's personnel, the directors may participate in the training initiatives implemented by the Company, to share their professional experience.

In addition, if considered appropriate, some Board members may adopt the role of mentors for some participants in these training initiatives, all without incurring in possible conflicts of interest.

e) Other channels

As part of its regular supervisory function, the Board reviews certain initiatives, from which it obtains relevant information on the interests, expectations and opinions of the employees.



Throughout the year and based on a specific timetable, the Board will, through its committees, continue to report on the most relevant aspects of the human resources management plan in force at any given time.

Disclosure and supervision

This document on the Board's employee engagement protocol will be published on the Company's website and updated in accordance with any changes that may be made. The Board, which will review it when it considers it necessary or appropriate, is the competent body for approving any changes to it, at the proposal of the Appointments and Remuneration Committee.

The Appointments and Remuneration Committee is also responsible for supervising compliance with this Protocol and will therefore be informed when appropriate.

This **Board Employee Engagement Protocol** was approved by the Board on 27 October 2020, upon proposal of the Appointments and Remuneration Committee.