
Annual Corporate Governance Report

Year 2020¹

*Committed to
intelligent
energy*



1. Unless another date is expressly indicated in this report, it must be understood to be referred to 31 December 2020.



RED
ELÉCTRICA
CORPORACIÓN

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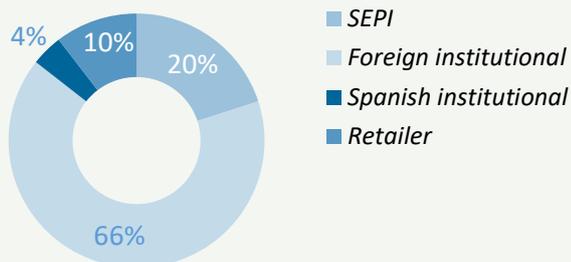
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At a glance: corporate governance model in 2020 (on 31.12.2020)

Red Eléctrica has a solid, transparent and avant-garde corporate governance system which, through the adoption of best practices and international recommendations, constitutes an essential strategic element to ensure the good governance of the company.

OWNERSHIP STRUCTURE



GENERAL MEETING OF SHAREHOLDERS 2020

- Share capital: 270,540,000.00
- No. of shares: 541,080,000
- No. of voting rights: 541,080,000
- Minimum no. of shares to attend General Meeting: 1
- Attendance quorum: 61.51 %
- Average percentage of votes for: ^{*1} 98 %

A REDUCED, BALANCED AND EFFICIENT BOARD OF DIRECTORS

Chairwoman
Beatriz Corredor Sierra

Managing Director
Roberto García Merino

Secretary of the Board of Directors
Carlos Méndez-Trelles García
Non-director

Vice-secretary of the Board of Directors
Fernando Frías Montejo
Non-director

Proprietary external directors (SEPI)
Mercedes Real Rodrigálvarez
Member of the Audit Committee
María Teresa Costa Campi
Member of the Sustainability Committee
Ricardo García Herrera
Member of the Appointments and Remuneration Committee ^{*2}

Independent external directors
Carmen Gómez de Barreda Tous de Monsalve
Chairwoman of the Audit Committee and Lead Independent Director
María José García Beato
Member of the Appointments and Remuneration Committee
Socorro Fernández Larrea
Chairwoman of the Appointments and Remuneration Committee
Antonio Gómez Ciria
Member of the Audit Committee
Arsenio Fernández de Mesa y Díaz del Río
Member of the Audit Committee
Alberto Francisco Carbajo Josa
Member of the Sustainability Committee
José Juan Ruiz Gómez
Chairman of the Sustainability Committee

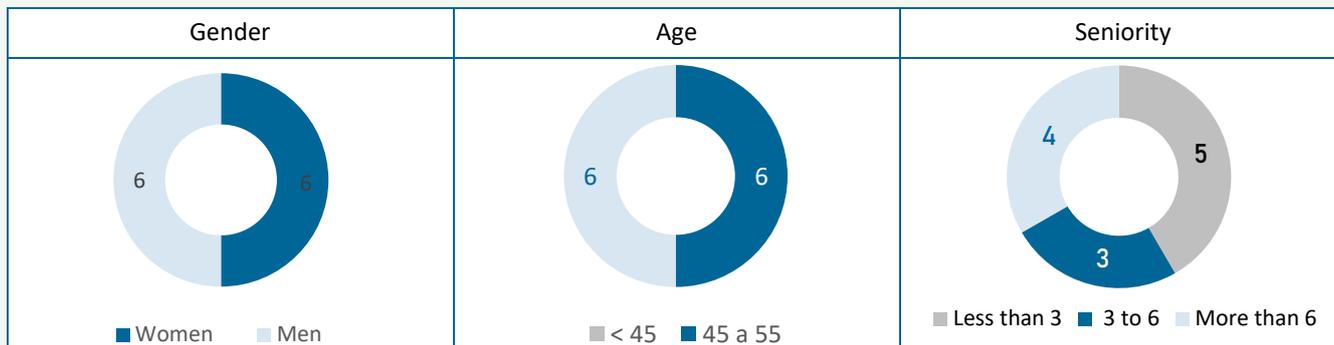
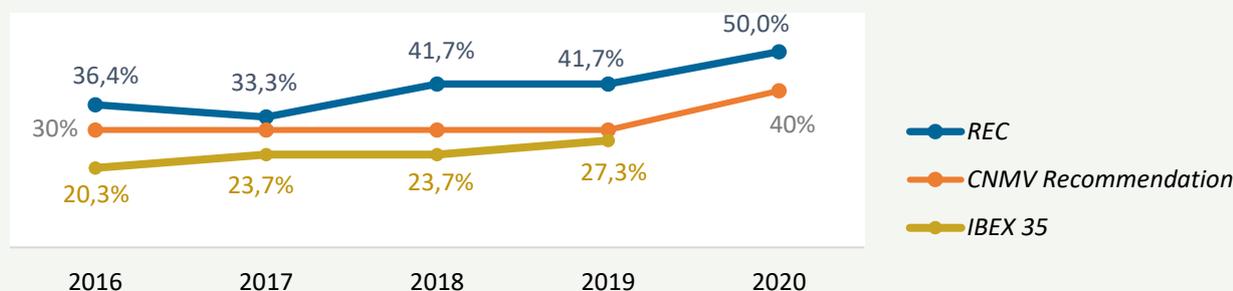
THE BOARD OF DIRECTORS IN NUMBERS (12 MEMBERS)

| Non-executive Chairperson | Managing director | Independent directors | Proprietary directors |
|-----------------------------------|-------------------|-----------------------------|-----------------------|
| 1 | 1 | 7 (58,3 %) | 3 (25 %) |
| Gender (women on the Board) | 50 % | No. of meetings | 13 |
| Average age | 58.8 | No. of attendance in person | 155 |
| Average term of office | 3.5 | Attendance to meetings | 100 % |
| Renewal of the Board last 4 years | 66.7% | % total voting rights | 0.001% |

^{*1}. Excluding resolutions relating to the remuneration of the Board of Directors in which SEPI automatically abstains as a criterion adopted in all listed companies in which it does not hold a controlling shareholding.

^{*2}. On 26 January 2021, the Board of Directors agreed to appoint proprietary director Ricardo García Herrera as a member of the Appointments and Remuneration Committee for a term of three years to fill the vacancy on the Committee.

DIVERSITY ON THE BOARD

WOMEN ON THE BOARD: REC VS IBEX 35^{*3}

BOARD COMMITTEES IN FIGURES

| APPOINTMENTS AND REMUNERATION COMMITTEE (3 members) | | AUDIT COMMITTEE (4 members) | | SUSTAINABILITY COMMITTEE (3 members) | |
|--|-------------------------|--------------------------------|----------------------|---|----------------------|
| Chair | Independent director | Chair | Independent director | Chair | Independent director |
| Independent directors | 66,7 % (2) | Independent directors | 75 % (3) | Independent directors | 66,7 % (2) |
| Proprietary directors | 33,3 % (1) | Proprietary directors | 25 % (1) | Proprietary directors | 33,3 % (1) |
| Gender (% women) | 100 % (2) ^{*4} | Gender (% women) | 50 % (2) | Gender (% women) | 33,3 % (1) |
| No. of meetings | 15 | No. of meetings | 12 | No. of meetings | 12 |
| No. of attendances in person | 44 | No. of attendances in person | 48 | No. of attendances in person | 36 |
| Attendance to meetings | 100 % | Attendance to meetings | 100 % | Attendance to meetings | 100 % |

^{*3}. Report "Women on the Boards of listed companies ("Mujeres en los Consejos de las empresas cotizadas". ATREVIA-IESE, February 2020.

^{*4}. The Appointments and Remuneration Committee, on 31 December 2020, had two women on the same, in addition to a vacancy for a proprietary external director in this Committee.

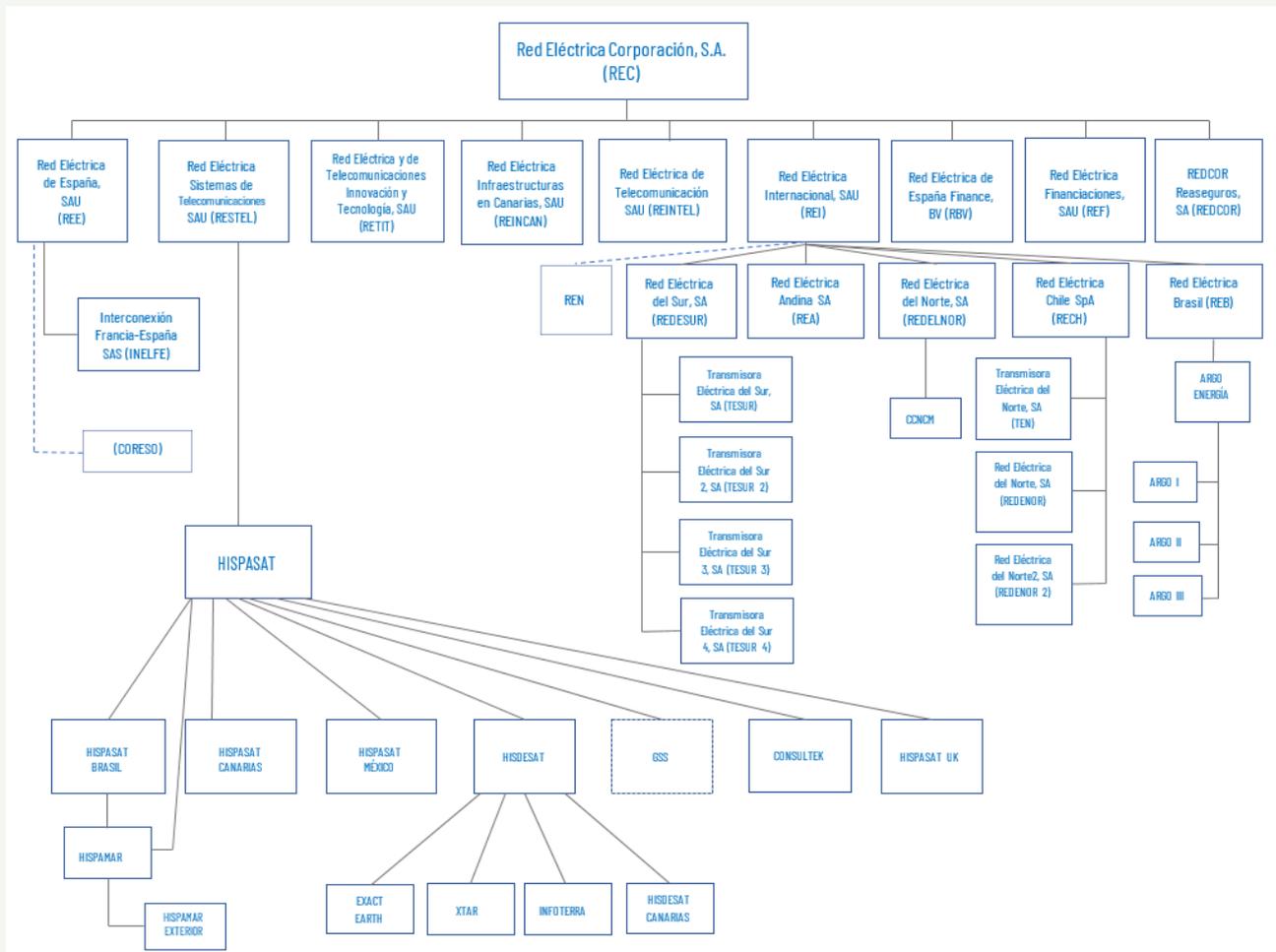
Introduction: The Red Eléctrica Group

The world's first company devoted exclusively to electricity system operation and electricity transmission was incorporated on 29 January 1985 under the name of Red Eléctrica de España, S.A. (currently Red Eléctrica Corporación, S.A.).

In 2008, in order to reinforce transparency and the separation of the regulated activities in Spain (transmission and system operation) from the rest of the activities, Red Eléctrica became a holding company.

Red Eléctrica Group's parent company is RED ELÉCTRICA CORPORACIÓN, S.A. which has the following wholly-owned subsidiaries:

- RED ELÉCTRICA DE ESPAÑA, S.A.U. (REE), which is responsible for the electricity activities in Spain. REE owns 50% of the share capital of INTERCONEXIÓN ELÉCTRICA FRANCIA-ESPAÑA, S.A.S. (INELFE), a company formed in partnership with REE's French counterpart, RTE, for the development of interconnections with France.
- RED ELÉCTRICA INTERNACIONAL, S.A.U. (REI), which is responsible for the group's investing and consulting activities outside Spain.
- RED ELÉCTRICA DE ESPAÑA FINANCE, BV (REEFBV) and RED ELÉCTRICA FINANCIACIONES, S.A.U. (REF), which were created as investment vehicles for the Group companies' various activities.
- REDCOR REASEGUROS, S.A. (REDCOR), incorporated to reinsure the risks of activities, so as to ensure better access to the international markets.
- RED ELÉCTRICA INFRAESTRUCTURAS EN CANARIAS, S.A.U. (REINCAN), which develops hydroelectric pumping projects as tools at the services of the electricity system.
- RED ELÉCTRICA INFRAESTRUCTURAS DE TELECOMUNICACIÓN, S.A.U. (REINTEL), which manages the telecommunications business.
- RED ELÉCTRICA SISTEMAS DE TELECOMUNICACIONES, S.A.U. (RESTEL), which manages the satellite business through HISPASAT, S.A. (HISPASAT) in which it has an 89.68 % of shareholding.
- RED ELÉCTRICA Y DE TELECOMUNICACIONES, INNOVACIÓN Y TECNOLOGÍA, S.A.U. (RETIT), to accelerate technological innovation, generate competitive advantages and originate business opportunities that make the Group a technology reference.



Red Eléctrica Group's activities are distributed in the following three major areas:

1. Management and operation of electricity infrastructures (Spain)

- Red Eléctrica de España, S.A.U. is the single transmission and system operator of the Spanish electricity system (TSO). Its mission is to operate the system in real time, ensuring supply continuity and secure integration of renewable energies. It also develops and maintains the high-voltage electricity transmission network on a sustainable basis.

2. Management and operation of electricity infrastructures (international)

- Red Eléctrica Internacional, S.A.U. The investment in electricity transmission infrastructure outside Spain is channelled through various subsidiaries integrated in Red Eléctrica Internacional, S.A.U. It is currently executing projects in Peru, Chile and Brazil, through its subsidiaries integrated in such company.

3. Telecommunications business (fibre optic and satellites)

- Red Eléctrica Infraestructuras de Telecomunicación, S.A.U. operates more than 50,000 km of dark fibre optic cable deployed along the electricity transmission network and the network associated with railway service in Spain. It acts as a neutral provider of telecommunications infrastructure for the main players in the sector and telecom carriers who operate in the country. Its main business is leasing dark fibre optic and technical areas and sites to house telecommunications equipment. It also provides maintenance services for fibre optic cable and telecommunications equipment.
- On 3 October 2019, Hispasat, S.A. Red Eléctrica Corporación, S.A. through Red Eléctrica Sistemas de Telecomunicaciones, S.A.U. acquired an 89.68% shareholding in Hispasat, S.A. This deal positioned the Red Eléctrica Group as a global operator of electricity and telecommunications infrastructure, both in Spain and internationally, and is a key part of the Strategic Plan 2018-2022.

1. *Regulatory framework and Corporate Governance Policy as an expression of the strategy in this area*

The Board of Directors of RED ELÉCTRICA CORPORACIÓN, S.A. (hereinafter, “Red Eléctrica” or the “company” or “the firm”), as the Board of a listed company, complies with the requirements of the laws applicable to listed companies. The company also has a Corporate Governance Policy, which sets out, in brief, the catalogue of principles evidencing not only the company’s compliance with applicable laws and regulations but also its alignment with national and international corporate governance recommendations and best practices, which the company has adopted voluntarily since it was listed on the stock market in 1999 and which it has incorporated into its own internal regulations. Such internal regulations are continuously reviewed so as to continue incorporating the best practices and achieve greater information transparency for shareholders and other stakeholders.

Corporate Governance Policy

The Corporate Governance Policy was initially approved by the Board of Directors on 25 November 2014 and has been updated for the last time by resolution of the Board on 24 November 2020, coming into force on the same day of its approval. Such update has been carried out, among other aspects, to adapt it to the current legislation on corporate governance and to the internal rules of the Red Eléctrica Group, as well as to incorporate the good governance recommendations generally accepted in international markets, adapted to the needs and business reality of the Red Eléctrica Group and the best practices applied by benchmark companies, both from the Ibex35 and internationally.

Such policy is intended to align the company’s interests with those of its shareholders and other stakeholders by protecting and promoting a value shared by all, a value that incorporates economic, social, environmental and good governance criteria, thereby not only contributing to the company’s and the Group’s sustainability, solvency and good reputation amongst its shareholders and other stakeholders but also reinforcing trust, stability, long-term engagement, progress and the social and economic development of society at large.

This Policy also establishes that it is based on the ethical values that govern the company’s relations with its various stakeholders and contributes to the achievement of strategies and sustained maximization of the value of the Red Eléctrica Group’s.

Such values are reflected in the principles that govern the Group’s Corporate Governance Policy. Said principles have been adopted with the aim that they become embedded in the organisation as, without prejudice to their continuous updating with future commitments, they constitute the corporate governance culture of the Red Eléctrica Group.

The Corporate Governance Policy may be consulted on the corporate website at the following link:

Corporate Governance Policy

The Corporate Governance Policy of the Red Eléctrica Group embodies the ethical principles that reflect the corporate values governing its relations with stakeholders and the practices the company and the Group follows, or has undertaken to adopt, in order to apply those principles, which ultimately are incorporated into the Group’s internal corporate regulations.

Other policies approved by the company are the following:

- [Environmental policy](#)
- [Procurement policy](#)
- [Communication policy](#)
- [Business development policy](#)
- [Economic-financial policy](#)
- [Excellence and quality policy](#)
- [Integrated risk management policy](#)
- [Operational policy](#)

- [Human resources policy](#)
- [Corporate responsibility policy](#)
- [Integrated security policy](#)
- [Technology and innovation policy](#)
- [Transmission policy](#)
- [Criteria for reporting financial, non-financial and corporate information to shareholders, institutional investors, proxy advisors and other stakeholders](#)
- [Compliance policy](#)

Out of all the above policies, special emphasis is given in this report to the Criteria for reporting financial, non-financial and corporate information to shareholders, institutional investors, proxy advisors and other stakeholders. They were approved by the Board of Directors at the meeting held on 25 October 2016 and have been updated by the Board on 22 December 2020 to adapt the same to Recommendation 4 of the Code of Good Governance of Listed Companies (CBGSC), as revised in June 2020 by the Comisión Nacional del Mercado de Valores (CNMV), fulfilling the Board's commitment to comply with the mentioned Recommendation.

The aforementioned Recommendation 4 of the CBGSC establishes that the company should define and promote a policy regarding communication and contacts with shareholders and investors and proxy advisors, as well as a general policy regarding the communication of economic-financial, non-financial and corporate information that contributes to maximising the dissemination and quality of the information available to the market, investors and other stakeholders. It sets out the principles and guidelines for communication with the aforementioned stakeholders, which guarantee the proper exercise of their rights and interests and favour commitment to shareholders through open, transparent and continuous dialogue. The Board of Directors is the body in charge of reviewing and approving any amendments to it, and is also responsible for supervising compliance with it.

The Criteria for reporting financial, non-financial and corporate information to shareholders, institutional investors, proxy advisors and other stakeholders may be consulted on the corporate website, at the following link:

[Criteria for reporting financial, non-financial and corporate information to shareholders, institutional investors, proxy advisors and other stakeholders](#)

The Criteria for reporting financial, non-financial and corporate information to shareholders, institutional investors, proxy advisors and other stakeholders put into effect the *principle of consolidating, developing and promoting symmetric mechanisms for dialogue and engagement with shareholders, investors and leading stakeholders, guaranteeing transparency, active listening and equal treatment, in order to improve relations, strengthen commitment and reinforce their trust*, as stated in the company's Corporate Governance Policy.

External regulatory framework

The main external regulations applicable in matters of corporate governance are the following:

1. Restated Text of the Spanish Companies Act (Spanish Companies Act) approved by Royal Legislative Decree 1/2010, of 2 July

This regulation establishes the legal regime applicable to corporations, and, specifically, listed companies, which are the subject of Title XIV (Articles 495 to 541) of said Act. Its provisions may be overruled or modified by the Articles of Association, except for those that are mandatory.

The minimum content of the Annual Corporate Governance Report (ACGR) is established in Article 540.4 of the Spanish Companies Act. This article was amended by Royal Decree-Law 18/2017 of 24 November 2017, which content was again amended by Act 11/2018 of 28 December 2018, which establishes the obligation to incorporate a description of the diversity policy applied in relation to the Board of Directors, management and the specialised committees constituted within it, with regard to issues such as age, gender, disability or the professional training and experience of its members; including its objectives, the measures adopted, the manner in which they have been applied, in particular, the procedures for seeking to include on the Board of Directors a number of women to achieve

a balanced presence of women and men and the results in the reporting period, as well as any measures agreed on these matters by the Appointments Committee.

Companies must also disclose whether information was provided to shareholders on diversity criteria and objectives when electing or renewing members of the Board of Directors, management and the specialised committees set up therein. If no diversity policy is applied, a clear and reasoned explanation must be given in this respect. Act 11/2018 of 28 December 2018 also incorporated other innovations with respect to non-financial information that must be included within the management report, and which must be submitted for approval under a separate point on the Agenda of the Annual General Meeting of Shareholders.

On 11 December 2020, the Spanish Government has requested the urgent procedure for the Draft Bill amending the revised text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July, and other financial regulations, as regards the encouragement of long-term shareholder engagement in listed companies. The main objective of this Draft Bill is to transpose the content of Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017, amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement. However, the Draft Law also introduces some far-reaching changes to the specific regulations governing listed companies.

Matters affected by the mentioned Draft Bill resulting from the transposition of the Directive:

- Engagement and market disclosure by managers of collective investment institutions and entities and rules on proxy advisors.
- Identification of shareholders and exercise of shareholder rights.
- Remuneration Policy and Annual Report on Remuneration.
- Related party transactions.

Matters unrelated to the content of the Directive:

- Board of Directors: Obligation that the board of directors of listed companies are entirely composed of natural persons.
- Possibility of including “additional voting rights for loyalty shares”.
- Content of the Management Report: Inclusion of the Annual Corporate Governance Report and of the Annual Report on Remuneration in separate sections.
- Auditor’s opinion on the Annual Report on Remuneration: Limited to checking that said Report is contained in the Management Report.
- Elimination of the requirement to publish quarterly financial information.

Taking into account that this is a draft bill, the above considerations may be subject to change.

The Restated Text of the Spanish Companies Act may be consulted via this link: [Spanish Companies Act](#)

2. Circular 1/2020, of 6 October, of the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*, CNMV)

This Circular amends Circular 5/2013, of 12 June, which establishes the forms of Annual Corporate Governance Report for listed companies, savings banks and other entities that issue securities admitted to trading on official securities markets; and Circular 4/2013, of 12 June, which establishes the forms of Annual Remuneration Report for the directors of listed companies and members of the Board of Directors and the control committee of savings Banks that issue securities admitted to trading on official securities markets.

The Official Annex to this ACGR has been prepared based on the standard form of Annex I included in Schedule II of the abovementioned Circular.

The complete document can be consulted via the following link: [Circular 1/2020, of 6 October, of the CNMV](#)

3. Good Governance Code of Listed Companies (CBGSC) approved by resolution of the Board of the CNMV on 18 February 2015 and revised in June 2020

In February 2015, after incorporating many of the recommendations contained in the Unified Code of Good Governance of Listed Companies of 2006 into the Spanish Companies Act, the CNMV Board, based on the contributions of a Committee of Experts created for such purpose, approved the current Code of Good Governance of Listed Companies.

Since then, the Code has supplemented the provisions of the Act with good governance recommendations that serve as a reference for Spanish listed companies, and the degree of compliance with which must be reported in the Annual Corporate Governance Report (ACGR). However, after more than five years of the CBGSC, the CNMV has considered the advisability of amending some of its recommendations to adapt them to legal changes that have occurred since 2015 or to make them more specific or clearer. The reform also contemplates relevant developments in areas such as diversity on boards of directors, non-financial information and risks, attention to environmental, social and corporate governance aspects, and remuneration.

The aforementioned Code responds to the objectives of ensuring the proper functioning of the governing and administrative bodies of Spanish companies in order to lead them to the highest levels of competitiveness; generating confidence and transparency for shareholders and national and foreign investors; and improving the internal control and sustainability of companies. The Code is made up of 64 recommendations divided into three large blocks, dealing with general aspects (recommendations 1 to 5), the General Meeting (recommendations 6 to 11) and the Board of Directors (recommendations 12 to 64), respectively.

Specifically, 20 of the 64 recommendations comprising the CBGSC (2, 4, 6, 7, 7, 8, 8, 14, 15, 15, 22, 24, 37, 39, 41, 42, 45, 53, 54, 55, 59, 52 and 64) have been amended, which has also involved revising the wording of 6 principles (2, 4, 10, 19, 20 and 24), with a view to:

- Adapting the code to the legislative amendments approved since February 2015.
- Clarifying the scope of some Recommendations that had raised doubts.
- Align its content with the highest international standards of good governance. In this sense, the four axes that have guided the reform are:
 - Encouraging diversity on boards.
 - Increased relevance of non-financial reporting and sustainability.
 - Greater attention to non-financial risks and, in particular, reputational risks.
 - Clarification of certain aspects of directors' remuneration.

Consequently, five years after its approval, the reform of the CBGSC aims to keep the Spanish Code and, therefore, the corporate governance of Spanish companies in line with the highest international standards.

Following the Code's recommendations is voluntary. However, under the "*comply or explain*" principle, listed companies that do not comply with any of the CBGSC's recommendations are required to state their reasons for not doing so in their ACGR. In Section G of the Official Annex to this Annual Corporate Governance Report, the company reports on its compliance with the recommendations of the Good Governance Code of Listed Companies.

Red Eléctrica complies with 62 recommendations, partially complies with 1 and does not comply and therefore explains only 1 recommendation.

The CBGSC may be consulted at the following link: [Good Governance Code of Listed Companies](#)

External regulatory framework

1. Restated Text of the Spanish Companies Act.
2. Circular 1/2020, of 6 October, of the Spanish Securities Exchange Commission.
3. Good Governance Code of Listed Companies.

External initiatives

On the other hand, among the most noteworthy voluntary external initiatives in corporate governance matters are the company's accession to the Global Compact in 2002 and its participation in the following initiatives in relation to Principle 10 against corruption:

- Participation, as premium member of the Integrity Forum of the non-governmental organization Transparency International Spain. The Forum is a platform for reflection, provided by Transparency International Spain in order to improve compliance and ethical management in Spanish companies. It is organised in different working groups and holds regular thematic sessions on business ethics.
- Participation in the International Corporate Governance Network, (ICGN). This body promotes effective standards for corporate governance and investor management in order to advance efficient markets and sustainable economies throughout the world, pursuant to the Global Governance Principles and to the Global Responsibility Principles of the ICGN.
- Participation in the Transparency, Good Governance and Integrity Cluster of Forética. This is a platform of companies coordinated by the Spanish association for the promotion of the culture of ethical and socially responsible management, Forética, with the aim of serving as a business meeting point for leadership, knowledge, exchange and dialogue on this subject.

Internal regulatory framework

The guiding principles of the company's and the Group's corporate governance strategy are set out in a body of corporate regulations and procedures, listed below. As a voluntary legal regime, following the principles of the Corporate Governance Policy and in line with best practice, these regulations and procedures go beyond the applicable regulatory requirements.

On 31 December 2020, such internal corporate regulations consisted of:

Internal regulatory framework

1. Ethics and Conduct Code.
2. Articles of Association.
3. Board of Directors Regulations.
4. Internal Code of Conduct in the Securities Market.
5. Regulations of the General Meeting of Shareholders.
6. Procedure for proxies, voting and remote information at the General Meeting of Shareholders (for the 2020 Annual General Meeting of Shareholders).
7. Operating Rules of the Shareholder E-Forum (for the 2020 Annual General Meeting of Shareholders).

- Ethics and Conduct Code

It formalises the Red Eléctrica Group's commitment to ethics and the commitments undertaken with the business environment and with the different stakeholders affected by the Group's activities, providing a deontological guide to know and facilitate commitment to the ethical values, principles and guidelines for conduct that should govern professional activity within the organisation.

Many of these values and commitments have accompanied Red Eléctrica since 1987, when it published its first shared value system, under the title "Basic principles of action".

In 2018, the company began the process of reviewing and updating the Ethics Code with the aim of adapting it to the best practices in compliance management, as well as to the evolution of the demands of stakeholders and the changes produced in the structure of the Red Eléctrica Group.

This project has been pursued by a specific multidisciplinary working group formed by the areas of compliance, corporate governance, sustainability, human resources and procurement, with the participation in the Project of the rest

of the areas of the organisation, as well as the employees by means of an ad hoc evaluation survey, prior to the final approval of the new Code.

Additionally, the Red Eléctrica Group has counted on the participation of the reference entity in the field of integrity, Transparency International, for the external review of the new Code.

This process has culminated with the approval by the Board of Directors, at its meeting held on 26 May 2020, of the new Code of Ethics and Conduct of the Red Eléctrica Group (the fourth since the incorporation of the company), which can be consulted on the company's website, through the following link: [Code of Ethics and Conduct](#)

The Ethics Code serves as a basis and foundation for the Corporate Governance Policy, which proclaims the *principle of establishing the necessary mechanisms and instruments to ensure that the Group identifies, analyses and adopts best practices, principles and recommendations in good corporate governance matters, following the principle of excellence in its actions and the principle of fostering a knowledge of the principles and values that inspire the Group's Corporate Governance Policy, both internally within the Red Eléctrica Group, and externally among all stakeholders.*

- Articles of Association

The Articles of Association govern the company's internal affairs and regulate, among other things, the operation of the General Meetings of Shareholders, the Board of Directors and its Committees.

The company's Articles of Association are constantly being adapted in order to align them not only with applicable law but also with the best practices and principles in the corporate governance area, and, for such purpose, they have been successively amended by the company at its Annual General Meeting of Shareholders.

The most recent amendments to the Articles of Association were approved in 2015, to adapt them to the legislative reforms introduced by Act 31/2014 of 3 December 2014, which amended the Spanish Companies Act for the improvement of corporate governance, and other amendments of style or order designed to give greater clarity to the text of the Articles of Association; in 2016, on the occasion of the shares' split, through which the face value of the company's shares was decreased from two euros to fifty euro cents per share, and in 2019 with the changes made to the regulation of the remuneration of members of the board of directors, eliminating possible remuneration arrangements that have not been used in the past and disclosing greater detail on the remuneration components of directors (for their non-executive functions) and of executive directors; and, furthermore, to expressly contemplate payment or reimbursement of expenses incurred in the performance of their director duties, along with other terminological nuances and clarifications.

The Articles of Association may be consulted on the corporate website at the following link: [Articles of Association](#)

- Board of Directors Regulations

The Board of Directors Regulations establish the basic rules of organisation and functioning of the Board of Directors and its Committees, the rules of conduct for their members and the system of supervision and control of the Board of Directors and its Committees in order to ensure the highest standards of professionalism and efficiency of their actions. This is achieved by encouraging the active participation of its directors, placing the interests of the company and of its shareholders above their own interests, in compliance with the Law, the Articles of Association and corporate governance principles.

The latest amendment of the Regulations was approved by the Board of Directors, at a meeting held on 31 March 2020, to incorporate the appropriate adaptations to Act 11/2018, of 28 December, on non-financial information and diversity, to update the functions of the Board and its Committees on sustainability, some of them of a cross-cutting nature, with the formal and material scope agreed by the three Committees, and to strengthen the coordination mechanisms between the three Board Committees.

The aforementioned revision improves the governance of the Red Eléctrica Group, reinforcing the role of the Board of Directors of Red Eléctrica Corporación, S.A. in relation to the Group, incorporates and reinforces agreements on governance matters (the appointment, renewal and removal of directors of the Group companies, the appointment and removal of the directors of Red Eléctrica Corporación, S. A. and of Red Eléctrica de España, S.A.U. reporting directly to the chairperson of the Board or the managing director and of the strategic executives of the Group as established by the Board, as well as the establishment of the basic conditions of their contracts, including their remuneration)

adopted by the Board in September 2019. The Regulations also expressly include the concept of corporate reputation among the principles inspiring the actions of the Board, which must also look after the interests of the company as a whole.

In particular, the functions of the position of chairperson of the Board relating to institutional representation, supervision of the policies and strategies of the company and the Group and the need to ensure the independence of Red Eléctrica de España, S.A.U. as TSO are included.

Furthermore, in line with the above, the aforementioned revision reinforces the principle of independence of the TSO -separation of regulated and non-regulated activities- and incorporates the amendment envisaged in the Draft Bill amending the restated text of the Spanish Companies Act (and other financial regulations), to adapt them to Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement) concerning the elimination of the legal person director in listed companies. Finally, it introduces some other improvements in terms of form or style.

The modification of the Board of Directors Regulations has been proposed and reported on favourably by the Appointments and Remuneration Committee, in accordance with the terms of Article 3 of the Board of Directors Regulations. Said Committee has drawn up the relevant proposal, together with the Memorandum setting out the grounds for the proposal provided for in the abovementioned article.

The Board of Directors Regulations may be consulted on the company's website at the following link: [Board of Directors Regulations](#)

- Internal Code of Conduct in the Securities Market

The company approved its first Internal Code of Conduct in the Securities Market on 7 February 1994. There have been several updates to this Code since then, the most recent one being the one approved by the Board of Directors on 26 November 2019 to adapt it to the regulatory changes made to the Spanish Securities Market Act (*Ley del Mercado de Valores*) by Royal Decree Law 19/2018 of 23 November 2013 on payment services and other urgent measures on financial matters, to the Criminal Code (*Código Penal*) and to the sanctioning provisions on use or transmission of inside information, as well as to the legal provisions governing the protection of personal data.

The Code has also been amended to include new internal procedures after the rollout of the online tool, the "Internal Code of Conduct Platform", to facilitate compliance with the obligations laid down in the Code and, in addition, after having seen the complexity of the functions that the Code attributes to the Oversight Body, it was deemed appropriate for that body to be organised as a collegial body, with the consequent modification of its composition and operating guidelines.

The full text of the Code may be consulted on the corporate website at the following link: [Internal Code of Conduct in the Securities Market](#)

The Articles of Association, Board of Directors Regulations and Internal Code of Conduct in the Securities Market put into effect the *principle of exercising the necessary control and supervision in the areas that are most critical and relevant to the Group by making the Board of Directors assume direct responsibilities and establishing those responsibilities as being reserved to the Board of Directors in the Board Regulations*, a principle stated in the Group's Corporate Governance Policy.

- Regulations of the General Meeting of Shareholders

The Regulations of the General Meeting of Shareholders represent the shareholders' legal status rules in line with the best practices in the corporate governance area. They include all the means of shareholder protection and participation, with a view to recognising, promoting and strengthening shareholder rights in the company to the greatest extent possible.

The latest amendment to these Regulations was approved by the Shareholders at the Annual General Meeting held in 2015 in order to be adapted to the legislative reforms introduced by Act 31/2014 of 3 December, which amended the Spanish Companies Act to improve corporate governance, as well as to make other changes of style or order designed to give greater clarity to the text of the Regulations of the General Meeting of Shareholders.

The Regulations of the General Meeting of Shareholders may be consulted on the company's web site at the following link: [Regulations of the General Meeting of Shareholders](#)

- Procedure of remote voting, proxy appointment and provision of information by electronic means at the General Meeting of Shareholders

This procedure regulates the different means shareholders may use to appoint proxies, vote remotely and request information by electronic means, as well as the rules of priority.

The Board of Directors, at the meeting held on 31 March 2020, approved the procedure for remote voting, proxy appointment and provision of information for the Annual General Meeting of Shareholders held on 14 May 2020.

The full text of this procedure may be consulted on the company's website at the following link: [Procedure on proxy appointment, remote voting and provision of information at the General Meeting of Shareholders](#)

- Operating Rules of the Shareholder E-forum

The purpose of the Shareholder E-Forum is to facilitate communication between the company's shareholders (individual shareholders, both natural and legal entities, as well as any voluntary shareholder associations) when General Meetings of Shareholders are held.

The E-forum's Operating Rules for the Annual General Meeting of Shareholders held on 31 March 2020 were approved by the Board of Directors at its meeting held on 14 May 2020 on the same terms and conditions as those approved by the Board of Directors at General Meetings held on previous years.

The Operating Rules of the Shareholder E-forum may be consulted on the company's web site at the following link: [Operating Rules of the Shareholder E-forum](#)

The Regulations of the General Meeting of Shareholders, the Procedure on proxy appointment, remote voting and provision of information at the General Meeting of Shareholders and the Operating Rules of the Shareholder E-forum put into effect the *principle of promoting informed participation by the company's shareholders in General Meetings of Shareholders*, in relation to the *principle of ensuring the proper exercise of shareholder rights at General Meetings of Shareholders*, both of which are laid down in the company's Corporate Governance Policy.

External recognitions

As a result of its compliance with external and internal regulations and its application of best practices, the company has received a number of external recognitions. The main external recognitions related to corporate governance awarded to the company in 2020 are listed below. Although some of them were obtained as part of a sustainability award, corporate governance aspects were a very important consideration within the same:

Main external recognitions

1. Continuation on the *Dow Jones Sustainability World Index* and re-enters the *Dow Jones Sustainability Europe Index*.
2. Red Eléctrica has maintained the European Seal of Excellence 500+ awarded by EFQM until 2020¹, following the external evaluation carried out in 2017, in which it obtained a score of over 700 points.
3. Received I National Award for Excellent, Innovative and Sustainable Management, granted by the Excellence in Management Club (*Club Excelencia en Gestión*), the EFQM in Spain, in 2019.
4. "Silver Class" classification in The Sustainability Yearbook 2021, a report prepared by the S&P Global in collaboration with RobecoSAM to recognise the leading companies in sustainability.
5. Continuation in the FTSE4Good sustainability index.

¹ Following the publication of the EFQM 2020 model, Red Eléctrica has developed a project to assess the degree of adaptation to the new model in 2020, as a reference framework in the process of transforming the organisation, prior to the external assessment scheduled to take place in 2021.

6. Continuation in the MSCI ESG index, reaching the highest rating “AAA” granted by that index.
7. Continuation in the Euronext-Vigeo sustainability indexes (Eurozone 120, Europe 120 and World 120).
8. Continuation in the Ethibel Sustainability Index (ESI) Excellence Europe.
9. Received “Prime” status, with a B+ score in the ISS-Oekom sustainability rating.
10. Continued inclusion in the ECPI Sense in Sustainability index family.
11. Continuation in the STOXX Global ESG Leaders index family.
12. Inclusion, for the first time, in the Bloomberg Gender-Equality Index-GEI, which measures companies' commitment to equal opportunities and diversity.

2. Commitment to dialogue with and participation of shareholders and other stakeholders

Over the last few years, Red Eléctrica has significantly progressed in transparency and good governance matters. Good governance allows stakeholders to have regular, timely access to relevant, sufficient and reliable information on the company's and the Group's governance rules and practices and the results obtained.

Best practices in 2020 focused on dialogue and engagement with shareholders

- Update and continuous improvement, under international standards, of the corporate governance-related information contained on the corporate website.
- Participation in national and International corporate governance forums, working groups and initiatives (International Corporate Governance Network, Institute of Directors, Spanish Issuers Association, etc.).
- Road shows with foreign shareholders and proxy advisors on business and corporate governance.
- Receipt of international external advice in corporate governance matters.
- Board assessment with the support of a new international external consultant.

The company notes that, in 2013, it became a member of the International Corporate Governance Network (ICGN), a worldwide corporate governance body that brings together international institutional investors, large corporations, regulators, academics, proxy advisors and other corporate governance specialists, which is considered a very positive participation by the company.

The company conducts its relations with shareholders and institutional investors at a generic level, not individually or specifically with any one of them. Under no circumstances does the company provide institutional shareholders with information that is liable to place them in a privileged or advantageous position with respect to other shareholders; the company merely provides information that is already public in a rational and ordered manner.

The company usually organises road shows, presented by the company's top-level management, in the most relevant financial markets in Spain and abroad in which there is a larger presence of institutional investors, in order to provide information on its activities and business development, trying to approach this specific group of investors in this way.

In light of the high percentage of foreign institutional shareholders, close to 70%, in January and February 2020 and in January 2021, in both cases prior to the call of the General Meeting of Shareholders, and as in previous years, the company has launched a programme of contact network and visits to investors and proxy advisors (online in January 2021, given the circumstances resulting from COVID-19) in order to gather relevant and updated information as well as to directly explain the company's and the Group's practices and actions in corporate governance matters. The aim of this initiative is to consolidate adequate mechanisms for regular, symmetric exchange of information with national and foreign institutional investors and the most prominent proxy advisors, thereby adjusting to the latest international standards in corporate governance.

The Criteria for reporting financial, non-financial and corporate information to shareholders, institutional investors, proxy advisors and other stakeholders, updated by the Board of Directors on 22 December 2020 set out the policy as well as the principles and guidelines for communicating with said stakeholders, with the aim of ensuring that they are able to exercise their rights, protecting their interests and promoting engagement with shareholders through open, transparent and continued dialogue.

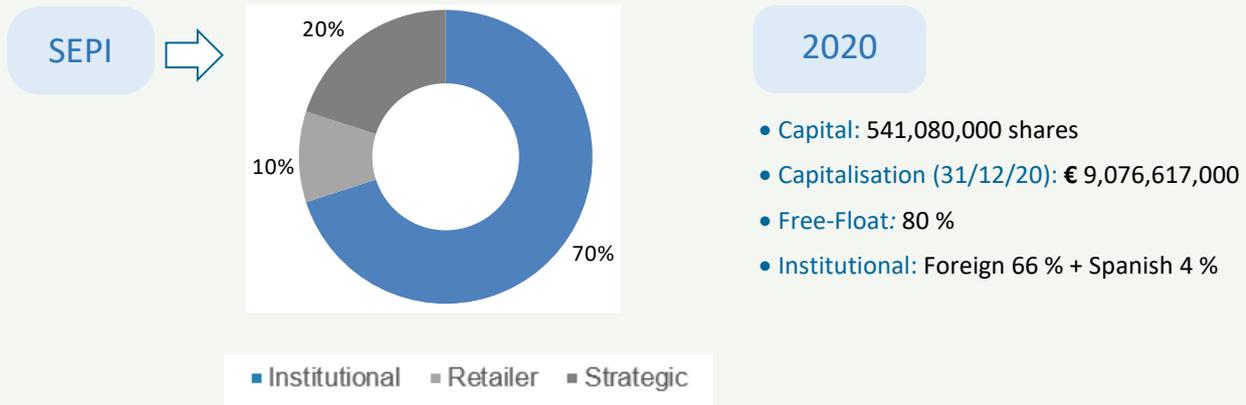
2.1. Ownership structure

20% of the company's shares are held by the state holding company Sociedad Estatal de Participaciones Industriales (SEPI) and the remaining 80% are free float, although, as it will be explained below, no other shareholder can hold more than a 5% interest in the share capital.

The free float includes a high percentage of foreign shareholders, especially institutional investors, which according to the latest information available in 2019 held close to 67% of the share capital (of which around 44% is located in the

United Kingdom and the USA, countries that are particularly demanding in terms of good corporate governance). That is why the Board of Directors places such importance on the international corporate governance practices and recommendations demanded by its shareholders.

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Source: Thomson Reuters shareholdings information as of May 2020. Banco Santander June 2020.

2.2. Powers of the general meeting of shareholders

The General Meeting of Shareholders, duly called and legally constituted, represents all the shareholders and exercises the functions assigned to it within the company.

Its resolutions, adopted pursuant to the Regulations of the General Meeting of Shareholders and the Articles of Association, are binding on all shareholders, without prejudice to their legal right of separation. The General Meeting of Shareholders has the power to adopt all resolutions specific to its status as the company's sovereign body.

Some powers of the General Meeting of Shareholders

The General Meeting of Shareholders is responsible, among other things, for:

- Approving the company's individual and consolidated financial statements, its management by the Board of Directors and the proposed allocation of profits.
- Appointing and removing directors, ratifying, as necessary, their appointment by co-option, and appointing and reappointing the auditors.
- Approving the withdrawal or limitation of preferential subscription or assumption rights.
- Approving the directors' remuneration policy in accordance with the Law.
- Approving the acquisition, disposal or transfer of core assets to another company. An asset is presumed to be a core asset when the amount of the transaction exceeds 25 per cent of the value of the assets shown in the latest approved balance sheet.
- Resolving on capital increases or decreases, transformations, mergers, splits, bulk transfers of assets and liabilities and transfers of the registered office to another country.
- Approving the winding-up of the company and the liquidation balance sheet, as well as any transactions the effect of which is equivalent to liquidation of the company.

- The transfer to subsidiaries of core activities previously carried out by the company itself, even if the company retains full ownership thereof.

The General Meeting of Shareholders may also give instructions to the administration body or subject the decisions or resolutions of that body on certain management matters to authorisation by the General Meeting of Shareholders, as provided by the Spanish Companies Act.

The rules on the organisation and functioning of the General Meeting of Shareholders are contained in Articles 11 to 18, both inclusive— and in the Regulations of the General Meeting of Shareholders. Such rules may be consulted on the corporate website, at the following links:

[Articles of Association](#)

[Regulations of the General Meeting of Shareholders](#)

The powers of the Annual General Meeting of Shareholders include the power to appoint the members of the Board of Directors. The Annual General Meeting of Shareholders held on 14 May 2020 adopted resolutions to:

- Ratify the appointment of Ms. Beatriz Corredor Sierra as director of Red Eléctrica Corporación, S.A., in the “other external directors” category, which has been made by the Board of Directors at the meeting held on 25 February 2020 and, accordingly, proceed to appoint her as director, within the category of “other external directors” for the term of office of four years set in the Articles of Association, in accordance with the provisions of article 529 *decies* of the Spanish Companies Act.
- Ratify the appointment of Mr. Roberto García Merino as executive director of Red Eléctrica Corporación, S.A., resolved by the Board of Directors on 27 May 2019 and, accordingly, proceed to appoint him executive director for the term of four years set in the Articles of Association, pursuant to the provisions of article 529 *decies* of the Spanish Companies Act.
- Re-elect Ms. Carmen Gómez de Barreda Tous de Monsalve, upon the proposal of the Appointments and Remuneration Committee, as independent director of Red Eléctrica Corporación, S.A., for the term of four years set in the Articles of Association, pursuant to the provisions of article 529 *decies* of the Spanish Companies Act.

The resolutions adopted by the Annual General Meeting of Shareholders held on 14 May 2020 were reported to the CNMV as a “Other Material Disclosure”, with registry number 2247, and have been published on the company’s website since the day of the General Meeting of Shareholders, both in English and Spanish.

Such resolutions may be consulted on the CNMV’s website and on the company’s website at the following links:

[Material Disclosure filed with CNMV on resolutions adopted by Shareholders at the 2020 Annual General Meeting](#)

[Full text of resolutions adopted at the 2020 Annual General Meeting of Shareholders](#)

2.3. Right of information

For some time now, resolution proposals have been published in full, in Spanish and in English, together with the call of the General Meeting of Shareholders, with all the relevant information for shareholders being posted on the company’s website, which is designed to make it easier for shareholders to exercise their right of information. The company’s website is a suitable mechanism for communicating with shareholders and investors, as it is the means to publish, among other things, the following information:

- The quorum requirement, the result of the votes taken on each of the resolutions approved by the Shareholders at previous General Meetings, and the rest of the documents related thereto.
- Information relating to the right of attendance and procedures for granting proxies for General Meetings of Shareholders, in accordance with the provisions of the company’s Articles of Association and the Regulations of the General Meeting of Shareholders.
- Information regarding electronic voting and proxies.
- Information regarding issuances of outstanding securities.

- Information regarding the rating given to the company by credit rating agencies.
- Increased information about the company's shareholders, with greater detail on significant holdings, treasury stock and shareholder agreements.

Background:

Act 25/2011, of 1 August, introduced a number of changes relating to the website content of listed companies, in particular, regarding the information that must be published on the website when calling a General Meeting of Shareholders. Despite the fact that most of this information was already published on the company's website, the Annual General Meeting of Shareholders held on 19 April 2012 approved an amendment to the relevant article of the Regulations of the General Meeting of Shareholders to incorporate the content required under said Act.

At the mentioned General Meeting held on 19 April 2012, the shareholders ratified the creation of the company's corporate website at the domain "*www.ree.es*", as required by Article 11 bis of the Restated Text of the Spanish Companies Act.

Order ECC/461/2013 of 20 March 2013 (which is currently in force, as it was not repealed with the approval of the latest amendments to the Spanish Companies Act), which determines the content and structure of the Annual Corporate Governance Report, the annual remuneration report and other reporting documents of listed companies, describes the relevant information to be included on the websites of listed companies; however, the current corporate website not only contains all the information specified in that Order but also information expanded and improved in following years.

In 2013, with the voluntary creation of the "Corporate Governance" section at the top of the main page menu, the quality of the information available to shareholders was improved.

In 2015, the corporate website was adapted to the requirements established in Circular 3/2015 of 23 June 2015 of the CNMV, on technical and legal specifications and information to be contained on the websites of listed companies and savings banks that issue securities admitted to trading on official secondary securities markets.

2016 was a particularly important year as regards disclosure and information transparency through the corporate website in relation to the company's corporate governance. The most noteworthy improvements to the information contained on the corporate website were the following:

- Publication of a highly visual, user-friendly and interactive section for exploring the history of the company's corporate governance since it went public in 1999.
- Publication of the Criteria for reporting financial, non-financial and corporate information to shareholders, institutional investors, proxy advisors and other stakeholders, which sets out the principles and guidelines for the company's communication with these stakeholders.

This process of continuous improvement of the corporate website continued in 2017, the most noteworthy milestone being the revision of the "Ethics and transparency" section. That section was renamed "Ethics and Compliance", incorporating information on the company's new regulatory compliance system, the methodology for evaluation of risks of noncompliance and the importance of awareness and training as key factors for the development of a culture of compliance within the organisation.

In 2018, the Committees section was restructured with the approval of the new Sustainability Committee.

In 2019, two new informational sections were added in the Ethics and Compliance area. One of them is intended to inform on the Data Protection Compliance System and the other to publicise the company's commitment to the prevention of corruption. Pursuant to that commitment, the company began, together with the Spanish Network of the United Nations Global Compact, an anti-corruption training programme for our suppliers aimed at educating companies on these matters, on the basis of Principle 10 of United Nations Global Compact, which provides that "businesses should work against corruption in all its forms, including extortion and bribery".

In 2020, a year marked by COVID-19, the first significant change consisted of adapting the Shareholders' Meeting section to hold it exclusively by telematic means. Among the special measures adopted in response to the health situation created by COVID-19 was the incorporation of a new remote attendance channel so that shareholders, in addition to

having the possibility of using the ordinary proxy, voting and remote information procedure, could participate in the General Meeting from their homes by remote attendance and cast their vote in this way.

Also in 2020, the company has taken a further step in transparency with the revision and updating of the Corporate Governance Policy and the Criteria for reporting financial, non-financial and corporate information to shareholders, institutional investors, proxy advisors and other stakeholders.

In addition, on the website the following actions taken by Red Eléctrica to facilitate the exercise of the information right of the shareholders at the General Meeting of Shareholders are notable:

- Call notices are always posted more than one month in advance.
- All documentation submitted for approval by the Meeting and especially the financial statements and the Annual Corporate Governance Report, are made available to all shareholders at the corporate headquarters, on the website and at the Shareholder Information Office.
- An entire item on the Agenda of the Annual General Meeting of Shareholders is devoted to reporting on the principal characteristics of the Annual Corporate Governance Report.
- The annual reports on the activities of the Audit Committee, the Appointments and Remuneration Committee and the Sustainability Committee are made available to all shareholders, by way of a link, in the Annual Corporate Governance Report and are published on the corporate website.
- A Shareholder Bulletin is published quarterly, containing the main news regarding the company.
- The points on the Agenda of General Meetings of Shareholders are explained in as much detail as possible.
- Matters are voted on separately, even by way of remote voting, with a view to giving shareholders full decision-making freedom and independence in respect of each matter submitted to vote.
- The Shareholder Information Office specifically deals with requests made by company shareholders. Shareholders may also submit questions in writing about the information available to the public or reported to the competent authorities and make inquiries through the Shareholder Information Office.
- Prior to the Annual General Meeting of Shareholders, in addition to the annual sustainability report, the report on the independence of the auditor and the reports on the functioning of the Board Committees are published on the corporate website, all in accordance with Recommendation 6 of the CBGSC.
- For several years now, an independent consultant has conducted an audit of the Annual General Meeting of Shareholders management processes, with a view to improving the protection of shareholder rights in General Meetings of Shareholders. The auditor's reports are published on the website from the date of the General Meeting of Shareholders. Since the 2014 Annual General Meeting of Shareholders, shareholders have been offered the possibility of requesting a certificate confirming their vote, verified by the external auditor of the General Meeting of Shareholders. In January 2019, the company's Audit Committee reported favourably to the Board on the replacement of the Auditor of these management processes, in order to comply with the Recommendations of regular rotation of the auditors, as a guarantee of their independence.
- Shareholders have a renewed "Red al día" service from which, after subscribing, they can receive e-mail alerts on relevant company information.

Accordingly, besides making timely disclosures to the market during 2020 through regular publication of information about its financial results and through relations with institutional investors, Red Eléctrica has included all the relevant information and notices on its corporate website, which is the basic tool the company uses to communicate with its shareholders.

Apart from the legal and regulatory requirements regarding the corporate website, it is necessary to highlight the importance for Red Eléctrica of its continuous adaptation and development in matters of corporate governance, which it endeavours to describe on its website, keeping it permanently updated, as a living instrument of communication, dialogue and commitment with shareholders, in application of its Corporate Governance Policy. That is why this priority is maintained every year, as described in Section 7 (Future Plans of Red Eléctrica in Corporate Governance Matters) of this Report.

2.4. Right of attendance

The limits on the share capital stakes in the company are established in Additional Provision 23 of Act 54/1997 of 27 November 1997 and remain in force, as expressly provided by the Single Repealing Provision of Act 24/2013 of 26 December 2013 on the Electricity Sector. Such limits are as follows:

- Any natural or legal person may hold shares in the company, provided the sum of their direct and indirect holdings of the company's shares does not exceed 5% of the company's share capital and they do not hold more than 3% of the voting rights. Those shares may not be pooled for any purpose whatsoever.
- Parties that engage in activities in the electricity industry, and any individuals or legal entities that directly or indirectly hold more than 5% of the capital of such parties, may not exercise more than 1% of the voting rights in the parent company.
- The special regime for SEPI is maintained, whereby SEPI must always hold at least ten percent (10%) of the company's share capital.

These legal provisions concerning the general and special shareholding regime are incorporated in articles 5 and 14 and the sole additional provision of the company's Articles of Association and also in article 6.3 of the Regulations of the General Meeting of Shareholders.

Shareholders may attend the General Meeting of Shareholders as long as they are up to date in the payment of capital calls and provide evidence of their share ownership in the form of a certificate made out in their name in the accounting register of book entries five days before the meeting is due to be held.

To this effect, article 15 of the Articles of Association and article 10 of the Regulations of the General Meeting of Shareholders provide that shareholders with the right to attend may be represented at the General Meeting of Shareholders by any other person, in accordance with Spanish Companies Act. The condition that the proxy must be in favour of a company shareholder has been withdrawn, following the approval of the adaptation of its content to Act 25/2011 of 1 August 2011, at the General Meeting of Shareholders held on 19 April 2012.

There is no restriction in the Articles of Association requiring a minimum number of shares to be held in order to attend the General Meeting of Shareholders (the "one share, one vote" principle applies).

The company's directors have the duty to attend the General Meetings of Shareholders.

As a general rule and in order for General Meeting of Shareholders proceedings and resolutions to reach the widest audience, General Meetings of Shareholders are open to the media and the proceedings are broadcast in audio and video format, with an English simultaneous interpreter and a sign language interpreter to favour inclusive communication.

It should be noted that the last General Shareholders' Meeting of 2020 was held exclusively by remote means as a result of the health situation caused by COVID-19 (under Royal Decree-Law 8/2020, of 17 March, on urgent extraordinary measures to address the economic and social impact of COVID-19, approved by the Spanish Government with the aim of trying to minimise the risk of contagion), i.e. without the physical attendance of the shareholders or their representatives and, in general, without the attendance of any other person except those who were absolutely essential for the organisation of the meeting, in order to safeguard the general interests of the shareholders, the health of all persons involved in the organisation, the interest of all its shareholders and that of the remaining stakeholders, and guaranteeing at all times all shareholders' rights.

Accordingly, at the aforementioned General Meeting of Shareholders held on 14 May 2020, in addition to the possibility of using the ordinary procedure for remote proxy, voting and information, shareholders were given the opportunity to participate in the General Meeting by means of remote attendance, being able to make interventions and proposals for resolutions or requests for information or clarifications, as well as to cast their vote by this means, in accordance with the extraordinary measures for "remote attendance" of shareholders, pursuant to Royal Decree-Law 8/2020, of 17 March, on extraordinary urgent measures to address the economic and social impact of covid-19, approved by the Board of Directors on 31 March 2020, and the rules and instructions for the implementation of its operation.



2.5. Right of participation

Red Eléctrica pays special attention to the right of information and to facilitating the greatest possible shareholder participation in General Meetings of Shareholders.

Key mechanisms for fostering the right of participation

- Electronic voting system in place at General Meetings of Shareholders since 2005.
- Corporate website section providing complete information for General Meetings of Shareholders.
- Live webcasts of the General Meetings of Shareholders, with simultaneous translation into English and sign language in Spanish.
- Shareholder E-forum.
- Remote attendance, in view of the health situation caused by COVID-19.
- Information in social media.
- Shareholder and investor information office.

Thanks to these mechanisms, a total of 1,320 shareholders voted (166 in person and 1,154 by proxy) at the 2020 Annual General Meeting of Shareholders (AGM). The average percentage of votes in favour of the proposed resolutions submitted to the 2019 AGM was 87,8%. This percentage includes all the resolutions, including those concerning directors' remuneration, in which SEPI abstains, as it has done for many years, following a rule it has adopted in all the listed companies in which it does not have a controlling interest. If the resolutions on directors' remuneration are excluded, the average percentage of vote in favour would be 97.9 %.

2.6. Relation with other stakeholders

The Red Eléctrica Group's stakeholder management model incorporates the requirements of relevant standards and benchmarks, such as AA1000, IQNet SR10, ISO26000 or Global Reporting Initiative. This model ensures adequate management of the significant economic, social and environmental impacts of the Red Eléctrica Group's activities and services on its stakeholders, avoiding the risk of not quickly identifying any problem that may affect the relationship with them. This model contemplates the following phases: identification and segmentation of stakeholders, prioritisation and definition of the framework and channels of relations.

The company carries out an annual program of perception studies aimed at evaluating the satisfaction of stakeholders with the company's performance and identifying requirements and expectations. In addition to serving as a tool for approaching and dialoguing with its stakeholders, these studies are a prime lever for the company's continuous improvement.

During 2020, the review of the perception studies continued, implementing the improvements identified in 2019 into the studies carried out during this financial year. The following improvements are worth noting:

- Improvement in the structure of the studies, adapting it to the 2030 Sustainability Commitment and seeking synergies between topics and the target audiences.
- Inclusion of the identification of significant matters and assessment of their importance for each stakeholder.
- Identification and report on global perception and reputational indices.

Plans for 2021 include continuing with the initiative aimed at carrying out a broad review of the stakeholders management model, which already started in 2020, to allow each company in the Red Eléctrica Group to have an up-to-date and prioritised inventory. This will serve as starting point for defining new frameworks for relationship with stakeholders in each company, in step with the changing situation of the Group.

The Group currently classifies its stakeholders in the following categories: investors, shareholders and business partners, regulators and administration, customers, individuals, suppliers, social environment, opinion leaders, business sector and professional associations and innovation agents.

For more information, please see: [Red Eléctrica Group Stakeholders](#)

3. The Board of Directors as the body responsible for control and supervision

The Board of Directors manages, governs and represents the company, without prejudice to the powers assigned to the General Meeting of Shareholders, and performs its tasks in accordance with the rules of organisation and order set out in the Articles of Association and the Board of Directors Regulations.

3.1. Composition

With respect to the qualitative composition of the Board of Directors, article 7 of the Board of Directors Regulations states that in exercising its power to make proposals to the General Meeting of Shareholders and to co-opt directors to fill vacancies, the Board should strive to achieve a Board composition so that:

- External directors represent an ample majority of the Board.
- The number of executive directors is the minimum necessary, having regard to the complexity of the corporate Group.
- Within the external directors, the ratio of proprietary to independent directors should match the ratio of the company's share capital represented by proprietary directors and the rest of the share capital; this strict proportionality rule may be relaxed, so that the proportion of proprietary directors on the Board may be greater than would otherwise be the case given the percentage of share capital they represent.
- The number of independent directors is at least half of the total number of directors. When the chairperson of the Board is also the company's managing director, independent directors should be a majority of the total number of directors.

Likewise, as regards the quantitative composition of the Board of Directors, article 20 of the Articles of Association provides that the Board of Directors must have no fewer than nine (9) and no more than thirteen (13) members and that the actual number of directors will be decided, within those limits, by the Shareholders at the General Meeting.

At 31 December 2019, as decided by the Shareholders at the Extraordinary General Meeting held on 17 July 2015, the company's Board of Directors was made up of twelve (12) directors, as shown in the following figure:

| | | |
|--|---------------------------|--|
| Chairwoman ● Beatriz Sierra Corredor | | |
| Managing director ● Roberto García Merino | Board of Directors | |
| ● Mercedes Real Rodrigálvarez ● María Teresa Costa Campi ● Ricardo García Herrera | | |
| ● <i>Executive Director (1)</i> ● <i>Proprietary External Directors (3)</i> ● <i>Independent External Directors (7)</i> ● <i>"Other External" Directors (1)</i> | | ● Carmen Gómez de Barreda Tous de Monsalve (CIC) ● María José García Beato ● Socorro Fernández Larrea ● Antonio Gómez Ciria ● Alberto Francisco Carbajo Josa ● Arsenio Fernández de Mesa y Díaz del Río ● Juan José Ruíz Gómez |

The company also has a Lead Independent Director (LID), approved by the shareholders at the Annual General Meeting and regulated in the corporate rules, even after the separation of the positions of chairperson of the Board of Directors and chief executive officer (managing director) of the company has taken place and been consolidated, in accordance with the most advanced international standards of corporate governance. Both issues are dealt with in more detail in

Section 4 (Balance of powers on the Board of Directors) of this Report. It should also be noted that the Board of Directors, at its meeting held on 26 March 2019, re-elected a woman as the company's Lead Independent Director for an additional term of three years.

Functions of the Lead Independent Director (LID)

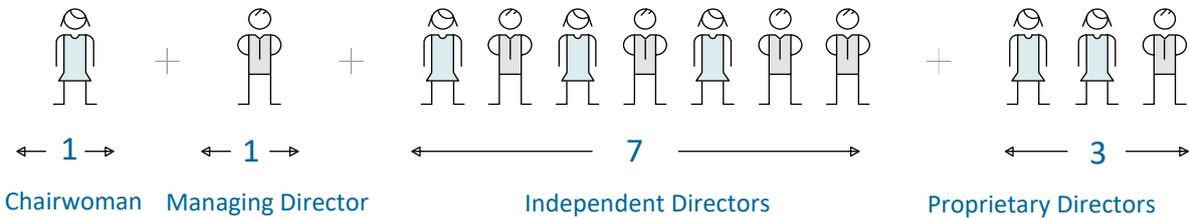
- Organise possible common positions of non-executive directors and, in particular, those of independent directors.
- Request the call of a Board meeting.
- Chair Board meetings in the absence of the chairperson.
- Coordinate the preparation of Succession Plans for the chairperson and the managing director.
- Take part in the Board self-assessment and, in particular, lead the assessment of the chairperson of the Board.
- Maintain contacts with shareholders and investors.

(Article 10 of the [Board of Directors Regulations](#))

| Members of the Board ² | Position on the Board | Type of Director | First appointment | Last appointment | Age |
|--|-----------------------|-----------------------------|-------------------|------------------|-----|
| Beatriz Corredor Sierra | Chairwoman | Other External | 25/02/20 | 14/05/20 | 52 |
| Roberto García Merino | Managing director | Executive | 27/05/19 | 14/05/20 | 47 |
| Mercedes Real Rodríguez | Member | Proprietary External (SEPI) | 31/10/17 | 22/03/18 | 52 |
| María Teresa Costa Campi | Member | Proprietary External (SEPI) | 25/09/18 | 22/03/19 | 69 |
| Ricardo García Herrera | Member | Proprietary External (SEPI) | 22/12/20 | 22/12/20 | 62 |
| Carmen Gómez de Barreda Tous de Monsalve | Member | Independent External | 19/04/12 | 14/05/20 | 52 |
| María José García Beato | Member | Independent External | 29/11/12 | 31/03/17 | 55 |
| Socorro Fernández Larrea | Member | Independent External | 09/05/14 | 22/03/18 | 55 |
| Antonio Gómez Ciria | Member | Independent External | 09/05/14 | 22/03/18 | 63 |
| Arsenio Fernández de Mesa y Díaz del Río | Member | Independent External | 31/01/17 | 31/03/17 | 65 |
| Alberto Francisco Carbajo Josa | Member | Independent External | 31/03/17 | 31/03/17 | 71 |
| José Juan Ruiz Gómez | Member | Independent External | 22/03/19 | 22/03/19 | 63 |

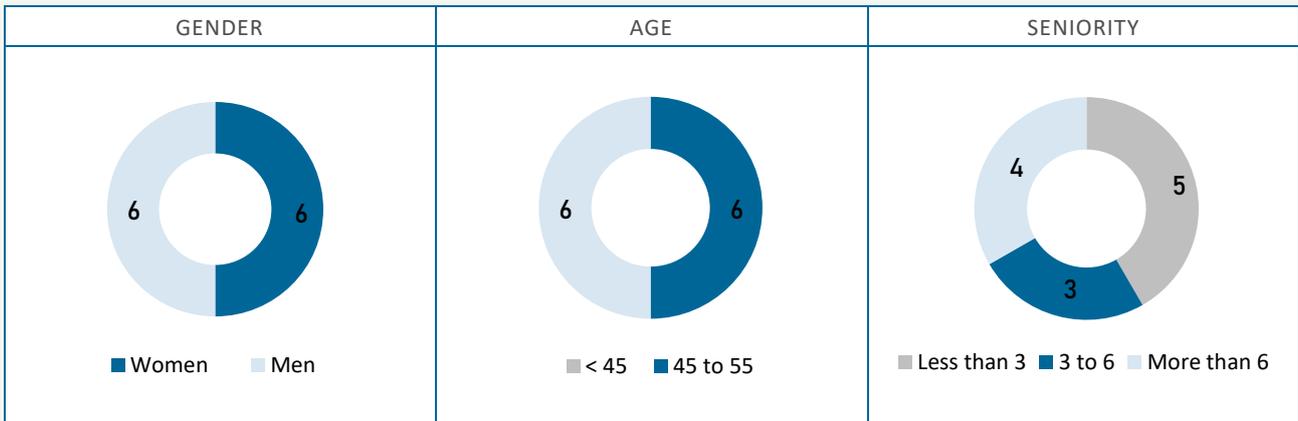
² On 31.12.2020.

Diversity in the composition of the Board of Directors



- 6 women, who represent 50 % of the total number of directors on the Board and 42.9 % are independent directors.
- 58.3 % of independent directors.
- 3.5 years average term of office of directors.
- 58.8 years old on average.
- Diversity of knowledge and professional experience: professionals with very diverse training (in Law, Economics and Business Studies, Civil Engineering, Mining Engineering, Industrial Engineering, Mathematics, Physics, etc.), as well as significant professional experience in the public and private sectors, both in Spain and abroad.

The company ranks among the top IBEX 35 companies with the highest presence of women on the Board of Directors, surpassing the target of 40% set for 2022 in Recommendation 14 of the Good Governance Code of Listed Companies.



Further below, Section 4.2 of this report on the Diversity Policy includes information on the matrix of powers of the Board, initially approved by the Board in 2018 and permanently updated.

The PROFESSIONAL PROFILES of the members of the Board of Directors at 31 December 2020 are described below. They show that all the company’s directors are professionals of high standing, with extensive professional experience, and therefore bring the necessary experience and knowledge to the task of supervising corporate management, so as to assist the company and the Red Eléctrica Group in the performance of their activities.



Beatriz Corredor Sierra

CHAIRWOMAN OF THE RED ELÉCTRICA GROUP AND OF THE BOARD OF DIRECTORS OF RED ELÉCTRICA CORPORACIÓN, S.A.

| | |
|--|--|
| First appointment | 25/02/20 |
| Latest appointment | 14/05/20 |
| Procedure for election | General Meeting of Shareholders |
| Position on the Board | Chairwoman of the Red Eléctrica Group and of the Board of Directors of Red Eléctrica Corporación, S.A. |
| Type of director | Other external |
| Member of Board Committees/position | No |
| Presence on Boards of other listed companies | No |

Born on 1 July 1968.

Degree in Law from the Universidad Autónoma de Madrid (1991). She became an official Land and Mercantile Registrar by competitive examination in 1993. Executive Education – Senior Management Program. IESE-Business School (PADE-A-2013). Executive Education – Program focused on “Women on Boards of Directors”. IESE-Business School (2015).

Currently she is:

- Chairwoman of the Red Eléctrica Group and of the Board of Directors of Red Eléctrica Corporación, S.A.
- Land Registrar on leave (more than 25 years of professional practice).
- Adjunct Faculty, Civil Law Civil. Master’s Degree Program n Access to Legal Practice. Universidad Nebrija.
- Adjunct Faculty. Social & Affordable Housing. Master in Real Estate Development. School of Architecture & Design. IE University.

- Adjunct Faculty. Policies for sustainability. Master’s Degree Program on Management of Construction and Real Estate Companies. ETSAM.
- Vice-President of the Royal Board of Trustees of the Museo Nacional Centro de Arte Reina Sofía.
- Mentor of the “Endeavor España” Foundation (supporting high impact entrepreneurship) (2014-to date).
- Member of the AlumniUAM Advisory Council.
- International speaker and lecturer.

Professional profile:

- Member of Parliament for Madrid and Chair of the Justice Commission. Congress of Deputies. XIII Legislature (2019).
- Head of Land Planning and Public Housing Policy Affairs. Federal Executive Committee. Spanish Socialist Workers’ Party (June 2017-February 2020).
- President of the Pablo Iglesias Foundation (September 2018-February 2020).
- Director of Institutional Relations of the Association of Land and Mercantile Registrars of Spain, as a Member of the Governing Board, responsible for Institutional Relations and the Press and Communication Office (October 2013-June 2017).
- Secretary of State for Housing and Urban Development. Ministry of Development (October 2010-December 2011).
- Chair of the Board of Directors of SEPES (“Entidad Pública Empresarial de Suelo”).
- Minister of Housing of the Spanish Government (April 2008-October 2010).
- Madrid City Councillor (September 2007-April 2008).
- Board member of the Municipal Housing and Land Company, EMVS (Empresa Municipal de Vivienda y Suelo).

Other information of interest:

Throughout her professional career she has developed legal and technical knowledge in the fields of real estate, urban planning, civil, commercial, mortgage, tax, procedural and administrative law, both in the private and public sectors. In addition, she has served different offices in the public sector, promoting regulatory measures and legislative processes, with management and leadership responsibilities in various ministerial departments and state-owned companies.

Her experience also extends to negotiating and decision-making in collegiate bodies, directing institutional relations at the highest level with national (Ministries, Autonomous Communities, City Councils) and international (E.U., U.S., Latin America, Russia, Turkey, Singapore) public authorities, with financial institutions and companies in the real estate sector and other industrial sectors, and with professional societies, associations and NGOs.

She has also performed liaison responsibilities with the media and press offices.

She has received, among other distinctions and awards, the Medal of Honour of the Association of Land and Mercantile Registrars of Spain (2018), the ALUMNI Award 2017, Faculty of Law of the Universidad Autónoma de Madrid-UAM and the Grand Cross of the Royal and Distinguished Spanish Order of Carlos III. H.M. the King Juan Carlos I (2010).



Roberto García Merino

MANAGING DIRECTOR

| | |
|--|---------------------------------|
| First appointment | 27/05/19 |
| Latest appointment | 14/05/20 |
| Procedure for election | General Meeting of Shareholders |
| Position on the Board | Managing Director |
| Type of director | Executive |
| Member of Board Committees/position | No |
| Presence on Boards of other listed companies | No |

Born on 20 March 1973.

Degree in Economics and Business from the Universidad Complutense de Valladolid. PDG from IESE (2016). MBA from the Instituto de Empresa (1999).

Currently he is:

- Managing Director of Red Eléctrica Corporación, S.A.
- Member of the board of directors of the companies of the Red Eléctrica Group:
 - Hispasat, S.A.
 - Red Eléctrica Infraestructuras de Telecomunicación S.A.U.(REINTEL)
 - Red Eléctrica Sistemas de Telecomunicaciones S.A.U. (RESEL)
 - Red Eléctrica Internacional S.A.U. (REI)

Professional profile:

- Since joining the Red Eléctrica Group in 2004, he has performed diverse duties involving strategic planning and business development, especially in the international area and in the telecommunications field, notably in the following executive positions:
 - Executive Director of Telecommunications and International Affairs of the Red Eléctrica Group (since March 2019).

- Corporate Director of Business Diversification (2015-2019).
- Director of Business Development and Strategy (2012-2015).
- Head of Strategic Planning Department (2007-2012).
- Outside the Red Eléctrica Group:
 - Internal investment banking analyst in Banco Espírito Santo (2000-2004).



Mercedes Real Rodríguez

PROPRIETARY EXTERNAL DIRECTOR REPRESENTING SEPI

| | |
|--|---------------------------------|
| First appointment | 31/10/17 |
| Latest appointment | 22/03/18 |
| Procedure for election | General Meeting of Shareholders |
| Position on the Board | Member |
| Type of director | External proprietary (SEPI) |
| Member of Board Committees/position | Audit Committee / Member |
| Presence on Boards of other listed companies | No |

Born on 6 January 1968.

Degree in Economics, Business and Law from the Universidad Pontificia de Comillas (ICADE E-3), and PDD from IESE.

Currently she is:

- Head of Investees of SEPI's Energy Division.
- Member of the Board of Directors and chairwoman of the Audit Committee of ENRESA, S.A., S.M.E.

Professional profile:

- Member of the Board of Directors of ENUSA Industrias Avanzadas, S.A., S.M.E.
- Financial and Control Director, Controller y Head of HR at Grupo INFOBOLSA (BME Group and Deutsche Börse, AG Group).
- Member of the Board of Directors, Chief Financial and Control Officer at OPEN FINANCE, S.L.
- Head of Audit Team for Financial Sector entities, at ARTHUR ANDERSEN (currently DELOITTE & TOUCHE).



María Teresa Costa Campi

PROPRIETARY EXTERNAL DIRECTOR REPRESENTING SEPI

| | |
|--|-----------------------------------|
| First appointment | 25/09/18 |
| Latest appointment | 22/03/19 |
| Procedure for election | General Meeting of Shareholders |
| Position on the Board | Member |
| Type of director | Proprietary external (SEPI) |
| Member of Board Committees /position | Sustainability Committee / Member |
| Presence on Boards of other listed companies | No |

Born on 31 July 1951.

Degree and PhD (Cum Laude) in Economics from the Universidad de Barcelona.

Currently she is:

- Professor of Economics at the University of Barcelona since 1987.
- Director of the Chair of Energy Sustainability at the University of Barcelona.
- Coordinator of Energy Economics for the Master in Renewable Energies Programme at the University of Barcelona.
- Lead Researcher in the Energy Sustainability and Environmental Research Group.

- Member of the Royal Academy of Moral and Political Sciences.
- Member in a personal capacity of the Energy and Environment Committee of the Real Instituto Elcano (since 2006).

Formerly, she has been:

- Chairwoman of the Spanish National Energy Commission (CNE) (2005-2011).
- Chairwoman of ARIAE (2005-2011).
- Vice-Chairwoman of MEDREG (2010-2011) and chairwoman of its Scientific Committee (2014-2016).
- Member of CEER (2005-2009).
- Chairwoman of the Board of MIBEL (2006-2007).
- Member of the Board of Directors of EDP RENOVÁVEIS, S.A. (EDPR) and member of the Audit, control and Related Parties committee of such company (July-September 2018).
- Member of the Board of Directors of ABERTIS (2013-2018) member of the Audit and the Appointments and Remuneration Committee and Chairwoman of the CSR Committee.
- Member of the Advisory Board of the Spanish National Nuclear Security Council CSN (2016-2018).
- Member of the Advisory Board of EDP Universidade (2014-2016).
- Member of the Advisory Board of Abertis (2011-2013).
- Secretary of Industry and Energy of the Regional Government of Catalonia (2004-2005).
- Chairwoman of EPLICSA (2004-2005).
- Member of the Board of Directors of INCASOL (2004-2005).
- Vice-Chairwoman of CIDEM (2004-2005).
- Member of the Board of Directors of ICF (2004-2005).
- Member of the Spanish Parliament VII Legislature (2000-2004).

Other information of interest:

She has a long academic career with a very active presence in research and teaching, as well as in conferences and papers at international congresses in the energy, industrial and business sectors.

She has more than 170 publications in books and academic journals specialised in Spanish and international energy and economics. The research group she directs on Energy Economics has been recognised for Research Excellence by the corresponding official research quality assessment agency. She received the Energy and Society Award "Victoriano Reinoso" in 2019 (Club Español de la Energía).



Ricardo García Herrera

PROPRIETARY EXTERNAL DIRECTOR REPRESENTING SEPI

| | |
|--|-----------------------------|
| First appointment | 22/12/20 |
| Latest appointment | 22/12/20 |
| Procedure for election | Board of Directors |
| Position on the Board | Member |
| Type of director | External proprietary (SEPI) |
| Member of Board Committees /position | No ³ |
| Presence on Boards of other listed companies | No |

Born on 26 April 1958.

PhD in Physical Sciences from the Universidad Complutense de Madrid.

Degree in Physical Sciences (specialising in Atmospheric Physics) from the Universidad Complutense de Madrid.

Graduate in the General Management Programme from the Institute of Higher Business Studies (IESE), University of Navarra.

Currently he is:

- Professor of Atmospheric Physics at the Universidad Complutense de Madrid.
- Researcher at IGEO, Institute of Geosciences (CSIC-UCM).
- President of the Atmosphere and Ocean Specialised Group of the Spanish Royal Society of Physics.
- Evaluator of the Austrian Climate and Energy Fund (since 2007).
- Member of the Editorial Board of the 'Advances in Global Change Research' series, Springer (since 2005).

He formerly has been:

- President of the Spanish Meteorology State Agency (2010-2012).
- General Manager of Prevention and Health Promotion of the Community of Madrid (1991-1995).
- General Manager for Public Health, Basque Government (1987 - 1991).
- Member of the Executive Committee of the World Meteorological Organisation (2010-2012).
- Member of the Board of Directors of AENA (2010–2012).
- Vice-Chair of the Board of the European Centre for Medium-Range Weather Forecasts (2011-2012).
- Spanish representative on the EUMETSAT Council (2010-2012).
- Spanish representative on the Steering Committee of the ESF-MedCLIVAR project (2006-2010).
- At the Universidad Complutense de Madrid he has held, among other positions:
 - Director of the General Foundation of the Universidad Complutense (2015-2019).
 - Director of the Department of Astrophysics and Atmospheric Sciences (2013-2015).
 - Co-coordinator of the Master's Degree in Geophysics and Meteorology (2006-2010).
 - Full Professor at the aforementioned University for more than 20 years (1988-2010).

Other information of interest:

in the field of research, he has been principal researcher in numerous national and international projects. He has directed and developed studies and work on climate variability and change and has analysed the impact of climate on different socio-economic sectors.

In the field of the energy sector, he has carried out studies on the modelling of wind and solar resource variability, both at meteorological and long-term scales; on the impact of extremes (heat waves and droughts) on energy demand, as well as on the relationship between meteorological extremes and wind energy production. In addition, his research projects include the impact of meteorology on air quality on a European scale, having been one of the pioneers in the analysis of the impact of climatic extremes on health.

In addition, he is the author of more than 180 articles in international journals included in the Science Citation Index (SCI), contributing author and reviewer of the 4th report of the Intergovernmental Panel on Climate Change (IPCC), co-convener of different sessions of the European Geophysical Union and the European Meteorological Society, guest editor of several special issues of prestigious journals included in the SCI, and has been guest lecturer at, among others, the Royal Meteorological Society, Oxford University, Durham University, Bermuda Biological Station, the National Oceanic and Atmospheric Administration (NOAA) and the Biennial Meeting of the Royal Spanish Physics Society.

³ On 26 January 2021, the Board of Directors resolved to appoint proprietary director Ricardo García Herrera as a member of the

Appointments and Remuneration Committee for a term of three years to fill the vacancy on the Committee.



**Carmen Gómez de Barreda
Tous de Monsalve**

INDEPENDENT EXTERNAL DIRECTOR

| | |
|--|---------------------------------|
| First appointment | 19/04/12 |
| Latest appointment | 14/05/20 |
| Procedure for election | General Meeting of Shareholders |
| Position on the Board | Lead Independent Director |
| Type of director | External Independent |
| Member of Board Committees /position | Audit Committee / Chairwoman |
| Presence on Boards of other listed companies | Grupo Ezentis, S.A. |

Born on 20 May 1968.

Degree in Economics and Business from the Universidad Pontificia de Comillas (ICADE). Master's Degree in Business Administration from the IESE (Executive MBA), Universidad de Navarra.

Currently she is:

- Member of the Board of Directors of Hispasat, S.A.
- Member of the Board of Directors of Grupo Ezentis S.A.
- Member of the Advisory Board of the Board of Directors of Grupo Antolin-Irausa, S.A.
- Member of the Strategy advisory group of Sidenor Aceros Especiales.

Professional profile:

- General Manager of Corporación de Reservas Estratégicas de Productos Petrolíferos (CORES).
- Head of the Cogeneration Department, Business Management, Enagás.
- Head of the International, Petrochemical and Marketing Departments of Repsol.
- Director of Services Development at Union Fenosa.
- Deputy Director of Oil Markets at the Spanish National Energy Commission (CNE).

- Institutional Relations and Communications Manager for BP Oil España.
- Member of the Spanish Delegation in the Emergency Questions Group and the Markets Group of the International Energy Agency (IEA).
- Representative on various international working groups on issues of energy regulation and security of supply (ARIAE and CEER).
- Teacher/lecturer in various master's courses (Universidad de Barcelona, ICAI, Cesma, Club Español de la Energía).



María José García Beato

INDEPENDENT EXTERNAL DIRECTOR

| | |
|--|--|
| First appointment | 29/11/12 |
| Latest appointment | 31/03/17 |
| Procedure for election | General Meeting of Shareholders |
| Position on the Board | Member |
| Type of director | External independent |
| Member of Board Committees /position | Appointments and Remuneration Committee / Member |
| Presence on Boards of other listed companies | Sabadell Consumer Finance S.A.U. |

Born on 27 May 1965.

Law Degree from the Universidad de Córdoba.
State Attorney.

Currently she is:

- Director and General Secretary of Banco Sabadell, S.A.
- Non-director Secretary of the Board of Directors of Sabadell Consumer Finance S.A.U.
- Trustee of the Fundació Privada Banc Sabadell.
- Trustee of Fundación AEB.
- Member of the Advisory Council of Fundación Cajasur.

Professional profile:

- State Attorney at the High Court of Justice in Madrid.
- Head of the Legal Services Department of the Data Protection Agency.
- State Attorney in the Advisory Services Sub-division of the State Legal Services Division.
- State Attorney in the Communications Secretariat at the Ministry of Development.
- Secretary of the Board of Directors of Retevisión, S.A.
- Chief of Cabinet for the Ministry of Justice.
- Director at Infoinvest, S.A.

- Director at Sociedad Estatal de Gestión Inmobiliaria de Patrimonio, S.A. (SEGIPSA).
- Director at Sociedad Estatal para Exposiciones Internacionales, S.A. (SEEI).
- Director at Sociedad Estatal Correos y Telégrafos, S.A.
- Director at Banco Guipuzcoano, S.A. and Director at Banco CAM, S.A.
- Deputy Secretary of the Department of Justice.
- State Attorney in the Legal Department of the Audiencia Nacional (National Court of Appeals).
- Head of Legal Services at Banco Sabadell.
- Secretary of the Board of Directors of Banco Urquijo, S.A.
- Director at the company Banco Gallego S.A.
- Secretary of the Board of Trustees of Fundación de Estudios de Economía Aplicada (FEDEA).
- Secretary of the Board of Directors of Sabadell United Bank (Miami).



Socorro Fernández Larrea

INDEPENDENT EXTERNAL DIRECTOR

| | |
|--|--|
| First appointment | 09/05/14 |
| Latest appointment | 22/03/18 |
| Procedure for election | General Meeting of Shareholders |
| Position on the Board | Member |
| Type of director | External independent |
| Member of Board Committees /position | Appointments and Remuneration Committee / Chairwoman |
| Presence on Boards of other listed companies | Cementos Molins Industrial, S.A. |

Born on 7 April 1965.

Degree in Civil Engineering from the Universidad Politécnica de Madrid and Senior Management Programme (PADE) from the IESE.

Currently she is:

- Chairwoman of OFG TELECOMUNICACIONES.
- Independent Director at GRUPO CEMENTOS MOLINS.
- Independent Director at the Spanish engineering firm SEG, S.A.
- Independent Director at BANCO CAMINOS.
- Member of the IESE's Regional Council in Madrid.
- Advisor to the Board of Directors of the Mexican engineering firm CAL Y MAYOR.

Professional profile:

- Executive Director at the Consultancy firm JUSTNOW, S.L.
- Independent Director at TEMPORE PROPERTIES Socimi, S.A.
- Independent Director at Grupo ACR.
- Member of the Board of Directors of AMPER, S.A. as proprietary director, representing the company Emilanteos, S.L.
- General Manager at COPISA Constructora Pirenáica S.A.

- Vice-Chairwoman at ANCI, Asociación de Constructores Independientes.
- Member of the Governing council of the Spanish Society of Civil Engineers (Colegio de Ingenieros de Caminos, Canales y Puertos).
- Regional Manager of the construction company SEOP, S.A.
- National representative of FERROVIAL CONSERVACIÓN, S.A.
- Representative in Castilla la Mancha of FERROVIAL AGROMÁN, S.A.
- Representative in Castilla La Mancha of AGROMAN Empresa Constructora, S.A.
- General Manager of Roads, Hydraulic Structures and Transport of the Department of Public Works of the Regional Government of Castilla la Mancha.
- Chief Project engineer for FERROVIAL, S.A.

Other information of interest:

Member of the advisory board of the newspaper EXPANSION. Member of WCD, Women Corporate Directors and former co-chair of the Spanish chapter.

Member of AED, Spanish Association of Directors, and former member of its Executive Board.

Member of CEAPI, Latin American Business Council, and member of its Executive Board.

Member of YPO, Young Presidents' Organization, and former member of the Executive Committee of the Eurolatam and Madrid chapters.

Member of IWF, International Women Forum and former member of its Executive Committee in Spain.

Medal of Honour awarded by the Spanish Society of Civil Engineers (Colegio de Ingenieros de Caminos, Canales y Puertos).



Antonio Gómez Ciria

INDEPENDENT EXTERNAL DIRECTOR

| | |
|--|---------------------------------|
| First appointment | 09/05/14 |
| Latest appointment | 22/03/18 |
| Procedure for election | General Meeting of Shareholders |
| Position on the Board | Member |
| Type of director | Independent external |
| Member of Board Committees /position | Audit Committee / Member |
| Presence on Boards of other listed companies | Mapfre, S.A. |

Born on 25 March 1957.

Degree in Economics and Business from the Universidad Complutense de Madrid. Degree in Mathematics from the Universidad Complutense de Madrid. Master's Degree in Business Administration (Executive MBA) from the IESE. Accredited Accounting Expert– AECA.

Currently he is:

- Member of the Advisory Board of Experts in Accounting and Financial Information (ECIF), General Council of the Association of Economists.
- Member of the Board of Directors of Mapfre S.A. and of its Risks Committee.
- Member of the Board of Directors of Mapfre España Compañía de Seguros y Reaseguros S.A.
- Member of the Board of Directors of Mapfre Re Compañía de Reaseguros S.A. and member of its Executive Committee.
- Member of the Board of Directors of Mapfre Vida, S.A. de Seguros y Reaseguros sobre la Vida Humana.
- Member of the Board of Directors of Hispasat S.A. and of its Audit Committee.

Professional profile:

- Member of the Board of Directors of Mapfre Global Risks Compañía Internacional de Seguros y Reaseguros S.A. and member of its Executive Committee.
- General Manager of Administration and IT, Member of the Executive Committee of the FCC Group.
- Representative of the FCC Group at the Forum of Large Companies, Ministry of Finance and Public Administrations.
- General Manager of Internal Auditing and member of the Executive Committee of the FCC Group.
- Head of Internal Audit of the FCC Group.
- Member of the Advisory Board of the Internal Auditors Institute and a Member of its Executive Committee.
- General Technical Secretary of InverCaixa, an investment management company in the La Caixa Group.
- Chairman of Instituto de Contabilidad y Auditoría de Cuentas (ICAC).
- Director at Empresa Nacional de Uranio, S.A.
- Director at Empresa Nacional de Autopistas, S.A. Director at Tabacalera, S.A.
- Head of Market Inspection for the Governing Body of the Madrid Stock Exchange (Sociedad Rectora de la Bolsa de Valores de Madrid).
- Deputy Manager of Studies and Budgetary Planning at Radio Televisión Española.
- Head of Auditing and Accounting Department at Banco de Crédito Agrícola.
- Auditor/Inspector for the General Intervention Board of the State Administration.

Other information of interest:

Member of the CNMV Work Group to prepare a "Guide for preparing management report in listed companies".



Arsenio Fernández de Mesa y Díaz del Río

INDEPENDENT EXTERNAL DIRECTOR

| | |
|--|---------------------------------|
| First appointment | 31/01/17 |
| Latest appointment | 31/03/17 |
| Procedure for election | General Meeting of Shareholders |
| Position on the Board | Member |
| Type of director | Independent External |
| Member of Board Committees /position | Audit Committee / Member |
| Presence on Boards of other listed companies | No |

Born on 20 July 1955.

Currently he is:

- Senior Advisor at VIMAD GLOBAL SERVICES SL.
- Director Advisor at BRUZON CORREDURÍA DE SEGUROS Y REASEGUROS.
- Member of the Scientific Board of the International Institute of Political Sciences of the UNESCO Chair in Political Science and Comparative Administrative Study, assigned to the Areas of Defence, Industry and Security since 2010
- Master's Degree in National Defence from the Universidad Rey Juan Carlos.
- Diploma in "Advanced Military Studies" from the Centro Superior de Estudios de la Defensa Nacional (1991).
- Diploma in "Advanced Defence Studies" from the Centro Superior de Estudios de la Defensa Nacional (1991).
- Diploma from Instituto de Empresa Business School (IE.BS) within the Executive Management Programme (EMBA) for Members of Parliament (2009).
- Parliament-Business Companies Programmes in IBERDROLA, INDRA and INFORPRESS.
- Professor (Ad Honorem) at the International Institute of Political Sciences of the UNESCO Chair in Political Science and Comparative Administrative Study, assigned to the areas of Defence, Industry and National Security since 2010.

- Honorary Professor at the Alfonso X El Sabio University of the Royal Forum Chair in Senior Management.

Professional Profile:

- Expert with more than thirty years dedicated to Security and Defence, as well as to the Maritime Sector, both in private companies and in the public sector.
- Civil Servant of the General State Administration (1979-2016).
- Chief Technical Inspector of vessels for International Marine Coatings, Ltd. (CEPISA, Spain) (1982-2016).
- Senior Advisor at Preventia Neurotechnology (2016-2017).
- Lecturer at the International Studies Society, Advanced International Studies Course (2014).
- Director General of the Guardia Civil (2011-2016). Rank of Under-secretary.
- Deputy-Chair of the Congressional Committee on Defence for the Spanish Parliament (2004-2011).
- Spokesperson for Defence for the PP Group in the Spanish Parliament (1996-2000).
- Chairman of the Party's National Defence Committee (1996-2000).
- Government Delegate in Galicia (2000-2004). Rank of Under-secretary.
- Member of the OSCE International Parliamentary Assembly.
- Member of the NATO Parliamentary Assembly.
- Elected as a Member of Parliament in the following legislative periods: 1989-1993; 1993-1996; 1996-2000; 2000-2004 (resigned as a Member of Parliament to become the government delegate in Galicia); 2004-2008; 2008-2011 and 2011-2015 (resigned as a Member of Parliament to become director general of the Guardia Civil); he has held the position of spokesperson for the Fishery sector, the Naval Sector and the Merchant Marine and spokesperson for Defence in the Spanish Parliament.
- First Deputy Mayor of El Ferrol (1987-1989).
- Councillor of the City Council of El Ferrol (1983-1991).
- Speaker at seminars and conferences on Fisheries, Defence, the Naval Sector, Merchant Marine and National Security in various universities and in other national and international forums, among others, the CHEMI (Centre des Hautes Études du Ministère de l'Intérieur de France) and the Escuela de Guardia di Finanza (Italy).
- He is in possession of several national and international decorations, among others, awarded by the governments of Spain, France, Italy (twice), Portugal, Peru, Mexico, and Colombia and is a Gold Master Statutory of the Royal Forum of Senior Management.



Alberto Francisco Carbajo Josa

INDEPENDENT EXTERNAL DIRECTOR

| | |
|--|-----------------------------------|
| First appointment | 31/03/17 |
| Latest appointment | 31/03/17 |
| Procedure for election | General Meeting of Shareholders |
| Position on the Board | Member |
| Type of director | Independent External |
| Member of Board Committees /position | Sustainability Committee / Member |
| Presence on Boards of other listed companies | No |

Born on 8 August 1949.

Degree in Mining Engineering from the Universidad Politécnica de Madrid. Economic Sciences Graduate from the Universidad Autónoma de Madrid. Master's Degree on the European Union from the Escuela Diplomática de Madrid.

He currently is:

- International independent advisor in the field of electric energy.
- "Ad Honorem" professor at the Universidad Politécnica de Madrid.
- Member of the Advisory Board of the Escuela Técnica Superior de Ingenieros de Minas y Energía.

Professional Profile:

- General Manager of the Compensation Office of the Electrical Sector – OFICO – (until 1991).
- General manager of the Mining and Construction Industries of the Ministry of Industry and Energy (1992-1995).
- Member of the Boards of Directors of ENDESA and Petronor (1992-1995).
- Member of the Board of the Spanish National Energy Commission (1995-2000).

- International Regulation Executive at Corporación Unión Fenosa providing his services to the Secretary General of Regulation (2002-2004).
- General Manager of Operations at Red Eléctrica de España, S.A. (2004-March 2012).

Other information of interest:

He has been an associate professor in the Department of Energy Systems of the Escuela Técnica Superior de Ingenieros de Minas y Energía de Madrid; professor of the Master's programme in Renewable Energies at the Escuela de Organización Industrial; professor of the Master's programme in Energy and Competitiveness at Orkestra (Instituto Vasco de Competitividad); professor for the Advanced Course of Energy Business of the Club Español de la Energía and professor at University of Alcalá de Henares in subjects related to energy supply.



José Juan Ruiz Gómez

INDEPENDENT EXTERNAL DIRECTOR

| | |
|--|-------------------------------------|
| First appointment | 22/03/19 |
| Latest appointment | 22/03/19 |
| Procedure for election | General Meeting of Shareholders |
| Position on the Board | Member |
| Type of director | Independent External |
| Member of Board Committees /position | Sustainability Committee / Chairman |
| Presence on Boards of other listed companies | No |

Born on 30 July 1957.

Degree in Economics from the Universidad Autónoma de Madrid. State Trade Expert (civil servant).

Currently he is:

- Consultant and independent advisor on macroeconomic matters and Latin American markets.
- Member in a personal capacity of the Scientific Committee of the Real Instituto Elcano (since 2012).
- Member of the Editorial Board of El País and Grupo Prisa.
- Member of the Advisory Council for Economic Affairs reporting to the Third Vice-President of the Spanish Government.

Professional profile:

- Chief Economist and Head of the Research Department of the Inter-American Development Bank (2012-2018).
- Chief Economist for Latin America at Banco Santander (1999-2012).
- Representative of Banco Santander on the Board of Directors of the Real Instituto Elcano (until 2012).
- Member of the Social Council of the University of Castilla La Mancha (2005-2009) and Chairman thereof (2010-2012).

- Member of the boards of directors of both state owned companies (INI, Aviaco, Autopistas del Atlántico, Renfe and Tabacalera) and private sector companies, in particular in the banking sector, holding between 1999 and 2012 the positions of director at Banco de Santiago (Chile), Banco Santander Colombia, Banco Santander Puerto Rico, Banco Santander Peru and Banco Venezuela.
- Director of the Strategy and Planning Department of Banco Santander (1996-1999).
- Chief Economist of International Financial Advisors (1996).
- Member of the Independent Committee of Experts of the Ministry of Economy and Finance in charge of the construction of macroeconomic scenarios for the Spanish economy (1994-1998).
- Member of the Editorial Board of Grupo Recoletos (1994-1999).
- Chief Economist of Argentaria (1993).

The most relevant positions held in the Public Administration (Ministry of Economy and Finance):

- Undersecretary for International Economy and Competition, Ministry of Economy and Finance (1991-1993).
- Member of the Management Committee of the Ministry of Economy and Finance (1991-1993).
- Chief of Cabinet to the Secretary of State for Economic Affairs (1988-1990).
- Executive adviser to the Secretary of State for the Economy (1985-1987).
- Head of the Balance of Payments Service, State Secretariat for Trade (1984-1985).
- Economic Adviser to the Secretary of State for Trade and the Secretary General for Trade (1983).
- Technical support to the General Technical Secretariat during the negotiation of Spain's accession to the EU (1984-1985).
- Chairman of the Spanish delegation to the OECD for the annual macroeconomic surveillance meetings (1990-1993).
- Chairman of the Economic Policy Committee of the European Union (1992-1993).
- Member of the EU Economic Policy Committee (1989-1992).
- Responsible for Spain's relations with the IMF, the World Bank and the Development Banks (Africa, Asia, Latin America and Europe) (1986-1993).

Other information of interest:

In addition, he is active as a speaker at conferences with different institutions and collaborates as a lecturer in the International Master of the Instituto de Empresa.



Carlos Méndez-Trelles García

GENERAL COUNSEL AND SECRETARY OF THE BOARD OF DIRECTORS (NON-DIRECTOR)

Born on 25 February 1975.

Degree in Law from the Universidad San Pablo-CEU. Management Development Programme (PDD), Business Administration and Management, IESE Business School. Master's Degree in Energy Law, Spanish Energy Club - Spanish Energy Institute. Master's Degree in Information and Communications Technology Law, Universidad - Pontificia Comillas. Special course in Corporate Law, Madrid Bar Association.

Currently he is:

- Lawyer of the Madrid Bar Association (Ilustre Colegio de Abogados de Madrid).
- Director at REDCOR REASEGUROS, S.A.

Professional profile:

- Director of Internal Audit and Risk Control at Red Eléctrica de España, S.A.U.
- Head of Legal Services at de Red Eléctrica de España, S.A.U.
- Lawyer for the Legal Services Department at Red Eléctrica de España, S.A.U.
- Collaborator at the Institute of Legal IT at Universidad Pontificia Comillas.



Fernando Frías Montejo

DEPUTY GENERAL COUNSEL AND DEPUTY SECRETARY OF THE BOARD OF DIRECTORS (NON-DIRECTOR)

Born on 11 March 1965.

Graduate in Law and Corporate Legal Adviser from the Universidad Pontificia de Comillas (ICADE-E-I). Program for Management Development for TSO's Companies (PMD) IESE, Universidad de Navarra.

Currently he is:

- Deputy secretary (non-director) of the Board of Directors of Hispasat, S.A.
- Lawyer of the Madrid Bar Association (Ilustre Colegio de Abogados de Madrid).
- Joint Director of RED ELÉCTRICA FINANCIACIONES, S.A.
- Director at RED ELÉCTRICA DE ESPAÑA FINANCE B.V.

Professional Profile:

- Head of Corporate Governance Department at Red Eléctrica.
- Head of Corporate Governance and Compliance Department at REE.
- Secretary of the Board of Directors of Infraestructuras de Alta Tensión, S.A., de Red de Alta Tensión, S.A. and of Tenedora de Acciones de Redesur, S.A.
- Lawyer for the Legal Services Department at Red Eléctrica de España, S.A.U. (REE) since 1990.

3.2. Responsibilities and activity

The Board of Directors Regulations set out the basic principles guiding the actions of the company's Board of Directors and lay down the basic rules for the organisation and functioning of the Board and its committees, the rules of conduct for its members, as well as the supervisory and control functions entrusted to the Board. This is achieved by encouraging the active participation of its directors, placing the interests of the company and of its shareholders above their own interests, while upholding the Law, the Articles of Association and corporate governance principles.

The RULES ON THE ORGANISATION AND FUNCTIONING of the Board are contained in the Articles of Association (Articles 19 to 26, both inclusive) and the current Board of Directors Regulations (Articles 5 to 13, both inclusive, and articles 19 and 20).

Also, pursuant to the Articles of Association and the Board of Directors Regulations, the principle guiding the Board's actions at all times is the corporate interest, understood as the company's long-term profitability and sustainability so as to ensure the company's long-term survival and the maximisation of its value.

The Board of Directors, supported by the work of the Audit Committee, the Appointments and Remuneration Committee and the Sustainability Committee, governs and represents the company.

Specifically, the Board holds all powers to manage and represent the company, both in and out of court, exercising such powers directly, via delegation or by means of a power of attorney in the terms established by Law, the Articles of Association and the Board of Directors Regulations.

In any event, in accordance with the provisions of article 6 of the Board of Directors Regulations, the Board of Directors will perform its duties with unity of purpose and independent judgement and will adopt the necessary measures in relation to the corporate organisation to ensure that:

- a) The company's management pursues the achievement of the corporate interest, in line with the purpose, values and strategies defined by the Board of Directors, and has the proper resources and incentives for doing so and to correct eventual deficiencies.
- b) The management of the company and of Group companies is under the effective supervision of the Board, ensuring proper and efficient coordination between the company and the companies in the Group and, in particular, compliance by the latter with the policies and principles approved by the Board.
- c) No person or small group of persons holds decision-making power unfettered by checks and balances.
- d) The same treatment is dispensed to all shareholders who are in the same position and no shareholder receives preferential treatment over the others.
- e) The functions attributed by law to Red Eléctrica de España, S.A.U. and, as applicable, to the other companies in the Group, are performed seeking to protect the public interest in those functions and with the legally required independence in the adoption of the relevant decisions, observing at all times the separation between regulated and non-regulated activities.
- f) In its relations with stakeholders and in pursuit of the corporate interest, the company, in addition to respecting the applicable laws and regulations and to a conduct guided by good faith, ethics and respect for customs and best practices regarding conduct and business reputation, addresses at all times the legitimate interests of its employees, suppliers, customers and the rest of the stakeholders who may be affected, as well as the impact of the company's activities in the community as a whole and on the environment, furthermore abiding by those additional principles of sustainability and good corporate governance that it has voluntarily accepted.

The following responsibilities, amongst others, rest with the Board:

- Approval of the general policies and strategies of the company and the Group, with special emphasis on the risk management and control policy.
- Decisions regarding appointments and removal of executives who report directly to the Board or to directors, director remuneration, financial and non-financial reporting and strategic investments (except for those that rest with the shareholders at the General Meeting).
- Annual assessment of the quality and efficiency of the Board and of the functioning of its Committees.

- g) in the sphere of relations and transparency with stakeholders and with society as a whole, the highest standards of corporate reputation and other aspects necessary to generate confidence in the company and its Group are ensured.

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 supervisory function, the approval of basic operating guidelines and strategies and on decisions that are highly relevant to the interests of the company.

Non-delegable responsibilities of the Board of Directors (Article 5 of the Board of Directors Regulations):

- a) Approve the general policies and strategies of the company and the Group.
- b) The following decisions:
 - i) Appointment and removal of the company's managing directors and the setting of their contracts terms.
 - ii) Authorisation of the appointment and removal of the executives of the company and of Red Eléctrica de España, S.A.U. who report directly to the chairperson of the Board or the managing director of the company, and of the strategic executives of the Group as established by the Board of Directors, as well as the establishment of the basic terms of their contracts, including their remuneration.
 - iii) Remuneration of directors, within the framework set by the Articles of Association and the remuneration policy approved by the shareholders at the Annual General Meeting, and in the case of executive directors the additional remuneration for their executive functions and any other terms that must be included in their contracts.
 - iv) Authorisation of proposals for the appointment, renewal and removal of directors in the various companies in the Group, as well as the authorisation of proposals for the appointment of those who should assume, where appropriate, the chair of the respective boards of directors of the Group companies.
 - v) Authorisation or waiver of the obligations arising from the duty of loyalty, as provided in Article 230 of the Spanish Companies Act.
 - vi) Financial and non-financial information which, as a listed company, the company must publish from time to time, or which it submits to the regulatory or market supervisory bodies for their publication.
 - vii) Investments or transactions of any kind carried out by the company or the Group which, because of their amount or special characteristics, are considered strategic, according to the criteria established by the Board of Directors, or entail special tax risk, unless such approval is reserved to the shareholders at the Annual General Meeting.
 - viii) Creation or acquisition of interests in special purpose vehicles or entities domiciled in countries or territories that are considered tax havens and any other similar transactions or operations which, on account of their complexity, could impair the transparency of the company and the Group.
- c) Approval, after obtaining a report from the Audit Committee, of transactions carried out with directors by the company or companies in its Group on the terms of the Spanish Companies Act, or with shareholders who, either individually or together with others, own a significant holding.
- d) Drawing-up of the financial statements and presentation to the Annual General Meeting of Shareholders.
- e) Calling of the Annual General Meeting of Shareholders and drafting of the agenda and proposals for resolutions.
- f) Delegation of any authority the Shareholders at the Annual General Meeting may in turn have delegated to the Board of Directors, unless such delegation or substitution has been expressly authorised by the shareholders at the Annual General Meeting.
- g) Drawing-up of any kind of report required of the Board of Directors by law, provided the transaction to which the report refers cannot be delegated.
- h) Annual assessment of:
 - i) The quality and efficiency of the functioning of the Board, the diversity of its composition and competencies, the performance of their functions by the chairperson of the Board of Directors and the company's chief executive officer and, where applicable, the performance and contribution of each director, paying special attention to the chairperson of each of the different committees, all this based on the report submitted to

the Board by the Appointments and Remuneration Committee in coordination with the lead independent director, if any, or the chairperson, as the case may be.

- ii) The composition and functioning of the Board's Committees and of any other delegated body that may have been created, based on the report submitted to the Board by the Appointments and Remuneration Committee in coordination with the lead independent director or the chairperson, as the case may be.

Act 11/2018 established as a new non-delegable responsibility of the Board to include, where appropriate, the mandatory non-financial information, in the supervision of the process of preparation and presentation of non-financial information.

Before the start of the year, on proposal of its chairperson, the Board of Directors approves an indicative schedule of MEETINGS for the year. In any event, in accordance with article 19 of the Board of Directors Regulations, the Board of Directors will ordinarily meet on a monthly basis, at least eight times a year, in accordance with the schedule and, if applicable, the agendas set at the start of the year, to which each director will be entitled to propose the addition of new items. Furthermore, at the Chairperson's initiative, it may meet as many times as she deems it appropriate for the company's adequate operation.

The company has a small, effective and efficient Board. In 2020, the Board met 13 times, with the attendance of all directors (100 %).

During 2020, the company's Board of Directors has held (13) meetings, and there has been no failure to attend, and therefore the number of attendances in person has been 155, that is a percentage of 100%.

| Attendance at 2020 Board of Directors meetings | | | |
|--|-----------|----------|-------------------|
| Director | In person | By proxy | % attendance 2020 |
| Beatriz Corredor Sierra | 12 | 0 | 100 |
| Roberto García Merino | 13 | 0 | 100 |
| Mercedes Real Rodrigálvarez | 13 | 0 | 100 |
| María Teresa Costa Campi | 13 | 0 | 100 |
| Antonio Gómez Expósito | 13 | 0 | 100 |
| Ricardo García Herrera | 0 | 0 | * |
| Carmen Gómez de Barreda Tous de Monsalve | 13 | 0 | 100 |
| María José García Beato | 13 | 0 | 100 |
| Socorro Fernández Larrea | 13 | 0 | 100 |
| Antonio Gómez Ciria | 13 | 0 | 100 |
| Arsenio Fernández de Mesa y Díaz del Río | 13 | 0 | 100 |
| Alberto Francisco Carbajo Josa | 13 | 0 | 100 |
| José Juan Ruiz Gómez | 13 | 0 | 100 |

With respect to the number of attendances shown in the above table, it should be noted that two directors did not hold their position during the whole of 2020, namely:

- Ms. Beatriz Corredor Sierra was appointed director of Red Eléctrica Corporación, S.A., within the "other external" category, by co-option, at the meeting of the Board of Directors held on 25 February 2020, upon proposal of the Appointments and Remuneration Committee, until the next General Meeting of Shareholders was held.
- Mr. Ricardo García Herrera, upon proposal made by the Sociedad Estatal de Participaciones Industriales (SEPI), was appointed proprietary director of Red Eléctrica Corporación, S.A. by co-option by the Board of Directors at the meeting held on 22 December 2020, representing the Sociedad Estatal de Participaciones Industriales (SEPI), until the next General Meeting of Shareholders was held.

Furthermore, the Board of Directors Regulations refer to the DUTIES INHERENT TO THE POSITION OF DIRECTOR and, in this regard, articles 30 to 38 set out the general duty of care, the duty of loyalty, the duty to avoid situations of conflict of interest, the duty to abstain from using non-public information, as well as the duty of disclosure of directors.

In any case, in accordance with articles 5 and 6 of Board of Directors Regulations, the director's function is to guide and oversee the company's management in order to achieve its corporate interests.

With respect to RELATED-PARTY TRANSACTIONS, article 5.5 c) of the Board of Directors Regulations sets out, amongst the direct and non-delegable duties of the Board of Directors, the approval, upon prior report from the Audit Committee (as stipulated in article 16.6 c) of the Board of Directors Regulations), transactions the company or any Group company may enter into with directors, in the terms of the Spanish Companies Act, or with shareholders who individually or in concert with others hold a significant interest, including shareholders represented on the Board of Directors of the company or any Group company and persons related to them. The directors affected, or those who represent or are associated with the shareholders affected, must refrain from participating in the deliberations and voting on the resolution in question. Only transactions that meet each of the following three criteria do not require such approval:

- Those that are carried out under contracts the conditions of which are standardised and apply in mass to a large number of customers.
- Those that are carried out at prices or rates set on a general basis by the person supplying the good or service concerned.
- Their amount does not exceed 1 % of the company's annual revenue.

Furthermore, article 36 of the Board Regulations states that the Board of Directors has formally reserved the right to approve, subject to a report from the Audit Committee, any material transaction of the company with significant shareholders, including shareholders represented on the Board of the Company or any Group company, and persons related to them, unless the nature and conditions of the transaction are such that, under article 5.5 c) of said Regulations, it requires the approval of the shareholders acting at the General Meeting.

In 2016 the company posted for the first time on its website the Annual Report of the Audit Committee on related-party transactions pursuant to Recommendation 6 of the CBGSC.

In this regard, under article 31 e) of the Board of Directors Regulations, directors must take the necessary measures to avoid situations in which their interests, whether for their own account or on behalf of others, conflict with the interests of the company and their duties to the company.

And article 32 of the Board of Directors Regulations, previously mentioned in this Report, further develops the duty to avoid situations of conflict of interest referred to by article 31 e), and specifies those in which the director must abstain, stipulating that, in all events, directors must disclose to the Board of Directors any situation of direct or indirect conflict that they or their related persons may have with the interests of the company. Any conflicts of interest directors may have will be disclosed in the notes to the financial statements.

In May 2010, on proposal of the Audit Committee, the Board of Directors approved certain resolutions on identifying related-party transactions and set out objective parameters for controlling such transactions (relevant or not relevant), annual recurring related-party transactions and transactions that must be disclosed to the markets. Pursuant to those resolutions, the Audit Committee conducts an annual review of related-party transactions and gives the Board of Directors timely reports thereon.

Nevertheless, as a result of the amendments of the Board of Directors Regulations on 20 December 2016, and of the Internal Code of Conduct in the Securities Market of 26 September 2017, the Board of Directors, based on the applicable laws and regulations governing related-party transactions and taking into consideration the company's internal rules fully adapted to those laws and regulations, in January 2018 resolved to render those resolutions inapplicable and approved a new one whereby all related-party transactions that the company or any Group company carry out with directors or with shareholders of the company who individually or in concert own a significant holding, including shareholders represented on the Board of Directors of the company or of a Group company, or with their related persons according to the applicable legislation, must be submitted to the approval of the Board of Directors, upon prior report from the Audit Committee and before the transactions are executed.

Board approval is not required for transactions that meet all three of the conditions specified above (article 5.5. c) of the [Board of Directors Regulations](#)).

Also, the reporting obligations legally established in relation to the aforesaid related party transactions will be met.

The Board of Directors has also resolved that the Board be informed on a half-yearly basis, upon prior report from the Audit Committee and after the transaction is executed, of any related-party transactions carried out by the company or any Group company with directors and executives who may wield "significant influence" as well as with their close relatives, on the terms provided in the relevant legislation.

The Draft Bill amending the restated text of the Spanish Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July, and other financial regulations, with regard to the promotion of long-term shareholder engagement in listed companies, previously mentioned in this Report, incorporates a new special regime of related-party transactions for listed companies, in order to make its regime clearer and more systematic. Consequently, once the final text of the amendment to the Spanish Companies Act to which the aforementioned Bill refers has been approved, the company will proceed to make the necessary adjustments to the regime for related-party transactions established in its internal regulations.

Notable amongst the MAIN CORPORATE RESOLUTIONS on corporate governance approved by the company's Board of Directors during 2020 were the following:

1. At a meeting held on 28 January 2020, it accepted the resignation tendered that same day by Mr Jordi Sevilla Segura from his position as director of Red Eléctrica Corporación, S.A., in the category of "other external" and, therefore, as non-executive chairman of the company and of the Board of Directors of the Company.
2. The Board of Directors, at the same meeting, also activated the Contingency Plan for the succession of the chairperson, whereby:
 - a) The lead independent director took over the management of the Board of Directors and temporarily chaired the Board meetings, and the managing director, in addition to his own duties, took over the management of the company's representation vis-à-vis the Government and the State Administration. In addition, the latter was the person responsible for communicating information to the media, investors and shareholders.
 - b) The Chairperson of the Audit Committee temporarily took over the management of the internal audit and risk control functions.
 - c) The selection process for a new chairperson was commenced, to be appointed by the Board of Directors, after the relevant call of the lead independent director and following a favourable report from the Appointments and Remuneration Committee.
3. At a meeting held on 25 February 2020, Ms. Beatriz Corredor Sierra was appointed director of Red Eléctrica Corporación, S.A., within the category of "other external", at the proposal of the Appointments and Remuneration Committee, until the next General Meeting of Shareholders was held, in order to fill the vacancy on the Board of Directors caused by the resignation tendered by Mr. Jordi Sevilla Segura as director and chairman of the company on 28 January 2020.

Likewise, in accordance with the provisions of Article 21 of the Articles of Association and Article 9 of the Board of Directors Regulations and following a favourable report from the Appointments and Remuneration committee, Ms. Beatriz Corredor Sierra was appointed Chairwoman of the Board of Directors and non-executive Chairwoman of the company.

4. At the aforementioned meeting held on 25 February 2020, it approved the Corporate Governance Report of Red Eléctrica Corporación, S.A. and the Annual Report on Directors' Remuneration for the 2019 financial year, and drew up the Annual Financial Statements of Red Eléctrica Corporación, S.A. and its Consolidated Group for the 2019 financial year.
5. At the meeting held on 31 March 2020, it resolved to submit to the Ordinary General Shareholders' Meeting the ratification and appointment as director, within the category of "other external", of Ms. Beatriz Corredor Sierra; the ratification and appointment as executive director of Mr Roberto García Merino and the re-election as independent director of Ms Carmen Gómez de Barreda Tous de Monsalve, all for the four-year term provided for in the Articles of Association.

6. At that same meeting, in addition to the proposals relating to the foregoing appointments, the Board approved all the proposed resolutions and reports to be submitted to the Annual General Meeting of Shareholders in respect of 2019, which was then called. Those proposals were the following:
- Approve the Annual Accounts (Statement of Financial Position, Income Statement, Statement of Changes in Equity, Statement of Recognised Income and Expense, Statement of Cash Flows and Notes to the Financial Statements) and the Management Report of Red Eléctrica Corporación, S.A. for the financial year closed 31 December 2019.
 - Approve the Consolidated Annual Accounts (Consolidated Statement of Financial Position, Consolidated Income Statement, Consolidated Statement of Global Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to the Consolidated Financial Statements) and the Consolidated Management Report of the Consolidated Group of Red Eléctrica Corporación, S.A. and subsidiaries for the financial year closed 31 December 2019.
 - Approve the allocation of results proposed by the Board of Directors at its meeting of 25 February 2020 and, consequently, distribute the profit for the 2019 financial year.
 - Approve the report on non-financial information of the consolidated Group of Red Eléctrica Corporación, S.A. for 2019, as provided in Act 11/2018 of 28 December 2018 amending the Commercial Code, the Restated Text of the Spanish Companies Act approved by Legislative Royal Decree 1/2010 of 2 July 2010, and Act 22/2015 of 20 July 2015 on the auditing of accounts, on matters of non-financial information and diversity.
 - Approve the management of the Board of Directors of Red Eléctrica Corporación, S.A. over the 2019 financial year.
 - Approve the resolutions relating to the delegation to the Board of Directors, for a period of five years, of the power to increase the share capital at any time, on one or more occasions, up to a maximum amount of EUR one hundred and thirty-five million two hundred and seventy thousand (135,270.000), equivalent to half the current share capital, in the amount and at the issue rate decided by the Board of Directors in each case, with the power to exclude in whole or in part the pre-emptive subscription right up to a maximum limit, in aggregate, of 10% of the share capital, and with express authorisation to redraft, if appropriate, article 5 of the Articles of Association and to apply, if appropriate, for the admission, continued listing and/or delisting of the shares on organised secondary markets.
 - Approve the resolution relating to the delegation to the Board of Directors, for a period of five years and with an aggregate limit of EUR five billion (5,000,000,000), the power to issue, on one or several occasions, directly or through companies of the Red Eléctrica Group, debentures, bonds and other fixed income instruments or debt instruments of a similar nature, both simple and convertible or exchangeable for shares in the company, in other companies of the Red Eléctrica Group or in other companies outside the same, including, but not limited to, promissory notes, securitisation bonds, preference shares, subordinated debt, hybrids and warrants giving entitlement to receive newly issued or outstanding shares in the company or in other companies of the Red Eléctrica Group, with express attribution, in the case of convertible and equivalent securities, of the power to exclude, in whole or in part, pre-emptive subscription rights up to a maximum limit, in aggregate, of 10% of the capital; authorisation for the company to guarantee new issues of fixed-income securities (including convertible or exchangeable securities) made by Red Eléctrica Group companies; authorisation to redraft, if appropriate, article 5 of the bylaws and to request, if appropriate, the admission, continued listing and/or delisting of such securities.
 - In relation to remuneration:
 - Approve authorisations to the Board of Directors for the derivative acquisition of own shares and approval of a share-based compensation plan for employees, members of management and executive directors.
 - Approve the Annual Directors' Remuneration Report of Red Eléctrica Corporación, S.A.
 - Approve the remuneration of the Board of Directors of Red Eléctrica Corporación, S.A. for 2020.
 - Reappoint the statutory auditor for the parent company and the Consolidated Group.
 - Grant authority to implement the resolutions adopted by the 2019 Annual General Meeting of Shareholders.
 - Report to the Annual General Meeting of Shareholders on Red Eléctrica's Annual Corporate Governance Report for 2019.
 - Report to the Shareholders' Annual General Meeting on the amendment of the Board of Directors Regulations.

7. At its meeting held on 28 April 2020, it resolved to re-elect the independent director, Mr. Arsenio Fernández de Mesa y Díaz del Río, as a member of the Audit Committee for a term of three years.
8. At a meeting held on 26 May 2020, it was resolved to accept the resignation as Secretary of the Board of Directors of Red Eléctrica Corporación S.A., at his own request, of Rafael García de Diego Barber and, in his place, to appoint Carlos Mendez-Trelles García as Secretary of the Board of Directors of the company.
9. At the meeting held on 27 October 2020, it resolved to re-elect the independent director, Mr. Antonio Gómez Ciria, as a member of the Audit Committee for a term of three years.
10. At the meeting held on 24 November 2020, it was resolved to appoint the independent director, Ms. Carmen Gómez de Barreda Tous de Monsalve, as a member of the Audit Committee for a term of three years, stepping down as a member of the Sustainability Committee; to appoint the independent director, Ms. María José García Beato, as a member of the Appointments and Remuneration Committee for a term of three years, stepping down as a member of the Audit Committee; and to appoint the independent director, Mr. José Juan Ruiz Gómez, as a member of the Sustainability Committee for a term of three years, stepping down as a member of the Audit Committee; and to appoint the independent director, Mr. José Juan Ruiz Gómez, as a member of the Appointments and Remuneration Committee for a term of three years, stepping down as a member of the Sustainability Committee. Subsequently, on 24 November, the Sustainability Committee and the Audit Committee met and resolved, respectively, to appoint the independent director, Mr. José Juan Ruiz Gómez, and the independent director, Ms Carmen Gómez de Barreda Tous de Monsalve, as chairwoman of the Sustainability Committee and the Audit Committee, also respectively, for a term of three years, in accordance with the provisions of the Articles of Association and the Board of Directors Regulations.
11. At the same meeting held on 24 November 2020, it approved the update of the Corporate Governance Policy of the Red Eléctrica Group.
12. At the aforementioned meeting held on 24 November 2020, it approved the Contingency Plan for the succession of the Chairperson of the Board of Directors.
13. At a meeting held on 22 December 2020, it resolved to appoint Mr Ricardo García Herrera as proprietary director, representing Sociedad Estatal de Participaciones Industriales (SEPI), until the next General Meeting of Shareholders is held, in order to fill the only vacancy existing on the Board of Directors as a result of the resignation tendered by Mr Antonio Gómez Expósito from the position of proprietary director, representing SEPI, in accordance with the proposal made by SEPI and the report issued by the Appointments and Remuneration Committee.
14. At the same meeting held on 22 December 2020, it approved the update of the Criteria for reporting financial, non-financial and corporate information to shareholders, institutional investors, proxy advisors and other stakeholders.
15. At the aforementioned meeting held on 22 December 2020, it approved the Contingency Plan for the succession of the Managing Director.
16. Finally, at the same meeting held on 22 December 2020, it approved the Self-Evaluation Report of the Board of Directors for the financial year 2020, a process that was carried out with external expert advice.

The resolutions that have been reported to the CNMV as MATERIAL DISCLOSURE during 2020 can be consulted on the company's website, via this link, [Shareholders and Investors—Other material disclosures](#), as well as on the website of the CNMV using the following link, [CNMV—Red Eléctrica Corporación—Other material disclosures](#)

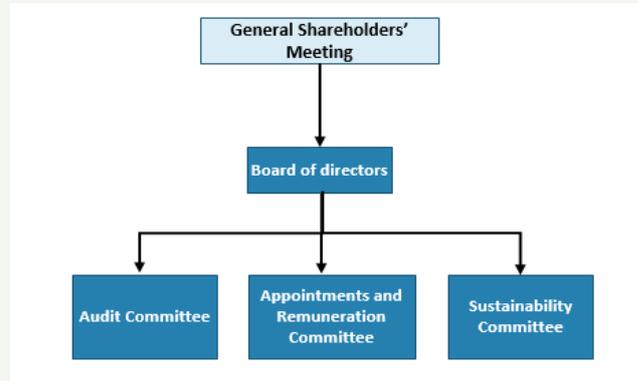
3.3. Committees

The company has three Board Committees, the Sustainability Committee, the Audit Committee, and the Appointments and Remuneration Committee. The three Committees have been set up by the Board of Directors, with a highly technical profile, to support it in the performance of its responsibilities, designed to achieve greater efficiency and transparency.

The structure, composition, functions and responsibilities of the Committees are laid down in articles 22 to 24 of the Articles of Association and developed in articles 14 to 18 TER of the Board of Directors Regulations. Both sets of corporate rules have fully adapted to the latest reforms of the Spanish Companies Act, the CBGSC and the most recent international practices and recommendations in relation to the composition of the committees and to the independence and qualifications of their members.

In late 2018 a review was undertaken of the Board of Directors Regulations to update the functions of the three Board committees, culminating in approval of the revised version at the Board of Directors meeting held on 19 February 2019.

Likewise, the Board of Directors, at the meeting held on 31 March 2020, approved the amendment of the Board of Directors Regulations, which was voluntary, for the purpose of, among other issues, incorporating the relevant adaptations to Act 11/2018, of 28 December, in matters of non-financial disclosure and diversity, updating the function of the Board and its Committees in matters of sustainability some on an enterprise-wide basis, with the formal and material scope agreed by the three Board committees, and to strengthen the mechanisms for coordination between said three Committees.



3.3.1. Audit Committee

3.3.1.1. Composition

The Audit Committee is made up of four members, all of them appointed from among the non-executive directors and a majority of them being independent directors, for a term of three years.

Throughout 2020 the committee was made up exclusively of non-executive directors, with a majority of independent directors.

The composition of the company's Audit Committee at 31 December 2020 was as follows:

| Audit Committee | |
|--|---|
| <ul style="list-style-type: none"> ● Independent External Directors (3) ● Proprietary External Directors (1) | <ul style="list-style-type: none"> ● Carmen Gómez de Barreda Tous de Monsalve (Chairwoman) ● Antonio Gómez Ciria ● Arsenio Fernández de Mesa y Díaz del Río ● Mercedes Real Rodrigálvarez |

Highlights of 2020:

- Two of its members were re-elected in April and October respectively for a further three-year term.
- In November, an independent director was appointed as a member of the Committee for a period of three years and, in the same month, the chairperson of the Committee changed as the term of office (as chairperson) of the previous chairperson had expired, and the lead independent director was appointed as chairperson of the Committee, thus relinquishing her position as a member and chairperson of the Sustainability Committee.
- **75 %** of its members are **independent directors**.
- The Audit Committee continues to maintain the percentage of women in its composition compared to 31 December 2019, with 50%.
- Prior to the approval of CNMV Technical Guidelines 3/2017 on Audit Committees in Public Interest Entities of 27 June 2017, the company was already following its recommendations in relation to diversity in the Audit Committee's composition, given that its members have knowledge and experience in accounting or audit matters, or both, and in management, economics, finance and business.

- Furthermore, among the members of the Committee since 2017 is an expert in integral security (as pointed out by the Board when proposing his appointment to the Annual General Meeting of Shareholders). Integral security refers to physical and cybersecurity. This appointment complied with the recommendation made in the aforesaid Technical Guidelines so that at least one member has experience in information technologies given the growing importance of the digital transformation of businesses and processes.

With respect to the professional profile of the directors who compose the Committee, they are particularly well qualified for their position and have extensive professional experience, having held positions of the highest responsibility outside the company, in functions related to those entrusted to the Committee. Their professional profiles are noteworthy for their knowledge and experience in accounting or auditing, or both, which has been taken into account for their appointment, in accordance with article 529 quaterdecies of the Spanish Companies Act and Recommendation 39 of the CBGSC. Furthermore, article 15.2 of the Board of Directors Regulations goes even further by providing that, in addition to knowledge and experience in accounting and auditing, knowledge and experience of risk management in a broad sense, including both financial and non-financial risks, will be taken into account for the appointment of the members of the Audit Committee, especially the chairperson.

The chairperson of the Committee is elected by its members from among its independent directors, and may be re-elected after one year has elapsed since leaving office, and its secretary is the secretary of the Board of Directors.

Following the resignation on 28 January 2020 tendered by the former Chairperson of the Board as a director and, in turn, as non-executive Chairperson of the Board of Directors and of the company, the Contingency Plan for the succession of the Chairperson, as explained later in this report, was triggered in a very satisfactory manner and, as a result of its implementation, the Chairperson of the Audit Committee temporarily took over the management of the internal audit and risk control functions.

As of 31 December 2020, the chairperson of the Audit Committee is the company's lead independent director.

3.3.1.2. Responsibilities and activity

Amongst other duties, the functions of the Audit Committee include those of providing support to the Board of Directors in its supervision of the economic- financial and non-financial- reporting process, of the risk management and internal control systems, of the independence of the External Auditor, compliance with the law and with internal regulations and the rules governing relations with the company's shareholders, and any other responsibilities expressly assigned to it by the Board of Directors.

In recent years, pursuant to key recommendations on corporate governance, the individual and consolidated annual accounts that are submitted to the Audit Committee for its approval by the Board of Directors were previously certified by the managing director, the Corporate Economic-Financial Director and the Chief Economic Officer.

Subsequent to the restructuring of the Board Committees, the functions of this Committee were reviewed as part of the overall review of the Board of Directors Regulations. At the Board of Directors meeting held on 19 February 2019, the revised functions were approved and are now set out in article 16 of said Regulations. The main change was to include certain matters regarding the regulatory compliance system.

The Committee meets with the appropriate frequency for properly discharging its duties. In any event, it must meet at least on a quarterly basis and when called by its chairperson or requested by two of its members and whenever the Board of Directors or the chairperson require it to issue reports or submit proposals.

During 2020, the Audit Committee held twelve (12) meetings, and submitted reports on its activities to the Board of Directors the same number of times. In those meetings there were no absences or proxy attendance, for which reason the number of attendances in person was 48, for an overall attendance rate of 100%.

For more detailed information on the matters dealt with by the Audit Committee during the financial year 2020, as well as the changes in the composition of the Committee during said financial year, please visit the company's website at the following link, [Annual Report on Activities of the Audit Committee in 2020](#)

3.3.2. Appointments and Remuneration Committee

3.3.2.1. Composition

The Appointments and Remuneration Committee is composed of three members, all of them appointed from among the non-executive directors and a majority of them being independent directors, for a term of three years.

Throughout 2020, the Appointments and Remuneration Committee has been made up exclusively of external directors, with a majority of independent directors.

The composition of the company's Appointments and Remuneration Committee, at 31 December 2020, was as follows:

| | |
|---|---|
| <p>Audit Committee</p> <ul style="list-style-type: none"> ● <i>Independent External Directors (3)</i> ● <i>Proprietary External Director (1)</i> | <ul style="list-style-type: none"> ● Carmen Gómez de Barreda Tous de Monsalve (Chairwoman) ● Antonio Gómez Ciria ● Arsenio Fernández de Mesa y Díaz del Río ● Mercedes Real Rodrigálvarez |
|---|---|

* On 26 January 2021, the Board of Directors resolved to appoint proprietary director Ricardo García Herrera as a member of the Appointments and Remuneration Committee for a term of three years to fill the vacancy on the Committee as a result of the resignation of proprietary director Antonio Gómez Expósito on 22 December 2020.

Highlights of 2020:

- In November, an independent director was appointed as a member of the Committee for a period of three years, relinquishing her position as a member of the Audit Committee.
- In December a vacancy arose on the Committee as a result of the resignation of Mr Antonio Gómez Expósito from the position of proprietary director, representing SEPI, and, consequently, as a member of the Appointments and Remuneration Committee.
- **66,7 %** of its members are **independent directors**.
- The Appointments and Remuneration Committee has increased the percentage of women with respect to 31 December 2019 from 1 to 2, which represents 100% of the total at 31 December 2020, and there is also a vacancy on this Committee for an external proprietary director.

With respect to the professional profiles of the directors who compose the Committee, they are particularly well qualified for their positions and have broad professional experience, having held positions of the highest responsibility outside Red Eléctrica in functions related to those entrusted to the Committee, so all the Committee members have a proven capacity to perform the tasks entrusted to the Committee, based on their broad experience and knowledge.

The chairperson of the Committee is chosen by its members from amongst its independent directors, and its secretary is the Board of Directors' secretary.

3.3.2.2. Responsibilities and activity

The Committee is attributed powers, inter alia, for the appointment and removal of directors and senior executives who report directly to the Board, the chairperson or the managing director, for the director remuneration policy, compliance with director duties and observances of corporate governance rules and principles and for employees of Group companies. It also prepares an annual report on diversity and equality, which it submits to the Board for approval. Notable among the functions regarding employees of the companies in the Group is the responsibility to keep, pursuant to best corporate governance practice, a permanently updated protocol for relations between the Board and employees of Group companies to ensure protection of their wellbeing and interests. The entirety of its functions may be seen in article 18 of said Regulation.

The Committee meets with the appropriate frequency for properly discharging its duties. In any event, it must meet at least on a quarterly basis and when called by its chairperson or requested by two of its members and whenever the Board of Directors or the chairperson require it to issue reports or submit proposals.

During the year 2020, the Appointments and Remuneration Committee held fifteen (15) meetings, and submitted reports on its activities to the Board of Directors the same number of times. During the course of the meetings, only one director was absent for reasons justified to avoid a conflict of interest situation and there have been no absences or proxy attendances. Accordingly, the number of attendances in person was 44, for an overall attendance rate of 100%.

For more detailed information on the matters dealt with by the Appointments and Remuneration Committee during the financial year 2020, as well as the changes in the composition of the Committee during said financial year, please visit the company's website at the following link [Annual Report on the Activities of the Appointments and Remuneration Committee 2020](#)

3.3.3. Sustainability Committee

3.3.3.1. Composition

The Sustainability Committee was created pursuant to article 22 of the Articles of Association and article 14 of the Board of Directors Regulations, and in accordance with Recommendation 53 CBGSC.

The Sustainability Committee was created by resolution of the Board of Directors on 27 November 2018, following a favourable report from the Appointments and Remuneration Committee. The creation of the Sustainability Committee responds to the strategic nature that the Board of Directors wishes to give to sustainability in the Group, contributing to reinforcing Red Eléctrica's position in matters of sustainability and corporate governance.

The Sustainability Committee is composed of three members, all of them appointed from among the non-executive directors and a majority of them being independent directors, for a term of three years.

Since its creation, the Sustainability Committee has been made up exclusively of external directors, with a majority of independent directors.

The composition of the company's Sustainability Committee at 31 December 2020, was as follows:

| | |
|--|---|
| <p>Sustainability Committee</p> <ul style="list-style-type: none"> ● <i>Independent External Directors (2)</i> ● <i>Proprietary External Director (1)</i> | <ul style="list-style-type: none"> ● José Juan Ruiz Gómez (Chairman) ● Alberto Francisco Carbajo Josa ● María Teresa Costa Campi |
|--|---|

Highlights of 2020:

- In November, an independent director was appointed as a member of the Committee for a period of three years, relinquishing his position as a member of the Appointments and Remuneration Committee and, in turn, being appointed as Chairperson of this Committee.
- **66.7 %** of its members are **independent directors**.
- There is one woman on the Sustainability Committee, representing 33.3% of the total number of members.

With respect to the professional profiles of the directors who compose the Committee, they are particularly well qualified for their positions and have broad professional experience, having held positions of the highest responsibility outside Red Eléctrica in functions related to those entrusted to the Committee, so all the Committee members have a proven capacity to perform the tasks entrusted to the Committee, based on their broad experience and knowledge.

The chairperson of the Committee is chosen by its members from amongst its independent directors, and its secretary is the secretary of the Board of Directors.

3.3.3.2. Responsibilities and activity

The Sustainability Committee is assigned authority, inter alia, in relation to ethical leadership, compliance with the Group's sustainability policy, sustainability actions and proposals, the 2030 Sustainability Commitment, sustainability policy and their tie-in with the Strategic Plan, interaction with different stakeholders, the Annual Report on ethical management in the Group, sustainability disclosures according to international benchmarks, the review and validation of reports on specific sustainability areas and oversight of compliance with the Ethics Code. The functions of Sustainability Committee were included in the new article 18 TER of the Board of Directors Regulations subsequent to the amendment of those rules that was approved on 19 February 2019.

The Committee meets with the requisite frequency for properly discharging its duties. In any event, it must meet at least on a quarterly basis and when called by its chairperson or requested by two of its members and whenever the Board of Directors or its chairperson require it to issue reports or submit proposals.

During 2020, the Sustainability Committee held twelve (12) meetings, and submitted reports on its activities to the Board of Directors the same number of times. In those meetings there were no absences or proxy attendances. Accordingly, the number of attendances in person was 36, for an overall attendance rate of 100%.

For more detailed information on the matters dealt with by the Sustainability Committee during the financial year 2020, as well as the changes in the composition of the Committee during said financial year, please visit the company's website at the following link, [Annual Report on the Activities of the Sustainability Committee 2020](#)

3.4. Relations with Management

The policy of the Board of Directors is to delegate the ordinary management of the company and the Group to the executive bodies and the management team and to concentrate on its general supervisory function and the approval of basic operating guidelines.

However, as a result of the separation of the positions of chairperson of the board and managing director, the company has two clearly differentiated management bodies composed of the company's top executives:

- Advisory Committee to the Chair, headed by the chairperson of the Board.
- Executive Committee, chaired by the managing director.

The secretary of the Board of Directors serves as secretary to both committees.

The structure and functioning of both committees replicates, within the organisation, the model of separation of functions between the non-executive chairperson and the managing director, so that the committee chaired by the former takes care of overall supervision and strategic oversight, while the committee chaired by the latter engages in permanent monitoring of the business and corporate activities on an ongoing basis.



4. Balance of powers on the Board of Directors

The company had been taking steps and implementing new measures in its corporate governance structure since 2012, in line with an international trend in corporate governance, especially in Europe, that recommends that listed companies separate the positions of chairperson of the Board of Directors and chief executive officer (managing director), so that each is held by a different person.

Counterbalancing measures adopted by the company

- The chairperson of the Board appointed in 2012 never joined the Appointments and Remuneration Committee, notwithstanding his appointment as executive chairperson and chairperson of the Board.
- The position of lead independent director was voluntarily created, on the Board's proposal, by the company's shareholders at the Annual General Meeting held in April 2013, with Ms. Carmen Gómez de Barreda Tous de Monsalve being appointed as lead independent director.
- The Board of Directors is currently composed of a significant majority of independent directors (58.3%) who provide a counterweight and balance of powers in the Board's composition.
- The procedure for selecting and appointing directors has been strengthened in recent years to improve the diversity in its broadest sense, not only in terms of gender, but also in terms of experience, knowledge, age, nationality or seniority of the directors, among others, in the composition of the Board and its Committees.
- The Board Competencies matrix first approved in 2018 and permanently updated, is a tool for monitoring and improving the overall quality of the Board of Directors.
- The Board of Directors in its internal Regulations has been voluntarily reserving for itself certain non-delegable responsibilities that cannot be performed by the managing director or by Board committees.
- At each of its regular meetings, the Board also exercises immediate effective control of the ordinary, extraordinary and urgent actions of the managing director.
- The Board committees, 75% composed of independent directors in the case of the Audit Committee, and 66.7% in the case of the Appointments and Remuneration Committee and the Sustainability Committee, have extensive functions attributed to them in the Board of Directors Regulations.
- For years, the Board has been conducting an annual self-assessment, with advice from independent external experts, and publishes the conclusions in the Annual Corporate Governance Reports.
- Since 2010, Red Eléctrica voluntarily submits the Annual Directors' Remuneration Report and, since 2007, the annual remuneration of the Board of Directors, to the Annual General Meeting of Shareholders for its approval, as separate and independent items on the General Meeting of Shareholders' agenda, along with extensive further details and information on comparable companies.
- The company has voluntarily limited the term of office of its directors to four years, when the legal maximum is six years.

All these practices, together with the need to have a Board of Directors that is fully committed, well balanced and diverse in terms of gender, experience and knowledge, among other aspects, supported by ongoing refresher programmes for technical knowhow, and that acts according to the principle of transparency and quality reporting to the markets, constitute sufficient counterbalancing measures that ensure a robust corporate governance system. This has helped the Board to effectively perform its general supervisory function and oversee the work of the management team and the then executive chairperson, until the formal and definitive separation of the two positions.

4.1. Separation of the roles of chairperson and managing director

In response to the commitment made by the company at the General Meeting of Shareholders held in April 2012 and to international best practices in corporate governance, the Board of Directors submitted to the shareholders, at the extraordinary General Meeting held in July 2015 and convened exclusively for this purpose, the separation of the positions of chairperson of the Board of Directors and Managing Director of the company, as well as the consequent appointment of the executive director. Both proposals received the favourable vote of 99% of the shareholders, with a quorum of 58%. In July 2015 the Board of Directors appointed the new executive director as managing director of the company.

The plan provided for a transitional period, which was ended at the Extraordinary General Meeting of Shareholders held on 15 April 2016, when the separation of functions between the office of chairperson of the Board and the one of managing director was completed. Since the mentioned Shareholders' Meeting, the chairperson of the Board of Directors has exclusively had the responsibilities attached to such position.

Following the replacement of the managing director in May 2019 and the appointment of the new non-executive chairperson of the Board of Directors in February 2020, the model of separation of the positions of chairperson of the Board of Directors and chief executive officer (managing director) of the company approved in 2015 has been maintained and is working satisfactorily. The non-executive chairperson has assumed supervisory responsibilities and corporate functions that are of a strategic nature for the company and the managing director is responsible for leading the management of the company's business.

The chairperson of the Board of Directors, chairperson of the company and of the Red Eléctrica Group

According to article 25 of the Articles of Association, the chairperson of the Board of Directors is the chairperson of the company, and as such is chairperson of the Red Eléctrica Group.

At its meeting held on 28 January 2020, the Board of Directors acknowledged the resignation of the former chairperson as a director and, consequently, as non-executive chairperson of the Board of Directors and of the company. At the same meeting, the Board resolved to implement the Contingency Plan for the resignation of the chairperson, which has proved to be a key tool for the distribution of the functions performed by the chairperson among the managing director, the lead independent director and the chairperson of the Audit Committee.

At a meeting held on 25 February 2020, the Board appointed Ms. Beatriz Corredor Sierra as a director of Red Eléctrica Corporación, S.A., within the category of "other external", at the proposal of the Appointments and Remuneration Committee, until the next General Meeting of Shareholders is held, in order to fill the vacancy on the Board of Directors. Her appointment was submitted for ratification at the company's Annual General Meeting of Shareholders held on 14 May 2020, with 98.48 % voting in favour.

Likewise, in accordance with the provisions of Article 21 of the Articles of Association and Article 9 of the Regulations of the Board of Directors and following a favourable report from the Appointments and Remuneration Committee, the Board at its meeting held on 25 February 2020 appointed Ms. Beatriz Corredor Sierra as Chairwoman of the Board of Directors and non-executive Chairwoman of the company.

Since then, the chairperson of the Board of Directors has discharged, among others, the following functions:

- Institutional representation of the company and of the Group.
- Promotion and oversight of the company and Group's policies and strategies.
- Strategic corporate functions, including, amongst others, regulation, sustainability, institutional relations, communication, compliance, internal audit and risk control.
- Leadership and promotion of the Group's technological and digital transformation.

- The function of safeguarding the principle of independence of the Electricity System Operator and proper separation of regulated and unregulated activities.

The chairperson of the Board of Directors is chosen from among the Board's members, after consideration of a report issued by the Appointments and Remuneration Committee, and is the person ultimately responsible for leading the Board of Directors and ensuring that it functions effectively. Under the corporate regulations, if the position of chairperson falls upon an executive director, the appointment will require the vote in favour of two-thirds of the members of the Board of Directors.

Under the Board of Directors Regulations, the Board of Directors has reserved to itself, and is not permitted to delegate, the responsibilities and powers it considers strategic, which in December 2016 were expanded and are reviewed in the latest revision of the Board of Directors Regulations conducted in 2019 and March 2020. The reserved responsibilities cannot be assumed by chairperson of the Board, the managing director or the Board committees.

Article 529 *sexies* of the Spanish Companies Act, which was added in the reform enacted by Act 31/2014 of 3 December, amending the Spanish Companies Act for the improvement of corporate governance, regulated the powers of the chairperson of the Board for the first time, naming the chairperson as the person ultimately responsible for the effective functioning of the Board of Directors.

The Annual General Meeting of Shareholders held on 15 April 2015 approved amendments to the Articles of Association aimed at fully adapting them to the Spanish Companies Act and specifically amended article 25 of the Articles of Association to include the powers assigned to the chairperson of the Board in the aforementioned article 529 *sexies* of the Spanish Companies Act.

In addition to article 25, articles 20 and 21 of the company's Articles of Association assign to the chairperson of the Board the functions of representing the Board of Directors on a permanent basis, of calling a vote on Board matters once they are considered to have been sufficiently debated and ensuring compliance with that Board resolutions.

In addition, Recommendation 33 of the Spanish Good Governance Code of Listed Companies (CBGSC) expanded the powers of the chairperson of the Board.

Article 9 of the Board of Directors Regulations, perfectly adapted to the Spanish Companies Act, the CBGSC and the changes in the organisation and functioning that resulted from the completion of the process for the separation of the positions of chairperson of the Board and managing director, regulates, among other aspects, the role of the chairperson of the Board.

Under article 12 of the Regulations of the General Meeting of Shareholders, the chairperson of the Board of Directors has for many years been responsible for chairing the General Meeting of Shareholders, anticipating the new legal provision introduced with the 2014 reform of the Spanish Companies Act. 2014 and, in his absence, the General Meeting of Shareholders is to be chaired by the vice chairperson selected by ranking or greater seniority in that position, and, in the absence thereof, by the person designated by the Board of Directors, failing which, it shall be chaired by the director or shareholder freely designated by the shareholders in attendance at each General Meeting of Shareholders.

Main responsibilities of the chairperson of the Board, chairperson of the company and of the Red Eléctrica Group

- Ensure that sufficient time is devoted to strategic issues.
- Call and chair Board meetings, setting the agenda and leading the discussions and deliberations.
- Prepare and submit to the Board a schedule of meeting dates and, if appropriate, the items of business to be considered.
- Chair the General Meeting of Shareholders.
- Ensure that directors receive sufficient information in advance to be able to deliberate on the agenda.
- Stimulate debate and active participation by directors during Board meetings, protecting their freedom to take positions.
- Participate, in coordination with the Appointments and Remuneration Committee and with the lead independent director, in the periodic assessment of the Board of Directors and of the company's managing director.

- Review the refresher programmes for directors when circumstances so advise.

The managing director

The position and functions of managing director and the delegation of powers thereto are regulated in articles 22 to 25 of the Articles of Association, and the responsibilities associated with that position are set out in the document "Process of separation of the positions of chairperson of the Board of Directors and chief executive officer (managing director) of the company", and currently are set forth in article 11 of the Board of Directors Regulations.

The managing director of the company is Mr. Roberto García Merino. At its meeting of 27 May 2019, the company's Board of Directors appointed him as managing director of the Company after his appointment as executive director of the company, on an interim basis until the next General Meeting was held, in order to fill the only vacancy existing on the Board of Directors, which was produced by the resignation tendered by the person who previously held the position of executive director. His appointment was submitted to ratification by the company at the General Meeting of Shareholders held on 14 May 2020, with 98.98% voting in favour.

The managing director is the top executive responsible for the day-to-day management and effective direction of the organisation and businesses of the company and of the Group.

Without prejudice to the powers belonging to the chairperson of the Board, the managing director will act as the company's chief executive and will be responsible, reporting to and under the supervision of the Board of Directors, for the day-to-day conduct and effective management of the organisation and of the company and Group's businesses, always in accordance with the policies, strategies, decisions and criteria set by the General Meeting of Shareholders and the Board of Directors, each within its remit.

Main responsibilities of the managing director

- Conduct, coordinate and promote the management of the organisation and business areas of the company and the Group.
- Lead, promote and guide the execution and implementation of the Strategic Plan and the Budget of the company and the Group.
- Efficiently implement the risk control system approved by the Board of Directors in the company and the Group and effective oversight of its proper operation.
- Regularly report to the Board of Directors on the degree of execution and completion of the Strategic Plan and the Budget, the functioning of the risk management system and the progress achieved in the management of the Group's business areas, so that the Board is able to adequately and effectively exercise its general oversight and control function.

In any event, the managing director will report directly to the Board of Directors on the discharge of his duties, without prejudice to regularly informing the chairperson of the Board on the performance of the businesses of the company and Group and the rest of the areas under his responsibility.

Under the company's corporate regulations, the Board of Directors, on proposal of the Appointments and Remuneration Committee, may appoint one or more managing directors from among its members.

Those regulations also provide that the managing director or directors may be directors other than the chairperson of the Board of Directors and may have such authority delegated to them as is deemed appropriate, although with the necessary scope for the day-to-day conduct and effective management of the company's business lines, always specifying the content, limits and types of delegated authority.

Without prejudice to the powers attributed to the chairperson of the Board, the managing director will act as the company's chief executive and will be responsible for the day-to-day conduct and effective management of the organisation

and of the company and Group's businesses, always in accordance with the decisions and criteria set by the General Meeting of Shareholders and the Board of Directors, each within its remit.

As already indicated, as a result of the separation of the positions of managing director and chairperson of the Board, the company's executive team has two clearly differentiated executive bodies: The Executive Committee, which is chaired by the managing director, and the Advisory Committee to the Chairperson, which, as indicated by its name, is responsible for advising the chairperson (who also chairs the committee) on the matters within her remit.

4.2. Selection and succession processes

At its meeting held on 28 January 2020, the Board of Directors acknowledged the resignation of the former chairperson as a director and, consequently, as non-executive chairperson of the Board of Directors and of the company. At the same meeting, the Board agreed to implement the Contingency Plan for the resignation of the Chairperson, which has proved to be a key tool for the distribution of the functions formerly performed by the Chairperson among the managing director, the lead independent director and the chairperson of the Audit Committee.

At a meeting held on 25 February 2020, the Board appointed Ms. Beatriz Corredor Sierra as a director of Red Eléctrica Corporación, S.A., within the category of "other external", at the proposal of the Appointments and Remuneration Committee, until the next General Meeting of Shareholders was held, in order to fill the vacancy on the Board of Directors. Her appointment was submitted for ratification at the company's Annual General Meeting of Shareholders held on 14 May 2020, with 98.48 % voting in favour.

Furthermore, in accordance with the provisions of Article 21 of the Articles of Association and Article 9 of the Board of Directors Regulations and following a favourable report from the Appointments and Remuneration Committee, the Board at its meeting held on 25 February 2020 appointed Ms. Beatriz Corredor Sierra as Chairwoman of the Board of Directors and non-executive Chairwoman of the company.

Consequently, with the appointment in 2020 of Ms. Beatriz Corredor Sierra as Chairwoman of the Board of Directors and non-executive Chairwoman of the company, an orderly and reasonable succession has taken place within the framework of the current corporate system of separation of powers between the positions of Chairperson and Managing Director in the structure and composition of the Board of Directors.

With regard to the selection processes, it should be noted, as indicated in Section 1 of this Report, that Act 11/2018 of 28 November 2018, which amended, inter alia, the restated text of the Spanish Companies Act, in matters of non-financial information and diversity, requires listed companies to include, within the Annual Corporate Governance Report, a description of the diversity policy applied in relation to the Board of Directors and the specialised committees set up within it, with regard to issues such as age, gender, disability or the training and professional experience of its members; including its objectives, the measures taken, the manner in which they have been implemented and, in particular, the procedures for seeking to include on the board of directors a number of women allowing for a balanced presence of women and men and the results achieved in the reporting period, as well as any measures that the Appointments Committee may have resolved in connection with these issues. Companies must also disclose whether information was provided to shareholders on diversity criteria and objectives when electing or renewing members of the board of directors and the specialised committees set up within it.

As regards the company's DIVERSITY POLICY, Red Eléctrica endeavours to ensure diversity in a broad sense so that it extends to the concepts of gender, experience, knowledge, age, seniority, etc., and continues to apply the policies and procedures that guarantee reasonable balance and diversity both within the Board of Directors and its Committees and throughout the organisation, which reflects the company's concern for diversity and equality in order to achieve a balance within the Board of Directors and the organisation as a whole.

Diversity policy in the selection of directors in Red Eléctrica

The policy is set out in:

- The Corporate Governance Policy.

- The Criteria laid down by the Appointments and Remuneration Committee to define the optimum profile for holding the office of director.
- The matrix of competencies of the Board of Directors.
- The Board of Directors Regulations (articles 15, 18 and 22).
- The Articles of Association (article 24).

The Corporate Governance Policy approved by the Board of Directors on 25 November 2014, and last updated on 24 November 2020, took into account the objective of improving gender diversity, recognising and assuming the principle of *"consolidating the company's commitment to diversity in a broad sense, not only in terms of gender, but also of experience, knowledge, age, nationality or seniority of directors in office, among other aspects, in the composition of the Board and its Committees."*

Likewise, the practices incorporated into the mentioned Corporate Governance Policy include *"Comprehensive diversity on 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 the experience, knowledge, age, nationality or seniority of directors in their office, among other aspects, in the composition of the Board of Directors and its Committees, as an essential factor to enable it to achieve its objectives from a plural and balanced perspective."*

Additionally, Red Eléctrica applies the principle contained in the Corporate Governance Policy *"ensure that appropriate procedures exist to select directors, guaranteeing reasonable balance and integral diversity within the Board of Directors in order to adequately perform its tasks"*.

In this area, the Appointments and Remuneration Committee, for years, has had criteria that define the ideal profile for holding the position of director, defining the qualities, competencies and experience that the ideal candidate for the position of director should have.

In 2018 the Appointments and Remuneration Committee and the Board of Directors carried out a process of evaluating the competencies and knowledge of the members of the Board of Directors, culminating in the approval of the matrix of competencies of the Board of Directors, individualised by director. The application of the matrix of individual competencies of the directors, which reflects the competencies, experience, knowledge, professionalism, suitability, independent judgment, qualities and capacities that the Board of Directors must have, facilitates the supervision of the overall diversity in its composition for the taking of the most appropriate and informed decisions at each moment.

The matrix consists of three blocks (knowledge-experience in the sector of activities / global knowledge-experience / and diversity) which comprise, in turn, a total of twenty-eight categories reflecting the experience and knowledge of the members of the Board in aspects such as the energy sector, telecommunications, institutional relations, the financial sector and the capital market, business strategy and development, boards of directors of public and private entities, sustainability, risk management and compliance, digital transformation, gender, age or seniority as a director, among others.

The Board matrix of competencies is a good governance tool that facilitates the monitoring of the overall and individual balance, diversity and quality of the Board of Directors at all times and is in line with the most advanced international practices and recommendations on corporate governance.

The mentioned matrix of competencies is permanently updated so that it remains fully in force and is aligned at all times with the strategy of the Red Eléctrica Group.

In addition, before issuing its report or making a proposal to appoint a director, the Appointments and Remuneration Committee always analyses the diversity of profiles and contributions of the current members of the Board of Directors, so that at all times the Board has the knowledge and experience necessary to successfully meet the coming challenges and progress efficiently and proactively in fulfilment of the strategies and objectives of the company and the Red Eléctrica Group.

In preparing the nomination, the Appointments and Remuneration Committee, in addition to other proposals and suggestions, when it deems fit can also seek the opinion of international advisors (head-hunters) specialised in director selection. They propose various candidates and issue reports evaluating the strengths and experience of each candidate.

Those reports are carefully analysed and assessed by the Appointments and Remuneration Committee when issuing the report and/or proposal to appoint a director it will bring before the Board.

The proposals of directors and the associated reports the company has posted on its website, both in Spanish and in English, which were submitted to the Annual General Meeting of Shareholders held on 14 May 2020, transparently reveal the concern felt by both the Appointments and Remuneration Committee and the Board of Directors for diversity in the composition of the Board of Directors. In those proposals and reports the Appointments and Remuneration Committee and the Board of Directors drew on the criteria that define the profile and the requisite traits considered appropriate for directors to establish the qualities, competencies and experience that the candidate directors should have, and assessed and applied them in the selection processes for the directors who were submitted for the approval of the aforesaid General Meeting of Shareholders.

The nominations of directors and the associated reports that were submitted to the shareholders at the 2020 Annual General Meeting may be consulted on the corporate website, via the following link: [Proposals and reports on the appointment of Directors submitted at the 2020 General Meeting](#)

Article 22 of the Board of Directors Regulations provides that the Board of Directors, within the scope of its powers, will ensure that the nominees are persons of good standing, competence and experience who ensure diversity of gender, experience and knowledge on the Board.

In this context, attention should be called to the important role played by the Appointments and Remuneration Committee in fostering diversity on the Board of Directors. As provided in article 24 of the Articles of Association and article 18 of the Board of Directors Regulations, that Committee is in charge of setting a target number for women, evaluating the competencies, knowledge and experience needed on the Board, submitting to the Board proposals for the appointment of independent directors, reporting on the proposals for appointment of other directors, amongst other responsibilities. On the other hand, Article 15 of the Board of Directors Regulations stipulates that the Audit Committee members will be appointed taking into account their knowledge and experience in accounting, auditing or risk management matters.

The Board of Directors of Red Eléctrica Corporación, S.A., under the provisions of article 18.4 j) of the Board of Directors Regulations, years ago assumed the commitment to comply with the recommendations established regarding diversity and, therefore, through the Appointments and Remuneration Committee accepted the obligation to prepare an annual report on diversity to be submitted to the Board for its approval. Such report reflects the company's concern for diversity. Accordingly, for some years now measures are analysed and adopted to achieve the right balance within the Board of Directors and throughout the entire organisation.

The latest report on diversity was approved by the Board of Directors on 28 April 2020. This report refers to fiscal year 2019 and incorporates data on diversity in a broad sense, not only of gender but also considering the experience, knowledge, age or seniority of the directors that make up the Board of Directors, and within the organisation, including also information from a greater number of Red Eléctrica Group companies. That report is posted on the corporate website and may be seen via the following link: [2019 Diversity Report](#)

The 2020 diversity report is expected to be approved at the end of the first quarter of 2021 in tandem with the Sustainability Report for that same year, which is slated to be approved in that period as well.

Of note in this regard is the signing of the General protocol on balanced participation of women on the Board of Directors and the General protocol on balanced participation of women in pre-executive and executive positions and management committees, both signed with the Ministry of the Presidency, Relations with the Congress and Equality in 2019 within the framework of the 'more women, better businesses' initiative. The two protocols bear out the Board of Directors' concern for and commitment to diversity, taking into account that although there are now 6 women on the Board of Directors which represent 50% of the total Board (above the 40% stipulated in the First Additional Provision of Act 3/2007 of 22 March 2007), the Board is committed to making further advances in this area.

Notwithstanding the progress made to date and the external recognitions, the Board of Directors remains fundamentally committed to making further progress in diversity. The necessary resources and means will continue to be made available to develop mechanisms that promote the presence of qualified women both on the Board and its committees and in executive positions and positions of responsibility within the organisation, so as to put into effect and consolidate the company's diversity management model.

Appointment and re-election of directors

The procedure is regulated in articles 21 to 23 of the Board of Directors Regulations. According to those articles, directors are appointed by the General Meeting of Shareholders or by the Board of Directors by co-option. The proposal of appointments, including by co-option, or the re-election of directors will be made by the Appointments and Remuneration Committee, in the case of independent directors, and by the Board itself in the case of all other directors.

The proposal must in all cases be accompanied by a supporting report from the Board evaluating the competence, experience and merits of the proposed candidate. This report will be attached to the minutes of the Shareholders' Meeting or of the Board meeting.

The proposal for appointment or re-election of a non-independent director must furthermore be preceded by a report from the Appointments and Remuneration Committee.

The Board of Directors, within the scope of its powers, will ensure that the nominees are persons of good standing, competence and experience who ensure diversity of gender, experience and knowledge on the Board.

To appoint external directors, the Board of Directors must follow the candidate appointment and assessment policy approved by it and may use external advisors when it considers this necessary.

Directors will hold office for the period stipulated in the company's Articles of Association.

Article 20 of the Articles of Association sets the term of office for directors at four years, and the directors may be re-elected indefinitely, without prejudice to the authority of the shareholders, gathered at the Annual General Meeting, to remove directors at any time. According to article 7 of the Board of Directors Regulations, independent directors may not continue discharging their duties as such independent directors for a continuous period of more than twelve years.

Removal of directors

According to Article 24 of Board of Directors Regulations, directors will cease to hold office when the term for which they were appointed expires, or when so resolved by the shareholders at the General Meeting of Shareholders in the exercise of the powers granted to them by Law and by the Articles of Association. The Board of Directors shall not propose the removal of independent directors before the end of the term stipulated in the Articles of Association for which they were appointed, other than with just cause and upon prior report by the Appointments and Remuneration Committee. In particular, just cause will be deemed to exist when the director acquires new offices or new obligations that do not allow him to dedicate the time needed to discharge the duties of director, is in breach of the duties inherent in his position or becomes subject to any of the situations described in article 7.2 c) of the Board of Directors Regulations and therefore no longer qualifies as an independent director. The removal of independent directors may also be proposed as the result of take overs, mergers or similar corporate transactions which imply a change in the company's share capital structure, where such changes in the structure of the Board are fostered by the criterion of proportionality referred to in article 7.1.c) of the Board of Directors Regulations.

Directors must also tender their resignation to the Board of Directors and formalise, if the latter deems it appropriate, the relevant resignation in the cases envisaged in article 24.2 of the Board of Directors Regulations.

Committee members will leave their committee when they cease to be directors.

Where a director leaves office before the end of his or her term, whether by resignation or for other reasons, he or she will explain his reasons in a letter addressed to all Board members, and, in addition to said resignation being publicised to the market as mandated by the applicable laws, it will be included in the Annual Corporate Governance Report. We refer in this respect to the information indicated in section C.1.2 of the official Annex of this report corresponding to the form of Annex I of Circular 1/2020, of 6 October, of the Spanish Securities Exchange Commission (CNMV).

Succession plan and contingency plans

At its meeting held on 27 October 2011, the Board of Directors approved the succession plan for the company's Chairperson, when the chairperson still performed executive functions, following a corporate governance practice that is becoming increasingly common worldwide, involving the preparation and approval by listed companies of succession plans for their chief executive (managing director), in order to minimise the impact of the handover on the organisation, and aiming to determine a model profile for the candidates and ensure the continuity of the business, thereby reducing

as far as possible the possible risks or negative effects of the appointment of a new executive chairperson, until he or she has fully settled into the role. The Plan established a succession procedure that is split into several phases, assigning functions to the managing bodies involved; all with a view to creating an environment in which the appointment of a new chairperson can be carried out in an orderly and efficient manner that did not affect the company's ordinary course.

But since 2011, in line with advances in the world of good corporate governance, the company has undergone significant structural changes on the Board of Directors that directly affected the former Plan: in May 2013 the position of lead independent director was established and in July 2015, the Extraordinary General Meeting of Shareholders approved the separation of the positions of chairperson of the Board of Directors and managing director.

Since that time various legislative changes have been enacted that affect the rules on publicly traded companies and a new Good Governance Code of Listed Companies (CBGSC) was adopted in Spain that recommended that those companies prepare succession plans by having the Appointments and Remuneration Committees prepare and present proposals on a coordinated basis with the Lead Independent Director. As a result, the relevant amendments were made to the company's Articles of Association (article 24.2.f) and to the Board of Directors Regulations (articles 10.2.1.h and 18.1.m) that directly affected the responsibilities of the Appointments and Remuneration Committee and of the lead independent director in the process of drawing up the Succession Plans.

In this connection, the Board of Directors, both in the self-assessments of its performance carried out in recent years and in the successive Annual Corporate Governance Reports, stressed the need to review and update the 2011 Succession Plan for the chairperson because, amongst other reasons, a specific Succession Plan was needed for the managing director, whose role was now held by a different person after the separation of that function from that of the Board chairperson.

The Appointments and Remuneration Committee and lead independent director worked intensely throughout 2017 on the analysis and preparation of the Succession Plans, with the support of an outside international consultant. The process culminated with the approval by the Board of Directors, at its meeting of 19 December 2017, on proposal of the Appointments and Remuneration Committee, of the "Contingency plan for succession of the Board chairperson" and the "Contingency plan for succession of the managing director".

In 2020, work was carried out to update both plans and, at the proposal of the Appointments and Remuneration Committee, at the meeting of the Board of Directors held on 24 November 2020, the update of the "Contingency plan for the succession of the chairperson of the Board" was approved, and at the meeting held on 22 December 2020, the update of the "Contingency plan for the succession of the managing director" was approved.

It should also be noted that at the meeting held on 28 January 2020, the Board of Directors resolved to trigger the Contingency Plan for the succession of the chairperson of the Board as a result of the resignation tendered by the former chairperson as a director and as non-executive chairperson of the Board of Directors and of the company. The aforementioned Contingency Plan has proved to be a key tool for the distribution of the functions that used to be performed by the chairperson among the managing director, the lead independent director and the chairperson of the Audit Committee.

At a meeting held on 25 February 2020, the Board appointed Ms. Beatriz Corredor Sierra as a director of Red Eléctrica Corporación, S.A., within the category of "other external", at the proposal of the Appointments and Remuneration Committee, until the next General Meeting of Shareholders was held, in order to fill the vacancy on the Board of Directors. Her appointment was submitted for ratification at the company's Annual General Meeting of Shareholders held on 14 May 2020, with 98.48% voting in favour.

Consequently, with the appointment in 2020 of Ms. Beatriz Corredor Sierra as Chairwoman of the Board of Directors and non-executive Chairwoman of the company, an orderly and reasonable succession has taken place within the framework of the current corporate system of separation of powers between the positions of Chairperson and Managing Director in the structure and composition of the Board of Directors.

The "Contingency plan for succession of the chairperson of the Board " and the "Contingency plan for succession of the managing director" set out the profiles and functions of the positions of Board chairperson and managing director, and lay down the actions that should be taken immediately inside the company if unexpected or unforeseeable events prevent the chairperson of the Board of Directors and the managing director from performing their duties during their term of office. Those plans must be reviewed at least every 6/12 months. Both plans set out detailed objectives, the events that trigger their application, the responsible bodies and the actions to be carried out in each

phase, from the first 24 hours through the first month, assigning responsibilities and specific functions and avoiding risks of an unforeseen and disorderly succession.

The Contingency Plan for succession of the Board chairperson was applied for the first time, with very satisfactory results, after the unexpected resignation tendered by the previous Board chairperson at the Board of Directors meeting held on 28 January 2020. The mentioned Plan proved to be a fundamental tool for distributing the duties of the chairperson among the managing director, the lead independent director and the chairperson of the Audit Committee. After being triggered, the implementation of the Plan generated the following steps:

1. The lead independent director took over managing the Board of Directors and temporarily chaired Board meetings, and the managing director, in addition to discharging the duties of said office, handled the company's representation vis-à-vis the national government and State administration. The managing director was also charged with communicating information to the media, investors and shareholders.
2. The chairperson of the Audit Committee temporarily took over managing internal audit and risk control.
3. At the same time, the Board initiated the process of selecting a new chairperson in order for the latter to be appointed after the relevant call by the lead independent director and upon the favourable report of the Appointments and Remuneration Committee. This culminated with the appointment of Ms. Beatriz Corredor Sierra as Chairwoman of the Board of Directors at the meeting held on 25 February 2020.

It should furthermore be noted that the executive functions of the managing director were maintained in full, thus ensuring the normal operation of the company and of the Group.

4.3. *Lead independent director*

Following the reform of the Spanish Companies Act in December 2014, having a lead director is obligatory in listed companies in Spain in which the chairperson of the Board of Directors is an executive director (article 529 *septies*). The powers and responsibilities of the lead director have been reinforced in the Good Governance Code of Listed Companies (CBGSC), updated in July 2020, which explicitly assigns to the lead director functions such as chairing Board meetings in the chairperson's absence, having contact with shareholders and investors and overseeing the succession plan for the chairperson.

The Appointments and Remuneration Committee and the Board of Directors of the company believe that the position of lead independent director that was created in 2013, constitutes, given the responsibilities attributed to that office, an effective corporate governance practice, and it has been recognised as such by shareholders and proxy advisors that consider it a key counterweight in the structure and composition of the Board for striking a proper balance of powers and responsibilities.

The Board of Directors resolved to voluntarily create the position of lead independent director on proposal of the Appointments and Remuneration Committee, at the Board meeting of 13 March 2013. On 18 April 2013, the Annual General Meeting of Shareholders approved an amendment to the Articles of Association which, amongst other issues, included that position on the same terms as on which it had already been included in the Board of Directors Regulations at that same Board meeting. The term of office is three years and the officer may be reappointed. The appointment will be terminated when the lead director ceases to be a director or loses his or her independent status or when the Board of Directors, on proposal of the Appointments and Remuneration Committee, so decides.

At its meeting of 28 May 2013, the Board of Directors appointed Ms. Carmen Gómez de Barreda Tous de Monsalve as lead independent director for a period of three years. At its meetings of 31 May 2016 and 26 March 2019, the Board of Directors resolved to re-elect said director as lead independent director for a 3-year term, respectively, position which she continues to hold at present.

The functions and responsibilities of the lead independent director are established in article 25 bis of the Articles of Association and developed in article 10, adapted to articles 529 *sexies*, paragraph 2 and 529 *septies*, paragraph 2 of the Spanish Companies Act, as well as Recommendation 34 of the CBGSC.

Following the conclusion of the process of separation of the positions of chairperson of the Board and managing director of the company, the Board considered it to be appropriate to maintain this role because, among other reasons, the lead independent director helps maintain the checks and balances within the Board of Directors in favour of the independent directors, and because it is a role that has been very well received by shareholders and proxy advisors.

Functions and performance of the lead independent director during 2020

The functions and responsibilities of the lead independent director of Red Eléctrica are established in articles 25 bis of the Articles of Association and 10 of the Board of Directors Regulations.

The essential responsibility of the lead independent director, which must be taken into account in the performance of the other duties, is to organise the possible common positions of the non-executive directors and serve as a channel for expressing or giving voice to these common positions before the chairperson of the Board of Directors, the Board itself, and the Board Committees.

The main responsibilities of this office are the following:

- In relation to the Board of Directors:
 - Chair meetings of the Board of Directors in the event of absence, impossibility or conflict of interest of the chairperson, and subsequently assess, with the chairperson, the matters discussed.
 - Call ordinary or extraordinary meetings of the Board of Directors, where justified by good reasons, which must be stated in an attachment to the notice of the meeting, when the request for a meeting has not been met by the chairperson of the Board, where appropriate.
 - Take part in preparing the annual schedule of meetings of the Board of Directors, in coordination with the chairperson, the secretary of the Board and the Appointments and Remuneration Committee.
 - Take part in the Board self-assessment and, in particular, lead the periodic assessment of its chairperson, in coordination with the Appointments and Remuneration Committee.
 - Voice the concerns of the non-executive directors.
 - Coordinate the preparation of the succession plan for the chairperson and, where applicable, the managing director.
- In relation to the independent directors:
 - At least once a year, at his or her own initiative or at the initiative of any other independent director, call and chair formal or informal meetings of the independent directors and determine the matters to be discussed, which may include the basic responsibilities and functioning of the Board of Directors, with the possibility of asking for the presence of executives at such meetings.
- In relation to shareholders:
 - Maintain contact with investors and shareholders in order to know their points of view, and to form an opinion as to their concerns in relation to the corporate governance of the company, in accordance with any general guidelines established by the Appointments and Remuneration Committee or the Board of Directors, to which it will report regularly.

In 2020 the lead independent director held diverse meetings with independent directors to know their concerns and organise their common positions on different matters debated by the Board of Directors.

Additionally, after the resignation tendered by the former chairperson as director and hence as non-executive chairperson of Board of Directors and of the company on 28 January 2020, the Contingency Plan for succession of the chairperson was activated and, as a result of its application, the lead independent director took charge of managing the Board of Directors and temporarily chairing the Board meetings, until the appointment of Ms. Beatriz Corredor Sierra as Chairwoman of the Board, at the meeting held on 25 February 2020.

The lead independent director has actively participated in:

- The design, planning and promotion of the process of separating the positions of Board chairperson and managing director.
- The annual self-assessments of the Board of Directors.
- The road shows with proxy advisors organised by the company since 2016.
- The process of preparing the contingency plans for succession of the Board chairperson and the managing director.

5. Remuneration policy and assessment

5.1. Assessment

The Board of Directors in article 5 of the Board of Directors Regulations expressly reserves, inter alia, on a non-delegable basis, the responsibility for the annual assessment of the quality and efficiency of the functioning of the Board, the performance of their duties by the chairperson of the Board and the managing director of the company and the effective functioning of the Board Committees, based on the report referred to it by the Appointments and Remuneration Committee, in coordination with the lead independent director or the chairperson. The assessment of the performance of the Board, of its chairperson, of the company's managing director and of the Board committees will be conducted by an outside independent expert at least every two years.

The Board must periodically review the general aspects of the assessment methodology used, the overall results of the assessment and any corrective measures adopted, as the case may be.

For some years now, Red Eléctrica has been carrying out annual assessments of the operation and performance of the Board of Directors, of the Board's chairperson and of the company's managing director and of Board committees, with the support of external independent advisors. The process, conducted in 2020, was again carried out in collaboration with an international external consultant, Egon Zehnder International S.L., and was conducted under the direction of the Appointments and Remuneration Committee, in coordination with the lead independent director. Following completion of the process, the self-assessment report was approved by the Board of Directors at its meeting held on 22 December 2020.

Summary of the main conclusions of the areas assessed and the most relevant suggestions for improvement in relation to these areas

I. Structure and composition of the Board and Committees:

It has been assessed that the Board is composed of professionals of high personal and professional standards, highlighting the experience in the appointment of the chairperson, which has demonstrated that the process designed ("contingency plan") has been effective, noting the effectiveness of the Board's management model in the transition period. It also highlights that gender diversity on the Board is above the recommendations of the Good Governance Code of Listed Companies. As regards the structure, composition and remuneration of the Committees, it was considered adequate, highlighting, among other aspects, the initiatives for co-ordination between the different Committees, the high level of dedication and the creation of the Sustainability Committee.

With respect to this area, it was recommended, among other aspects, to reinforce the Board with knowledge in the telecommunications sector, in business development in priority geographies and in the management of companies or transformation processes in non-regulated sectors. In addition, due to its perceived value, it was recommended that the continuous training plan for directors, which was impacted by Covid-19, be resumed. Finally, with regard to the Committees, it was suggested that the flow of information be discussed to ensure that all Directors master the information circuits and are aware of the detail with which matters are dealt with.

II. Functioning of the Board:

The number of meetings and the agendas of the sessions were considered appropriate, as they cover all the relevant topics of the Board. The decision-making process was also considered satisfactory, and the existence of a willingness to take decisions with the maximum consensus was noted. Furthermore, it has been highlighted that there is a positive dynamic in the Board meetings, highlighting the fact that discussions are held in an open and inclusive climate encouraged by the chairperson.

Recommendations for improvement in this area include the possibility of strengthening informal meetings between Board members to gain perspective on specific issues.

III. Board Responsibilities:

It was noted that the Board assumes its responsibilities adequately and is highly consistent with respect to: strategy and investment plans, highlighting, among other aspects, that the Board contributes to the company having adequate sustainability objectives; supervision and control, valuing that the Board has the necessary information to exercise its responsibilities; the development and supervision of the management team, highlighting the participation of the Board in the approval of the organisational structure and, especially the Appointments and Remuneration Committee, in setting and monitoring the remuneration policy for the management team; the relationship with shareholders and stakeholders, highlighting that they are informed with transparency; and the self-assessment process, highlighting that the contribution and effectiveness of the Board is assessed annually.

With respect to the main suggestions for improvement in this area, given the uncertainty and rate of change in the environment, it was recommended that the Board be kept adequately informed about significant changes in the sector and about relevant local and international competitors. In addition, it has been suggested to monitor the organisational and cultural changes derived from the new strategy and structure of the Group, as well as to monitor more actively the follow-up of the Action Plans derived from the Board's Self-Assessment processes. In addition, it was suggested to further strengthen the role of the Board in matters related to talent management of the management team.

Following the Board's approval of the self-assessment report, work is underway on an action plan to facilitate the implementation of the improvements considered most relevant to the areas assessed.

5.2. Remuneration

The company applies the principle of maintaining a remuneration policy for the Board of Directors based on moderation, effective dedication, alignment with the long-term strategies and interests of the company and its shareholders and other stakeholders, to act as an incentive whilst not affecting, because of its amount, a director's impartiality.

For this purpose, for years, comparative analyses have been performed of peer companies and permanent contact is maintained with the company's shareholders and proxy advisors. As a result of this analysis and of the market research carried out by the company with the support of an international consultant, in 2014 a new remuneration structure was established replacing the variable remuneration component with a fixed component, so external directors no longer receive any variable remuneration.

Only the remuneration of executive directors includes variable components tied to short and long-term performance, in line with the company's prime targets.

Since 2015, environmental, social and good corporate governance (ESG) criteria have been applied in calculation of the variable remuneration of the managing director and of top senior executives.

The Directors Remuneration Policy applicable in 2020 was approved by the shareholders at the Annual General Meeting held on 22 March 2019, for a term of three years. Its core principles are:

| GENERAL PRINCIPLES OF DIRECTOR REMUNERATION POLICY | EXECUTIVE DIRECTOR (managing director) | NON-EXECUTIVE DIRECTORS |
|---|--|-------------------------|
| Balance and moderation | X | X |
| Alignment with the practices demanded by shareholders and investors | X | X |
| Transparency | X | X |
| Voluntary submission of any decision related to director remuneration to shareholder approval at the Annual General Meeting | X | X |

| | | |
|--|---|---|
| Alignment of remuneration policy with the company's strategy | X | X |
| Alignment with the remuneration established by comparable companies | X | X |
| Remuneration policies and practices ensure no discrimination by reason of gender, age, culture, religion and race | X | X |
| Linkage to effective time commitment | X | X |
| Linkage to the responsibility and performance of their tasks as directors | X | X |
| Maintaining a reasonable balance between the various components of (short-term) fixed remuneration and (annual and long-term) variable remuneration, reflecting an adequate assumption of risks combined with the achievement of defined objectives, linked to the creation of sustainable value | X | |
| Absence of variable components in remuneration in order to ensure their complete independence with respect to the remuneration paid to the executive director (managing director) and management team | | X |
| Sufficient to act as an incentive, without limiting their independence | | X |

All of the foregoing principles are consistent with the company's Corporate Governance Policy, last updated by the Board of Directors at the meeting held on 24 November 2020 and published on the corporate website.

Moreover, said remuneration principles comply with the general rules laid down for companies in the Spanish Companies Act, regarding the need for remuneration to be commensurate with a company's size and importance, economic position, comparability, profitability and sustainability; and the need not to encourage excessive risk taking and not to reward adverse results.

The Directors Remuneration Policy approved in 2019 may be consulted on the corporate website via the following link: [Director Remuneration Policy](#)

Other noteworthy aspects of the Board's remuneration

Since 2010, Red Eléctrica voluntarily submits the Annual Report on Directors Remuneration and, since 2007, the annual remuneration of the Board of Directors to the Annual General Meeting of Shareholders for approval, as separate and independent items on the General Meeting agenda. Consequently, the proposals and reports on these matters are submitted to the shareholders for a binding vote.

This line of action was continued In 2020, and the remuneration of the Board of Directors for 2020 and the Annual Report on Directors' Remuneration were submitted for approval (binding vote) by the shareholders as separate and independent items on the agenda of the Annual General Meeting of Shareholders. Red Eléctrica Corporación S.A. thus continues to align itself with corporate governance best practices, giving shareholders the necessary autonomy and independence of judgment to be able to vote on each resolution individually and separately.

The proposed Board remuneration was supported by practically all of the shareholders at the Annual General Meeting of Shareholders held on 14 May 2020, with only 0.53% voting against. For years the government owned shareholder SEPI has abstained from voting on proposals for remuneration of the Board at the Annual General Meeting of Shareholders, in line with the policy it follows in all Spanish listed companies in which it holds a minority interest.

At the Annual General Meeting of Shareholders to be held in 2021, the Annual Report on Directors' Remuneration and the remuneration of the Board of Directors for 2021 will be submitted for approval (binding vote) of the shareholders as separate and independent items on the Agenda, following the same line as in previous years.

The mentioned proposed resolutions may be consulted on the corporate website (www.ree.es), in the section General Meeting of Shareholders.

6. Implementation of the integral risk management, control and compliance system

6.1. Ethics and compliance in the Red Eléctrica Group

For the Red Eléctrica Group, ethics and compliance are fundamental pillars of the proper pursuit of its business. The company is committed to acting with the utmost integrity in the performance of its obligations and commitments, as well as in the relations and engagement with its stakeholders.

The Red Eléctrica Group has a number of rules of corporate conduct that lay down the values and standards of ethical behaviour that must be embraced by all persons in the Red Eléctrica Group in the performance of their professional activities.

Red Eléctrica has a Compliance System aligned with best practices in this field, so as to ensure that the organisation properly respects the obligations established and undertakings given and so develops a culture in which compliance risks are managed proactively.



6.1.1. Development of ethics and compliance culture

Awareness and training are key factors in developing an ethics and compliance culture within the organisation. The Compliance Area is responsible for creating an enterprise-wide awareness and understanding of the importance and strategic role of the compliance system for the Red Eléctrica Group, within the organisation's integrity culture.

Red Eléctrica continuously promotes a culture based on ethics and compliance, as a fundamental element of due diligence in the management of compliance risks.

As part of Red Eléctrica's commitment to Ethics and Compliance, its participation in the Integrity Forum of Transparency International Spain must be noted. This forum is a platform for reflection, in order to improve compliance and ethics management in Spanish companies. It is organised in different working groups and holds regular thematic sessions on business ethics.

Red Eléctrica is a member of the Spanish Compliance Association (ASCOM) and actively participates in the working groups on criminal compliance, data protection and new technologies, prevention of money laundering and compliance in the industrial sector. It also has joined the group of large companies belonging to the Forética Transparency, Good Governance and Integrity Cluster.

6.1.2. Code of Ethics and Conduct

The purpose of the Code of Ethics and Conduct of the Red Eléctrica Group is to provide a deontological guide to all the people who form part of the Red Eléctrica Group in order to know and facilitate commitment to the ethical values, principles and guidelines for conduct that should govern our professional activity within the organisation.

Approval of the Code of Ethics and Conduct

In 2018, the company began the process of reviewing and updating the Ethics Code with the aim of adapting it to the best practices in ethics and compliance management, as well as to the changes occurred in the structure of the Red Eléctrica Group. Such process concluded on 26 May 2020 with the approval by the Board of Directors of the new Code of Ethics and Conduct for the Red Eléctrica Group.

The new version of the Code of Ethics and Conduct is structured through fifteen principles, which were established taking into account the criminal risks associated with the activities of the Red Eléctrica Group. For each of the aforementioned principles, a catalogue of conduct consistent with or contrary to the Code of Ethics and Conduct is established, in order to avoid the creation of situations favourable to the commission of crimes.

Transparency International, a benchmark organisation in the field of integrity, has collaborated in the external review of the new Code.

The dissemination of the new Code of Ethics and Conduct began with the sending, on 28 May 2020, of an electronic communication by the Group's Chairperson to the entire organisation, which was accompanied by a copy of the Code. The Group's majority-owned subsidiaries have been informed of the approval of the new Code of Ethics and Conduct at the various Boards and Management Meetings held.

In addition, the development of an internal and external communication plan linked to the new Code and the Group's Compliance System has begun, as well as the design of an awareness, training and sensitisation plan that includes all members of the company.

6.1.3. Code of Conduct for Suppliers

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

In 2020, the review and update of the Code of Conduct for suppliers was completed in order to adapt it to the values and principles of the new Code of Ethics and Conduct, and to best practices in compliance management. This Code was approved by the Executive Committee of the Red Eléctrica Group at its meeting held on 3 June 2020.

The Red Eléctrica Group has benefited from the participation of the benchmark entity in the field of integrity, International Transparency, during the external review process of the new Code.

6.1.4. Ethics and Compliance Channel

The Red Eléctrica Group makes available to the members of the organisation and its stakeholders an ethical and compliance channel through which they can:

- Submit queries regarding the interpretation of ethical values, principles and conduct guidelines of the Code, or propose improvements.
- Report any violations of the Code, legislation, internal regulations and commitments made by the organisation.
- Report any possible irregularities or non-compliance related to financial, accounting or commercial malpractices.

The Red Eléctrica Group's Ethics and Compliance Channel is managed by the Ethics Officer in coordination with the Compliance area, and its operation is regulated in the Guide for channel management.

This channel is audited from time to time and ensures the confidentiality of users.



Red Eléctrica also has another channel for receiving reports of non-compliance, complaints, inquiries and ethical suggestions, the DÍGAME telephone hotline, which is available to external stakeholders who are not aware of the Ethics Channel. This service refers inquiries to the Ethics Officer, preserving confidentiality.

Revision of the Ethics and Compliance Channel Operation Standard

On 1 December 2020, the Executive Committee of the Red Eléctrica Group approved the "Action Guide for the management of the Ethics and Compliance Channel", which is the internal standard that regulates the management of the Ethics and Compliance Channel. The new Guide has been approved to adapt the operation of the Channel: to the criteria established by the Code of Ethics and Conduct; to the Organic Act on Data Protection and Guarantee of Digital Rights, article 24 of which regulates the internal whistleblowing reporting systems; and to European Directive 2019/1937 of 23 October 2019 on the protection of persons who report breaches of Union law.

The Red Eléctrica Group has had the collaboration of Transparency International for the external review of the standard that regulates the Ethics and Compliance Channel.

During 2020, work has been carried out on the implementation of a new IT tool that includes the updates of the Ethics and Compliance Channel. It is expected to be operational at the beginning of 2021 and members of the organisation, as well as its stakeholders, will be able to access it to submit queries and complaints through this new application.

Queries and complaints processed in 2020

Through the Ethics and Compliance Channel, 10 queries were made to the Ethics Officer in 2020. During 2020, three complaints were received in relation to compliance with the Code of Ethics and Conduct and were resolved by the end of the year. None of the complaints concern violations related to the organisation's criminal risks.

More precise information on these complaints can be found on the company's website at the following link: [Annual executive report on management of the Code of Ethics](#)

Ethics Officer

To ensure awareness, application of and compliance with the Code of Ethics, Red Eléctrica appointed Carlos Méndez-Trelles García, general secretary and secretary of the Board of Directors, as Ethics Officer and stakeholder ombudsman.

The responsibilities of the Ethics Officer are as follows:

The responsibilities carried out by the Ethics Officer, with the collaboration of the Compliance area, are as follows:

- Resolve queries in connection with the Code.
- Investigate complaints submitted in relation to the application of the Code.
- Draw up action plans for resolving the complaints made and submitting them for approval by the chairperson of the Red Eléctrica Group.
- If the complaint is related to any member of the Executive Committee or the Board of Directors, it shall be submitted to the chairperson of the Audit Committee or, as the case may be, to the chairperson of the Sustainability Committee, depending on the nature of the complaint.

- Produce a periodic ethics management system review report and propose actions for improvement of the system.

6.1.5. Tax Strategy

The Red Eléctrica Group is committed to complying with tax legislation and with its tax obligations, fosters a cooperative relationship with the tax authorities and considers the tax contribution in all territories where it operates as significant for the overall economic and social development.

The responsibility for setting tax strategy, formulating policy on tax risk management and control, and approving investments or transactions which due to their amount or special characteristics are considered strategic or which entail particular tax risk is reserved to the Board of Directors and cannot be delegated. This reflects the strategic role of Boards of Directors in tax matters.

The Tax Strategy of the Red Eléctrica Group was approved by the Board of Directors on 30 June 2015 and has as its purpose to define the approach to be taken to tax matters on a consistent basis and aligned with the strategy of the Group. It lays out the vision and objectives in the tax area, and is based on the three core values of transparency, good governance and responsibility.

The tax strategy's vision can be summed up as follows:

"Manage tax matters proactively, acting responsibly and transparently towards all stakeholders and in such a way as to comply with tax legislation and minimise reputational risk, making compliance compatible with protection of shareholder value."

The scope of application of the Tax Strategy includes all Red Eléctrica Group companies and covers the following tax obligations:

- Fulfilment of the obligation to file returns for and pay for its own and any input taxes.
- Fulfilment of the obligation to file returns for and pay taxes collected and paid for the account of third parties.
- Fulfilment of tax reporting obligations.

On 29 September 2015 the Board of Directors approved the Red Eléctrica Group's Tax Risk Control and Management Policy and its integration into the Integrated Risk Management Policy. The tax risk management and control systems are described in Section 6.3 of this Report.

As part of the development of good practices that reduce tax risks, the following actions have been taken:

- Approval of the tax policies applied in the annual corporate income tax return for 2019. This was done before the annual tax filing, at the Audit Committee meeting held on 24 June 2020.
- Information on the Annual Report on Tax Transparency for financial year 2019 and the Report of the Commitment and Transparency Foundation. This action was taken at the Audit Committee meeting of 22 July 2020.
- Information about the tax policies applied in the first half of the year 2020. This action was taken at the Audit Committee meeting of 22 July 2020.
- Information on the Annual Report on Tax Transparency for financial year 2019. This action was taken at the Audit Committee meeting of 23 September 2020.
- Approval of the 2019 Country by Country Information Statement. This action was taken at the Audit Committee meeting of 18 December 2020.
- Approval of the tax policies applied in the closing of accounts for financial year 2020. This was done in the Audit Committee meeting on 20 January 2021, before the financial statements for 2020 were authorised for issue.

The Red Eléctrica Group has an Integrated Risk Management System that includes the main tax risks for the Group and the mechanisms for their mitigation, control and management.

In addition, the Group has a System for Internal Control over Financial Reporting (ICFR) that includes tax reporting and processes and their associated controls, based on the COSO II (Committee of Sponsoring Organisations of the Treadway Commission) methodology. These processes and systems undergo systematic internal and external audits.

The Red Eléctrica Group has diverse mechanisms to prevent unlawful operations, money laundering and asset stripping. These include the Code of Ethics and Conduct, which sets some principles and specific conduct guidelines related to Tax Liability, the Code of conduct for suppliers, the compliance Policy, the Manual for the Criminal Compliance System and the "Guide for the Prevention of Corruption: Zero Tolerance", which is made available to Red Eléctrica Group employees, suppliers and stakeholders on the corporate website. The Red Eléctrica Group also carries out awareness-building actions and ongoing training in which those documents are given to employees.

The Red Eléctrica Group's el Code of Ethics and Conduct and Tax Strategy establish a commitment not to create companies in order to evade tax in countries considered tax heavens.

The Red Eléctrica Group has no presence or any operations in territories officially classified as tax havens according to the current regulations⁴.

Furthermore, at its meeting on 29 September 2015, the Board of Directors of Red Eléctrica Corporación, S.A. approved a resolution requiring the Red Eléctrica Group to subscribe to the Code of Best Tax Practices adopted by the Spanish Tax Agency (AEAT) within the framework of the Large Businesses Forum (Foro de Grandes Empresas). Adherence to those practices is in line with the tax principles and guidelines set out in the Group's Tax Strategy.

On 28 October 2016, the Large Businesses Forum approved a proposal to strengthen good practices in business tax transparency, and proposed that companies issue an "Annual Report on Tax Transparency for Companies Adhering to the Code of Good Tax Practices". Pursuant to the above, since 2017 the Red Eléctrica Group has been voluntarily submitting said Tax Transparency Reports with the AEAT and has now filed those reports for fiscal years 2016, 2017, 2018 and 2019.

Following the practice started in 2014, and with the aim of voluntarily offering greater tax reporting transparency to its different stakeholders, the company published its total tax contribution, making clear the significant economic and social role of the taxes paid by the Group.

In order to calculate its total tax payments, the Red Eléctrica Group uses PricewaterhouseCoopers's Total Tax Contribution (TTC) framework, which measures the total impact derived from a company's payment of tax. This appraisal is conducted in terms of the total contribution of taxes paid to the different Tax Authorities, directly or indirectly, as a result of the Red Eléctrica Group's economic activity.

The Red Eléctrica Group's total tax contribution for 2020 is published in the 2020 Sustainability Report.

Lastly, it should be noted that since 2019 the Red Eléctrica Group, pursuant to its commitment to transparency in the conduct of its activities, publishes an annual tax report setting out the main tax issues and positioning of the Group. That report may be consulted on the corporate website.

⁴ Royal Decree 1080/91 of 5 July 1991, subsequently amended by Royal Decree 116/2003 of 31 January 2003, European Union list of non-cooperative tax jurisdictions and the OECD list of non-cooperating tax havens.

6.2. Compliance

Compliance system

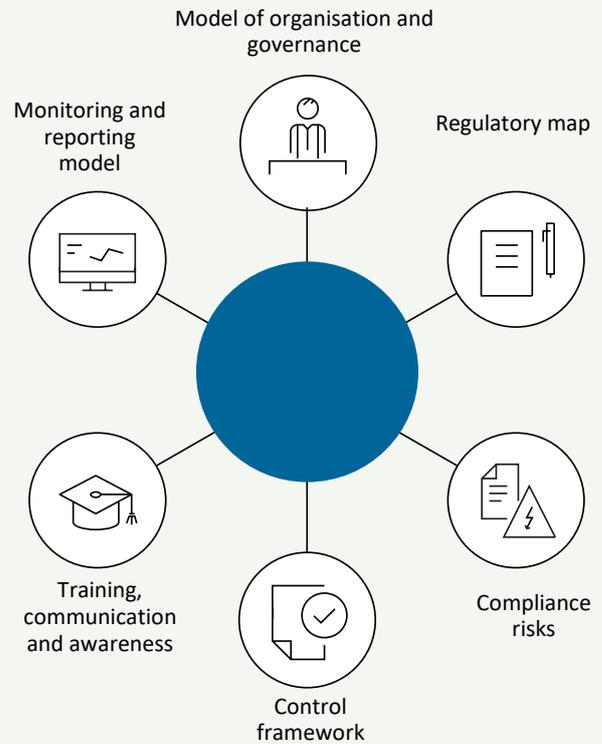
Red Eléctrica has a Compliance System aligned with best practices in this field with the aim of supporting the organisation in complying with its obligations and commitments.

The commitment to ethics is inherent to the Red Eléctrica Group and is an essential pillar for its proper functioning. The Code of Ethics and Conduct, approved on 26 May 2020 by the Board of Directors of the Red Eléctrica Group, is the fundamental rule that binds the Group to its stakeholders.

The Red Eléctrica Group has a global Compliance Policy approved by the Board of Directors, which expresses the organisation's commitment to the prevention, detection and response to any conduct that constitutes an act contrary to the legal obligations and commitments voluntarily assumed by the company, in accordance with the values and principles of conduct of the Code of Ethics and Conduct.

The Red Eléctrica Group has a Compliance area within the Internal Audit and Risk Control Department. The compliance area is responsible for the design, development, implementation and monitoring of the compliance system with the following fundamental objectives:

Elements of the compliance system



Objectives of the Compliance System

- Ensure that all people in the company are aware of and comply with the external and internal obligations contained in the regulations and the voluntary commitments, as well as provide due control for the achievement of strategic objectives.
- Define a compliance map for each of the defined regulatory areas identifying the relevant risks in each case, and the necessary control activities.
- Systematically identify, analyse and evaluate the key controls that mitigate compliance risks, using uniform criteria.
- Report to the control bodies of the Red Eléctrica Group on the status and evolution of compliance in each of the defined regulatory areas.
- Promote, by developing specific projects and training and awareness raising plans, a corporate culture based on ethics and compliance.

The Compliance system is structured through the following regulatory scopes:

| | | | |
|---------------------------------|-------------------|---|--|
| Integrity and Ethics Management | Criminal | Protection of personal data and information | Corporate governance |
| | Labour | Intellectual and industrial property | Prevention of corruption and conflicts of interest |
| Economic-Financial | Health and safety | Integral security | Market transparency |
| Tax | Environment | Procurement | Third party due diligence |

Key actions in 2020

- Approval of the updated Code of Ethics and Conduct of the Red Eléctrica Group and the Code of conduct for suppliers.
- Update of action guide regulating the management of the Ethical and compliance channel.
- Certification of the Criminal and anti-bribery compliance system pursuant to UNE 19601 standard for criminal compliance management systems and UNE-ISO 37001 for anti-bribery management systems.
- Definition and implementation of global system for supplier compliance.
- Implementation of computer application to support Compliance System.

Next objectives

- Update the Group's Global compliance policy.
- Implementation of the new monitoring plan for the criminal and anti-bribery compliance system.
- Review and update of the Corruption Prevention Guide.
- Implementation of global system for due diligence in matters of integrity by third parties.
- Implementation of the 2021 Plan for communication, awareness and training and certification of compliance culture.

Criminal and anti-bribery compliance system

Red Eléctrica has a Criminal and Anti-Bribery Compliance System aimed at identifying the rules, procedures and tools established in the Group to avoid the breach of legal rules that carry criminal liability for the company and its employees. This widens the due control exercised by the Red Eléctrica Group to take in the management and prevention of criminal risks that can affect its activity and business sector.

Criminal Compliance Committee

The Board of Directors, as highest body with risk management responsibilities in the Red Eléctrica Group, in accordance with the applicable laws and regulations and, in particular, with the provisions of article 31 bis of the Criminal Code, has designed the Criminal Compliance Committee as specific body to control the Red Eléctrica Group's Criminal and Anti-bribery Compliance System.

The Criminal Compliance Committee is independent and works autonomously, and reports to the Board of Directors, through the Audit Committee, regarding the activities developed by the same, as well as about the adequacy and efficiency of the Criminal and Anti-bribery compliance system.



Monitoring of the Criminal and Anti-bribery Compliance System

During 2020, the design of the Criminal Compliance and Anti-Bribery System Monitoring Plan was completed, which includes the activities aimed at monitoring the proper functioning of the System and ensuring that the information regarding the levels of risk of criminal and anti-bribery compliance faced by the organisation is kept up to date, so that those responsible for making decisions regarding the System do so in an informed manner. The Plan includes the activities of verification, supervision and monitoring of the System, the results of which are set out in a table of indicators for appropriate follow-up.

One of the control objectives included in the Monitoring Plan is the monitoring of the design and implementation of the Anti-Bribery and Criminal Compliance Map, through the identification and assessment of the risks and control activities that mitigate these risks, as well as the verification of the design and operation of the control activities by an independent entity.

In 2020, in line with best practice, an external verification has been carried out by a reputable international audit firm of the design and effectiveness of the identified key controls that mitigate the 9 priority criminal compliance risks: public corruption; business corruption; investor fraud; subsidy fraud; fraud against the EU general budget; against land use planning; against natural resources and the environment; fire; and against workers' rights. The audit concluded that "the criminal compliance model meets the appropriate standards while maintaining a satisfactory Level of Control over the 9 risks under scope".

In 2020, none of the Group companies was investigated or convicted for breaches related to the organisation's criminal risks. The Criminal Compliance Committee has been informed of the matters within its remit, has had free access to the documentation necessary to carry out its task and has had the cooperation of the various Group departments to carry out its functions.

Certification of the criminal and anti-bribery compliance system UNE 19601 and ISO 37001

In 2020 the criminal and anti-bribery compliance system of the parent company of the Red Eléctrica Group (Red Eléctrica Corporación) and its subsidiary Red Eléctrica de España (REE) was certified in accordance with the UNE 19601 and ISO 37001 standards. The certification process has been carried out by the entity AENOR, which awarded in December 2020 the certification of the REC and REE's criminal and anti-bribery compliance system, in accordance with the aforementioned standards.

Prevention of corruption and conflicts of interest

The prevention of corruption is a necessary practice to contribute to achieving ethical and responsible management in the development and provision of services by Red Eléctrica Group companies in accordance with the values and commitments set out in its Code of Ethics.

The Red Eléctrica Group has a Guide for the Prevention of Corruption: Zero Tolerance, approved by the Board of Directors in 2015, which develops the corporate values and behavioural guidelines contained in the Code of Ethics related to the main manifestations of corruption

This implies the prohibition of any practice of corruption, bribery or facilitation payments, in all their forms, in accordance with the values and principles set out in the Code of Ethics and Conduct of the Red Eléctrica Group.

The company periodically checks the processes considered susceptible to the risk of corruption and fraud. Those controls involve internal audits based on the programmes for prevention of fraud and criminal liability, which include specific controls for those risks.

In the field of corruption prevention, we reiterate the certification of the Criminal and Anti-Bribery Compliance System in accordance with the ISO 37001 Anti-Bribery Management System standard by the certifying body AENOR.

In addition, there is a system for internal control over financial reporting (ICFR) that includes controls for the risks of inappropriate use of assets and intentional misrepresentations in financial statements. The independent assurance report on that system is included as an annex to this report.

In 2020, in accordance with the standards of conduct set out in the Code of Ethics and Conduct, which prohibits contributions to political parties and organisations, no donations, subsidies or loans were made by the Group to political parties.

In 2020, no reports of wrongdoing were received in respect of possible cases of corruption. No company in the Red Eléctrica Group has been investigated or convicted by any court of wrongdoing in cases of corruption.

Conflict of interests management

The Red Eléctrica Group has a Guide for the management of conflicts of interest since 2018, for the implementation of the commitments assumed in the Code of Ethics and Conduct in this area, with the aim of detecting and preventing potential conflicts of interest that could affect the management team. The Red Eléctrica Group has a Consultative Board for conflicts of interest, which is responsible for the development and due implementation of the procedure for the identification, management and resolution of conflicts of interest established in the aforementioned Guide.

In 2020, the Consultative Board dealt with three queries on conflicts of interest from three members of the organisation subject to the Guide. In two of the cases, the Consultative Board declared that there was no real conflict of interest, although as there was a situation that could externally appear to be a conflict of interest, the resolution of the case entailed the adoption of measures to safeguard the Group's interests. In the third of the consultations, it declared the existence of an actual conflict of interest, and its resolution entailed the adoption of measures to safeguard the Group's interests.

Protection of privacy

The Red Eléctrica Group has a Data Protection Compliance System, as part of its Global Compliance System, that responds to the requirements of the European Data Protection Regulation and to Spain's Organic Act on the Protection of Personal Data and Guarantee of Digital Rights, at the technical, legal and organisational level.

Data protection governance model

The Red Eléctrica Group's governance model for data protection responds to the organisational demands of data protection regulations, assigning and defining the responsibilities and functions of the organisation's units and members in relation to data protection matters.

The model has been developed taking into account, amongst others, the following aspects:

- The appointment of a Data Protection Officer (DPO) responsible for ensuring compliance with data protection rules and acting as conduit for communication with the supervisory and control authority for these matters. This role is carried out by the Ethics Officer and Stakeholder Ombudsman.
- The creation of a Data Protection Advisory Body to support the proper functioning of the data protection compliance system and propose legal, technical and organisational improvements in that system. In addition to the DPO, the advisory body is composed of representatives from the following areas: Compliance, Legal Services, Corporate Security, Information Technology and Human Resources.
- The creation of a network of representatives for personal data protection matters in the various departments of the Red Eléctrica Group in Spain, as a key position for instilling a proper privacy culture in the company.

Follow-up of the data protection compliance system

In 2020, the Data Protection Officer did not receive any complaints about breaches related to personal data protection and none of the Group companies have been investigated or convicted for breaches related to privacy regulations.

In 2020, a request has been received to exercise the right to object and erasure of personal data processing, in order to unsubscribe from a distribution list of communications of the company, which was answered in a timely manner, and also the necessary technical measures were adopted to effectively respond to the request to exercise such right, all in accordance with the Protocol for attention to ARCOPL rights of the Red Eléctrica Group and the applicable privacy regulations.

In 2020, 96 queries have been received by the Data Protection Advisory Body, 85% of which have been closed as of the date of the report.

During this financial year, the plan to raise awareness, understanding and training in privacy has continued. Since 2019, the year in which the e-learning course on privacy was launched, more than one thousand employees of the Group have received training in this area. This course forms part of the specific training material for new employees joining the company.

6.3. Integrated risk management and control

6.3.1. Integrated risk management system

An integrated risk management System has been in place in the Red Eléctrica Group since 2002 for the purpose of achieving the Group's strategies and objectives, ensuring that the risks that can affect them, including tax risks, are identified, analysed, evaluated, managed and controlled in a systematic manner, subject to unified criteria and within the acceptable risk level approved by the Board of Directors.

The management system is developed in accordance with the ISO 31000:2018 standard on principles and guidelines in the management of risk, and is of an integrated and ongoing nature, with such management being undertaken by business unit, subsidiary and corporate level support area.

The Red Eléctrica has an Integrated risk management policy and a General procedure for integral risk management and control, based on COSO Integrated Framework for Enterprise Risk Management⁵ ERM 2017.

Since 2015, it has included the tax risk control and management policy.

This policy is fully aligned with the Group's strategic plan and is available in the Corporate Governance section of the corporate website via the following link, [Integrated Risk Management Policy](#)

In 2020, an external assessment process of the Red Eléctrica Group's Integrated Risk Management System was carried out by the auditing firm EY with the aim of evaluating the alignment of the current model with best practices according to the ISO 31000:2018 and COSO ERM 2017 standards. As a result of this assessment, it was concluded that the implementation of the system complies with the reference standards. In addition, a series of aspects for improvement have been identified that can help to strengthen the current system and which have been taken into account for the development of the activity plan for the integrated risk management system for the 2021 financial year.

In 2015 work started on a gradual review of compliance with the five components of internal control, according to the COSO Integrated Framework.

In 2015 the audit firm Ernst & Young (EY) reviewed the first of these components ("Control Environment") and in 2016, the second ("Risk Assessment"). In both reviews it concluded that the elements and activities related to the

⁵ Committee of Sponsoring Organizations of the Treadway Commission

risk evaluation and control environment are formalised and present in all areas/operations of the organisation and, furthermore, in many cases the benchmark best practices in these areas have been implemented.

During 2017 the third component, "Control Activities", was evaluated by the firm of Deloitte, the conclusion being that within the Group it is mature and in line with advanced best practices in the market.

In 2018, EY performed an evaluation of the fourth component of the COSO Integrated Framework: "Information and communication", concluding that Red Eléctrica has strong information and communication mechanisms, aligned with the most advanced practices.

In 2019 the review of the COSO components was completed with the evaluation of the fifth component: "Monitoring activities", by the firm of PWC, which concluded that Red Eléctrica has activities and controls in place that ensure a high level of compliance with the principles of this component, in line with the best practices in internal control.

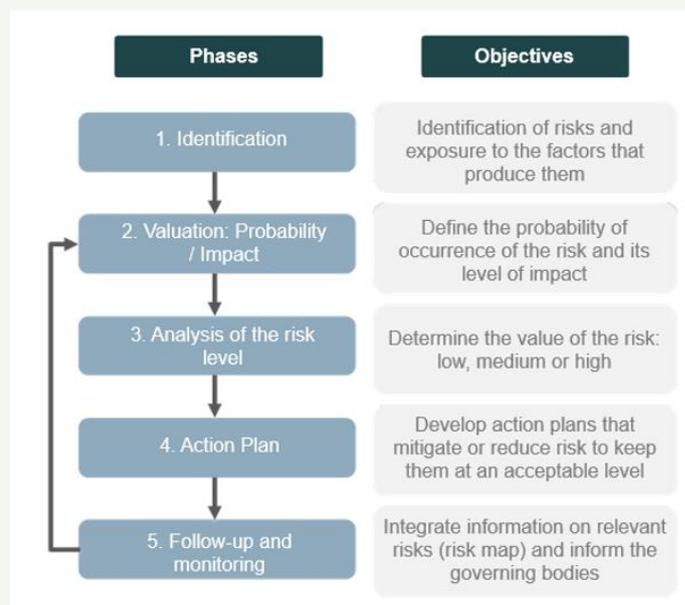
Integrated risk management policy

The Integrated risk management policy is approved by the board of directors. This policy identifies the different types of risks that may affect the Group, sets the level of risk considered to be acceptable and provides guidelines for managing and mitigating such risks.

The integrated risk management and control procedure

The general procedure for integrated risk management and control regulates the identification, analysis, assessment and control of the management of the material risks faced by the Group.

The procedure is intended to ensure that managers at all levels within the Group are aware of and assess the risks that threaten the Group's strategies and objectives, take those risks into account in their activities and keep them within the set levels of acceptable risk.

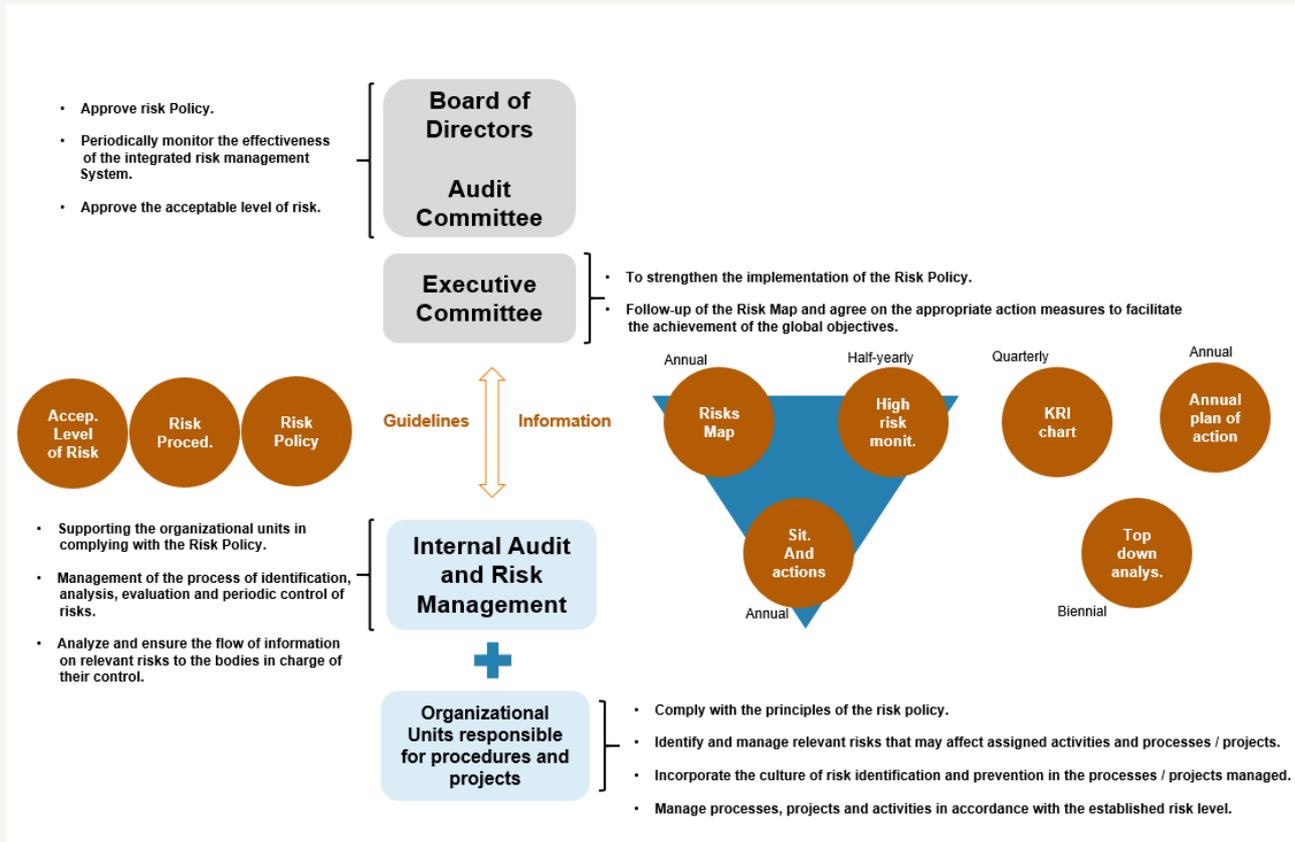


Organisational structure

The integrated nature of the Risk Management System ensures the participation of all the units of the Red Eléctrica Group and ensures that the bodies in charge of risk control are adequately informed of the risk situation.

The Integrated Risk Management and Control Policy and Procedure define the different responsibilities of the governing bodies and each of the organisational units, as well as the information flows and activities to be carried out, in accordance with the scheme shown in the following graph.

Organisational scheme



The Board of Directors Regulations expressly give the Board of Directors responsibility for approving the integrated risk management policy of the group. This includes the defined level of acceptable risk, and receiving reports on and periodically monitoring the internal control, prevention and reporting systems.

On a biannual basis, the Board reviews the risk control system and material risks, including tax risks, without prejudice to the information it receives on a regular basis from the Audit Committee as part of the ongoing monitoring process carried out by the Committee.

The Audit Committee is responsible for periodically supervising the effectiveness of the integrated risk management system, including tax risk, to ensure that material risks are identified, kept within the established acceptable risk levels and properly reported.

The Executive Committee, composed of executives from the most significant and strategic areas of the company, is assigned the functions of monitoring the material risks map and ensuring that the risks classified as high level and other especially important risks, as well as the critical action plans to mitigate those risks, are properly controlled and monitored.

The Internal Audit and Risk Control Department, pending from an organisational standpoint from the chairperson and from a functioning standpoint from the Audit Committee, is responsible for coordinating and supporting the risk identification, analysis and assessment process and periodically controlling risks. This department submits the appropriate reports to the Executive Committee, Audit Committee and Board of Directors.

The organisational units participate continuously in the process of identifying, analysing and evaluating the Group's risks, together with the Internal Audit and Risk Control Department, and in the implementation of the action plans defined to mitigate them.

6.3.2. Main risks, level of acceptable risk and response and supervision plans

Main risks that may affect the achievement of the Group's strategies and objectives

One of the Red Eléctrica Group's core businesses involves transmission activities and operation of the electricity system in Spain. These are classified as regulated activities, as their development is critical for the security and continuity of Spanish electricity supply, and they are carried out exclusively.

This classification as a regulated activity affects both the setting of revenues and the environment and conditions in which the company has to undertake its principal activities and determines the risks to which it is exposed.

Furthermore, in its latest Strategic Plan (2018-2022), the Red Eléctrica Group has made clear the importance of the new activities taken up by the Group in the telecommunications, international business and digital transformation areas, primarily.

The types of risks the Group faces in the pursuit of its strategies and objectives can be classified as follows:

Strategic:

- Risks related to the regulatory framework in which the Group's activity is carried out.
- Business risks associated with the business context itself or with strategic decisions.
- Risks related to sustainability and good governance.

Operational:

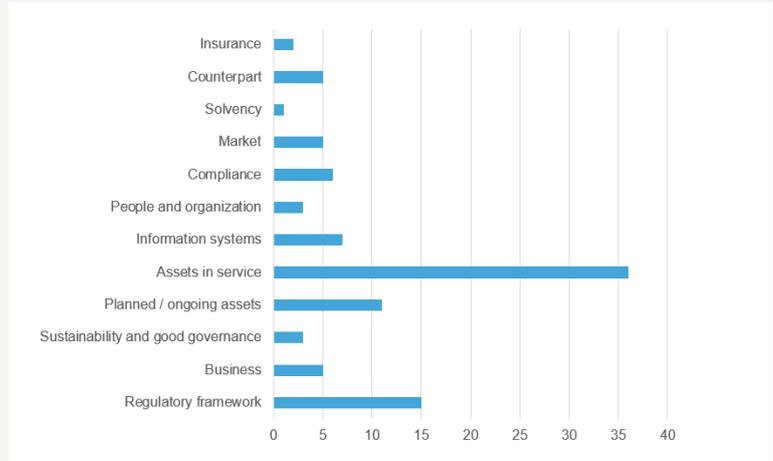
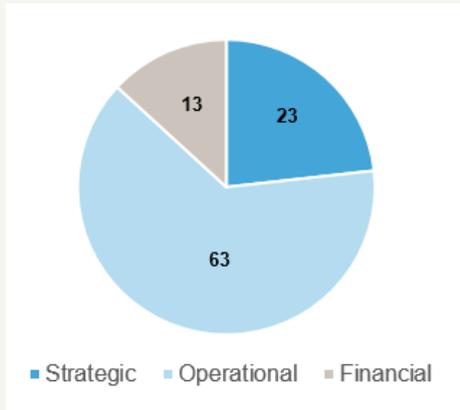
- Risks associated with assets planned and/or in progress.
- Risks associated with assets in service.
- Risks related to information systems.
- Risks related to people and their organisation.
- Compliance risks.

Financial:

- Market risks.
- Risks related to the company's solvency.
- Counterparty risks.
- Insurance risks.

The tax aspects, classified as strategic risks related to the regulatory framework, were included in 2015 in the Policy for integrated risk management, establishing the specific guidelines for action to manage such risks.

Following the risk analysis performed by the Red Eléctrica Group, the latest Risk Map identified 99 risks, which are shown in the following chart by risk category:



There is detailed information on the current risks of the Group, and the risks that may emerge in the future, in the company's Sustainability Report. This report is available on the corporate website (www.ree.es).

Acceptable risk level

The Integrated Risk Management System of the Group sets out a methodology to determine the level of risk. As a result all identified risks are classified into three levels:

- High-level risks.
- Medium-level risks.
- Low-level risks.

The level of a risk is established by combining two variables, the probability of occurrence and the impact that the materialisation of said risk would have on the company as regards four key elements of the business:

| | |
|---|---|
| <p>ELECTRIC POWER SUPPLY Energy not supplied (ENS) as a result of the potential event.</p> | <p>REPUTATION Perception of stakeholders as a result of failing to meet their expectations and dissemination of the event in communication channels and social networks.</p> |
| <p>STRATEGIC PLAN Degree of impact on the achievement of the Group's Strategic Plan.</p> | <p>ECONOMIC LOSS Impact on the income statement, after corporate income tax.</p> |

Depending on the probability of occurrence and the level of impact of each risk, it is placed in the probability/impact matrix, which automatically determines the level of risk. The following matrix reflects the distribution of the 111 risks identified according to their assessment.



The risk level the Red Eléctrica Group is willing to accept is established both for individual risks, and for aggregate risk for each of the impact axes.

The global acceptable risk level that the Group is willing to assume for each of the four impact axes contemplated in the Integrated Risk Management System is approved by the Board of Directors. As a general rule, the overall risk level must not exceed this approved acceptable risk level.

At the individual level, as established in the Integrated Risk Management Policy, any risk that does not exceed the low risk level is considered to be acceptable. Risks above this level must be acted upon to reach the acceptable level. Risk management will be carried out having regard to the relation between the importance of the risk and the cost and measures needed to reduce it. However, for activities that have an impact on the electricity system, the impact that the risks may have on the system must also be taken into account.

Risks that materialised in 2020

With regard to operational risks, it should be noted that the transmission grid facilities are permanently exposed to events that may affect the continuity and security of the electricity supply. Such events are mainly caused by third parties or also by meteorological phenomena. In the event that the aforementioned risks materialise, the Group has the relevant insurance policies to mitigate the potential impact that these events could have on its income statement.

Surveillance measures on the Spain-Morocco interconnection (ESMA) led to the detection on 30 July of a leak in cable 4 of the ESMA, located in one of the caps made in the campaign to seal a leak found in 2018. In the event of this accidental spill, the Maritime Interior Plan of the link was implemented, which guarantees an immediate response, the correct action of the personnel involved, the correct use of anti-pollution equipment and material, and adequate coordination with the organisations working in the management of an event and the Administrations involved.

On 3 September, the sealing work was completed and the Maritime Interior Plan was deactivated in Phase 0 (alert). The security of the interconnection's power supply has not been compromised at any time thanks to its double circuit and the fact that the affected (standby) cable has been out of service since it became inoperative in 2018.

On 30 January 2020, the World Health Organisation (WHO) declared the outbreak of the new SARS-CoV-2 or COVID-19 coronavirus an international public health emergency and, in mid-March, a pandemic

REE guaranteed the electricity supply to all households and essential services at all times. To further ensure the guarantee of electricity supply, the company set up a third control centre which, like the other two, operates with full autonomy by independent teams working 24/7. Additional preventive measures were also taken with respect to the teams that operate the Telecommunications Supervision Centre and the Facilities Maintenance Centre, as well as with the professionals that form part of the standby teams to deal with possible incidents in the grid. The telecommunications business (fibre and satellite) has been providing essential services without incident.

In this context, the Group has deployed measures to safeguard the health of all its professionals, applying action protocols adapted to the recommendations issued by the various competent authorities. Digital training, developed by the

company in recent years, has enabled safe remote working for all Group employees whose physical presence at the work centres was not strictly necessary (80% of the workforce).

The development of new infrastructures, both for electricity transmission and telecommunications, suffered temporary delays due to the total or partial stoppage of economic activities imposed by the authorities; these were almost entirely recovered in the last months of the year. The impact on the Group's investments as a whole was approximately 5% of the initially planned investment volume. This impact is expected to be recovered in 2021.

On the economic and financial front, throughout this period the Group has been in a solid financial position to face these difficult times, having taken measures aimed at strengthening liquidity.

The pandemic has had no effect on revenues from the Group's regulated activities, which account for most of the Group's revenues. However, the satellite telecommunications activity has been affected by both the duration of the crisis and the evolution of the Latin American markets where it operates, which has led to price renegotiations and cancellations of contracts and projects, which together with the evolution of the US dollar and the Brazilian real, have caused a negative impact on the Group's satellite business revenues in 2020 of around EUR 20 million. In this context, HISPASAT has undertaken a process of strategic reflection that has concluded with the approval of new strategic lines aimed at repositioning the company as a benchmark operator in the provision of advanced satellite communications services (new businesses), protecting its traditional activity and making the most of the useful life of the current fleet. In view of this situation and impairment indicators, at year-end 2020, the Group performed an impairment test on the assets corresponding to the traditional satellite business, recording provisions for impairment amounting to €122 million.

Response and supervision plans for the Group's main risks

In the process of identification, analysis, evaluation and control of risks, the actions required to reduce the degree of risk to the acceptable level are established.

To monitor risks, the current risk management system contemplates the monitoring of more than 500 actions plans aimed at reducing risk levels, with more than 300 indicators of the evolution of those levels.

The Risk Control unit, together with the risk management units, reviews the evolution and effect of the action plans established. This review is carried out annually covering all risks within the corporate map. The review is performed on a half-yearly basis for those high level risks and others subject to special vigilance as it is considered that changes in their situation could raise them to high risk levels in the medium/long-term.

Furthermore, the Red Eléctrica Group also has a System for Internal Control of Financial Reporting (SICFR), with the basic aim of improving the efficiency and security of processes for preparing economic and financial information on the organisation, with the proactive adoption of international best practices in the mentioned scope. The SICFR specifically includes the information associated with the Red Eléctrica Group's tax processes, as well as their related controls.

The Red Eléctrica Group also has contingency plans that regulate the various crisis situations that may arise in the event of an electricity incident (to ensure security of supply), or a non-electricity incident that may affect the environment, people, the operations of the company, the availability of its systems, the business results or any other aspect that may have an impact on the company or its reputation.

The company has a Business Continuity Plan aimed at preparing the necessary actions and planning a set of procedures to be able to respond appropriately to a disaster, crisis or emergency, from the moment it occurs until it returns to normal. The Business Continuity Plan allows the impact on the company's business activity to be reduced to the lowest possible degree, as well as streamlining and automating decision-making in disaster, crisis or emergency situations.

In the Red Eléctrica Group, pandemic risk is identified, assessed and managed mainly through the Business Continuity Plan. Thus, in 2020, the declared alert situation due to the COVID-19 pandemic activated the relevant action protocol to, firstly, ensure the safety of the Group's employees and, secondly, guarantee the continuity of the company's activity and the correct performance of its main functions. The COVID-19 crisis scenario made it necessary to carry out a review of the Risk Map in order to assess the extent to which the situation caused by the pandemic and the declaration of the state of alarm could be affecting these risks, or could do so if the state of alarm were extended, or even once the situation returned to normal. This analysis concluded that this new scenario, while affecting some of the risks identified in the map, did not significantly alter the assessment of their level of risk after the implementation of the measures associated with the continuity plan.

In addition, the Risk Control area carries out actions with other Group units to develop risk management in line with the Integrated Risk Management System. During 2020, it has collaborated with the subsidiary REINTEL in the development of its own risk map, as well as with the subsidiary Hispasat in adapting its management methodology in order to adapt it to the Red Eléctrica Group's policy.

Notable actions in 2020

- Revision of the Risk Map in the scenario resulting from COVID-19.
- Completion of the implementation of the computer tool of the Integrated Risk Management System.
- Collaboration and methodological support in the preparation of the specific Risk Map for the activities of REINTEL, one of the Group's subsidiaries.
- External assessment of the Integrated Risk Management System in accordance with the best practices established by the COSO ERM 2017 and ISO31000:2018 standards.

Main actions in 2021

- Update of the Policy and General Procedure of the Integrated Risk Management System.
- Completion of the update of the Acceptable Risk levels established by the Group.
- Implementation of the plan for improvements resulting from the external assessment of the Integrated Risk Management System carried out in 2020.

6.4. Internal audit

Red Eléctrica Internal Audit is an independent, objective assurance activity that involves planned systematic review of the Group's processes, systems, projects and other activities to assess and enhance their effectiveness by identifying aspects that require improvement and monitoring of the effective implementation of those improvements.

The Internal Audit Department, as part of the Internal Audit and Risk Control Division, reports organisationally to the chairperson of the Board and functionally to the Audit Committee, and its mission, authorities, functions and duties are set out in the "Internal Audit Statute of the Red Eléctrica Group" approved by the Board of Directors.

In order for this activity to contribute greater value to the organisation, the company prepares an Annual Plan of audits to be performed the following year with a focus on the key risks faced by the Group, based on the Corporate Risk Maps, the Criminal Compliance and Fraud System, Information Systems, and the internal control system and requirements established in the internal rules and regulations and the legislation on the related Management Systems. The requests made by senior management and the Audit Committee are also considered when preparing the annual Plan. The Annual Plan includes internal audits of processes (including those linked to fraud and criminal risk), information systems and cybersecurity, the system of internal control over financial reporting (ICFR system), of subsidiaries, of certified management systems, and other audits, not included in the foregoing, that are required by law or by the requirements of internal rules. Audit results are reported quarterly, as is the follow-up on aspects that require improvement, to the executive team, to the managing director, to the chairperson and to the Audit Committee.

Relation between internal audit and other assurance units

Internal audit (third line of defence) takes into account the level of assurance provided by other functions and departments of the company that also perform assurance functions (second line of defence) when drawing up the Annual Plan and determining the focus and scope of the audits.

In relation to risk management, the Annual Plan includes audits to evaluate the design and effectiveness of the controls and actions that contribute to mitigating the most important inherent risks of the Group, reporting the results to the Risk Control area.

In relation to the compliance activity, the Annual Plan envisages specific audits of the risks of criminal liability of legal persons, as well as of legal and internal compliance in the Group's processes, and reports the results to the Compliance area.

7. Future outlook

In the Annual Corporate Governance Report for this financial year, as in previous years, a section is dedicated to the future outlook for Red Eléctrica in matters of corporate governance, due to the relevance it has for current shareholders and potential investors, as well as future third parties interested in Red Eléctrica.

The statements made in this Section do not, per se, constitute any commitment or formal obligation for the company, enforceable by third parties; they are merely possible steps and measures to be taken in 2021 and subsequent years, according to Red Eléctrica's tradition to continue including the best corporate governance practices, in light of the progress made in shareholder requirements and its corporate governance commitment.

During 2020, the Board of Directors used the following basic tools, among others, to analyse corporate governance best practices, with a view to their possible adoption by Red Eléctrica: the annual assessment of the Board with the support of an outside advisor, an annual schedule of visits to institutional investors and proxy advisors, the engagement of advisors and specialists in diverse corporate governance matters and an external audit of the processes for managing the General Meeting of Shareholders to help identify possible improvements.

The company's presence as a member of the world's leading organisation in the field of corporate governance, the International Corporate Governance Network (ICGN), has once again helped it to have first-hand knowledge of the key international trends in corporate governance, and their progress, with the possibility of conducting an early analysis and implementation.

In the Group's Corporate Governance Policy, recently updated by the Board of Directors, certain commitments to good corporate governance were undertaken, which have been incorporated and consolidated by Red Eléctrica by adopting certain principles and practices, summarised in Section I above, which will be periodically monitored in 2021, as in each year, to oversee compliance.

The following are some of the main issues currently being analysed or due to be discussed by the Board of Directors and its committees:

- Monitoring of the implementation of the Group's Strategic Plan, which aims to make the energy transition a reality with sustainability criteria, promoting innovation, talent and technological development.
- Full commitment of the Board of Directors to sustainability (ESG) for the development of the Group's business, with the support of the Sustainability Committee and the other Board Committees, within the scope of their respective responsibilities in this area.
- Review and continuous improvement of the company's engagement with its shareholders and proxy advisors in order to continue maintaining a sustainable relationship that will keep the company's interests aligned with those of its shareholders in the medium and long term, creating mutual trust.
- Monitoring the implementation of diversity policies within the Board of Directors and throughout the organisation, in particular, monitoring compliance with the General protocol on balanced participation of women on the Board of Directors and the General protocol on balanced participation of women in pre-executive and executive positions and management committees, signed with the Ministry of the Presidency, Relations with the Congress and Equality in 2019 within the framework of the 'More women, Better businesses' initiative.
- Amendment of the Articles of Association and the Regulations of the General Meeting to regulate in these corporate rules, with the relevant scope according to their respective nature, the mechanisms and rules for the identification and attendance of shareholders and their representatives at General Meetings by remote means; and, where appropriate, to allow the approval of the necessary mechanisms for holding a mixed or exclusively remote General Meeting, provided that this is provided for in the Law and resolved by the Board of Directors for each Meeting.
- Updating of the Board of Directors Regulations in order to adapt them to regulatory changes and adoption of best corporate governance practices.
- Drafting of a proposal and submission to the next Annual General Meeting of Shareholders of a new Director Remuneration Policy effective as of 2022.

- Development and promotion of the Protocol for the relationship between the Board and the employees of the Group's companies, in accordance with best corporate governance practices, to contribute to the cultural transformation and the development of the talent of the Group's people.
- Further progress in the supervision and monitoring by the Board of the Group's companies.
- Progress in the development of the Red Eléctrica Group's Compliance System and implementation of the Red Eléctrica Group's Compliance Culture Awareness and Dissemination Plan.
- Review and update, with the support of an external consultant and Board of Directors approval, of the matrix of competences of the Board of Directors that serves to define director profiles according to the Group's needs and strategies of the company.
- Implementation of a new annual self-assessment process for the Board of Directors in order to continue improving the functioning of the Board and its Committees.
- Review of the Contingency Plans for the succession of the chairperson of the Board and the managing director.
- Review of the plan for recruitment of new directors.
- Review and promotion of the Annual Programme of knowledge and information of the Board of Directors, in line with the Group's new Strategic Plan.
- Continuous analysis, update and improvement of the corporate governance information published on the corporate website to meet international standards.
- Continuous progress in the process of preparing and publishing annual corporate information for shareholders and other stakeholders, based on the principles of quality, clarity, integrity and simplicity of information.

Official Annex: Standard Form of Annex I to Circular 1/2020, of 6 October, of the Spanish Securities Exchange Commission (CNMV)



ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

PARTICULARS OF THE ISSUER

Ending date of the reference period: [31/12/2020]

CIF: [A-78003662]

Corporate name:

[RED ELECTRICA CORPORACION, S.A.]

Registered office:

PASEO DEL CONDE DE LOS GAITANES, 177 (LA MORALEJA-ALCOBENDAS) MADRID

A. OWNERSHIP STRUCTURE

A.1. Complete the following table on the company's share capital:

| Date of last change | Share capital (€) | Number of shares | Number of voting rights |
|---------------------|-------------------|------------------|-------------------------|
| 11/07/2016 | 270,540,000.00 | 541,080,000 | 541,080,000 |

State whether there are multiple classes of shares with different related rights:

[] Yes
[v] No

A.2. Give details of the direct and indirect owners of significant shareholdings in your company at the financial year end, excluding directors:

| Name of shareholder | % of voting rights attributed to the shares | | % of voting rights through financial instruments | | Total % of voting rights |
|---|---|----------|--|----------|--------------------------|
| | Direct | Indirect | Direct | Indirect | |
| BLACKROCK INC | 0.00 | 3.04 | 0.00 | 0.00 | 3.04 |
| SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI) | 20.00 | 0.00 | 0.00 | 0.00 | 20.00 |

Details of indirect holdings:

| Name of indirect holder | Name of direct holder | % of voting rights attributed to the shares | % of voting rights through financial instruments | Total % of voting rights |
|-------------------------|-----------------------|---|--|--------------------------|
| No data | | | | |

Indicate the most significant movements in the shareholder structure that took place during the financial year:

A.3. Complete the following tables on members of the company's board of directors who hold rights to vote shares of the company:

| Name of director | % of voting rights attributed to the shares | | % of voting rights through financial instruments | | Total % of voting rights | % of voting rights that can be transferred through financial instruments | |
|---|---|----------|--|----------|--------------------------|--|----------|
| | Direct | Indirect | Direct | Indirect | | Direct | Indirect |
| MS CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| MR ROBERTO GARCÍA MERINO | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| MS MERCEDES REAL RODRIGÁLVAREZ | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| MR ANTONIO GÓMEZ CIRIA | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |

| | | | | | | | |
|---|------|------|------|------|------|------|------|
| MR ALBERTO FRANCISCO CARBAJO JOSA | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| MR JORDI SEVILLA SEGURA | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| MS MARÍA JOSÉ GARCÍA BEATO | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| MS SOCORRO FERNÁNDEZ LARREA | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| MR ARSENIO FERNÁNDEZ DE MESA Y DÍAZ DEL RÍO | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| MS MARÍA TERESA COSTA CAMPI | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| MR JOSÉ JUAN RUIZ GÓMEZ | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| MR RICARDO GARCÍA HERRERA | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| MS BEATRIZ CORREDOR SIERRA | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total % of voting rights held by the board of directors | | | | | | | 0.00 |

Details of indirect holdings:

| Name of director | Name of direct holder | % of voting rights attributed to the shares | % of voting rights through financial instruments | Total % of voting rights | % of voting rights that can be transferred through financial instruments |
|------------------|-----------------------|---|--|--------------------------|--|
| No data | | | | | |

- A.4. Give details of any relationships of a family, commercial, contractual or corporate nature, known to the company, between the owners of significant shareholdings, unless the relationships are negligible or arise in the ordinary course of business, except for those reported in section A.6:

| Name of related parties | Type of relationship | Brief description |
|-------------------------|----------------------|-------------------|
| No data | | |

- A.5. Give details of any relationships of a commercial, contractual or corporate nature between the owners of significant shareholdings and the company and/or its group, unless the relationships are negligible or arise in the ordinary course of business:

| Name of related parties | Type of relationship | Brief description |
|-------------------------|----------------------|-------------------|
| No data | | |

- A.6. Describe any relationships between significant shareholders or shareholders represented on the board and the directors, or their representatives, in the case of legal person directors, unless the relationships are negligible for both parties.

Explain, where applicable, how the significant shareholders are represented. Specifically, indicate any directors who have been appointed to represent a significant shareholder, whose appointment was sponsored by a significant shareholder or who are related to a significant shareholder and/or to entities in its group, specifying the nature of the relationship. In particular, state the identity and position of any directors or representatives of directors of the listed company who are themselves directors or representatives of directors of companies that have significant holdings in the listed company or in entities belonging to the same group as a significant shareholder:

| Name of related director or representative | Name of related significant shareholder | Name of the company in the significant shareholder's group | Description of the relationship or position |
|--|---|--|--|
| MS MERCEDES REAL RODRIGÁLVAREZ | SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI) | ENRESA, S.A., S.M.E. (ENRESA) | <ul style="list-style-type: none"> - Director of Energy Division Investees at SEPI. -Director of ENRESA, representing SEPI. - Chairman of ENRESA's Audit Committee, representing SEPI. |

Regarding the information required in this section, Ms. Mercedes Real Rodríguez acts as legal representative of the director Sociedad Estatal de Participaciones Industriales (SEPI), of the board of directors of Enresa, S.A., S.M.E. holder of C.I.F. A78056124, belonging to the same group as the significant shareholder SEPI, although it is not a director of such a significant shareholder (at SEPI she only performs the role of Subsidiaries' Manager of the Energy Division).

A.7. State whether shareholders agreements affecting the company have been notified to it as provided in articles 530 and 531 of the Spanish Companies Act. If so, briefly describe them and list the shareholders bound by the agreement:

Yes
 No

State whether the company is aware of the existence of concerted actions among its shareholders. If there are, briefly describe them.

Yes
 No

If any of the above agreements or concerted actions have been modified or terminated during the financial year, expressly so state:

A.8. Indicate if there is any individual or legal person that exercises or may exercise control over the company, within the meaning of article 5 of the Securities Market Act. If so, identify it:

Yes
 No

A.9. Complete the following tables on the company's treasury shares:

At year end:

| Number of shares held directly | Number of shares held indirectly (*) | Total % of share capital |
|--------------------------------|--------------------------------------|--------------------------|
| 2,084,729 | | 0.39 |

(*) Held through:

| Name of direct shareholder | Number of shares held directly |
|----------------------------|--------------------------------|
| No data | |

A.10. State the conditions and term given by the shareholders meeting to the board of directors to issue, repurchase or transfer treasury shares:

The Spanish Companies' Act strengthened the legal scheme applicable to treasury shares of companies as established in Act 3/2009 of 3 April 2009 on Structural Modifications of Commercial Companies. Since then, there have been no relevant changes in that scheme. At the AGMS held on 14 May 2020, there was a submission for approval of the renewal of the authorisation granted by the AGMS to the Board of Directors for the derivative acquisition of treasury shares by the Company, or by companies belonging to the Red Eléctrica Group, as well as their direct delivery to employees, members of management and executive directors of the Company and of the companies belonging to the Red Eléctrica Group, as remuneration, for a term of 5 years from the date of the aforesaid AGMS. Moreover, as a separate point on the agenda, a Remuneration Plan was established for employees, members of management and executive directors of Red Eléctrica Corporación, S.A., also extendable to the same stakeholders in the companies of its consolidated Group in Spain, allowing a part of their annual remuneration to be paid by delivery of shares of the Company, from treasury shares, always following the latest international corporate governance recommendations, insofar as the maximum number of shares did not exceed, under any circumstance, 10% of the share capital amongst all of the Remuneration Plan's beneficiaries, or 5% of the share capital amongst executive directors. Approval of the aforesaid Remuneration Plan required a resolution with certain legally established conditions. The abovementioned mentioned AGMS authorised the Board, in accordance with the provisions of article 146 and related provisions of the Spanish Companies' Act and other applicable rules, to engage in the derivative acquisition of treasury shares of Red Eléctrica Corporación, S.A. by the Company itself and by companies in the Red Eléctrica Group, both directly or indirectly, to the extent determined by the Board to be advisable under the circumstances, provided that the following conditions are satisfied:

- (i) The maximum number of shares to be acquired will not exceed the established legal limit, provided that all other applicable legal requirements must also be fulfilled.
- (ii) The acquisition must not be made at a price greater than the price of the shares on the stock exchange at the time of the acquisition, or at a price less than 50% of the exchange price at that time.
- (iii) The form of acquisition may be a purchase, exchange, or any other transaction, with or without consideration, as the circumstances may warrant.
- (iv) In accordance with the provisions of article 146.1 b) of the Spanish Companies' Act, the acquisition, including such shares as the Company may have acquired previously and hold as treasury shares, may not result in net worth being less than the amount of share capital plus the legal reserve and those reserves that the Articles of Association designate as restricted reserves.

The Company's Board of Directors, as provided in the third paragraph of article 146.1 a) of the Spanish Companies' Act, may use all or a part of the treasury shares acquired by virtue of the authorisation and those already owned by the Company at the date of approval of the current resolution, for the implementation of remuneration programmes the purpose of which is the direct delivery of shares to employees, members of management and executive directors of the Company and the companies in the Red Eléctrica Group in Spain. To this end, the Board of Directors has been authorised, in the broadest sense necessary, to request as many authorisations and to adopt as many resolutions as necessary or appropriate to comply with current legal provisions, and to successfully implement the current resolution.

In terms of the Remuneration Plan addressed to employees, executive directors and members of the management of the Company and the companies in the Red Eléctrica Group in Spain, approved in the aforementioned AGSM of the Company, its main characteristics are the following:

- Beneficiaries: All employees, executive directors and members of management of the Company and the companies in the Red Eléctrica Group in Spain.
- The adoption of the Remuneration Plan is voluntary for the participants.
- The maximum amount of remuneration to be received in shares, will be EUR 12,000 per participant per year. Nevertheless, for executive directors of the Company, the maximum amount of remuneration to be received in shares per year, will be the amount resulting from the remuneration policy for executive directors that is applicable from time to time over the term of the Remuneration Plan, with a maximum limit in any event of EUR 120,000.
- The shares will be delivered within the term established in the authorisation.
- Number of shares to be received by each beneficiary: It will be the number depending on the price of the share at the close of trading on the exchange on the date of delivery, with the maximum limit in each case applicable to each beneficiary.
- The maximum number of shares to be delivered will be the number depending on the value of the share at the close of trading on the exchange on the date of delivery, with the maximum limit in each case applicable to each beneficiary.
- The price of each share of Red Eléctrica Corporación, S.A. will be determined at the close of trading on the exchange on the date of delivery.
- The shares will be part of treasury shares- old or new- owned either directly by the Company or through the companies in the Red Eléctrica Group.
- The current retribution system will be applicable for the next 5 years.

A.11. Estimated free float:

| | % |
|----------------------|-------|
| Estimated free float | 76.60 |

A.12. Indicate whether there is any restriction (under the Articles of Association, applicable laws or otherwise) on transferability of securities and/or any restriction on voting rights. In particular, state the existence of any kind of restrictions that could present obstacles to the takeover of the company by means of share purchases on the market, as well as any authorisation or notification requirements applicable to acquisitions or transfers of the company's financial instruments under industry regulations.

Yes
 No

| Description of the restrictions |
|--|
| <p>Maximum percentage of voting rights a shareholder may exercise under a special legal restriction: 3% (general) and 1% (electricity sector). Maximum percentage of voting rights a shareholder may exercise under a restriction imposed by the Articles of Association: 3% (general) and 1% (electricity sector). The limits are established in additional provision twenty-three of Act 54/1997 of 27 November 1997 (which remains in effect by virtue of the sole repealing provision of Electricity Sector Act 24/2013 of 26 December 2013), after its amendment by the Royal Decree Law 13/2012 of 30 March 2012, which incorporated certain additional restrictions in respect of companies undertaking generation or marketing functions. The special regime for the <i>Sociedad Estatal de Participaciones Industriales</i> (SEPI) is maintained, whereby it in any case must hold at least a ten percent (10%) interest in the share capital.</p> <p>These legal provisions on the general and special shareholding regime are incorporated in article 5 and 14 and in the sole additional provision of the Articles of Association, and in article 6.3 of the Regulations of the General Meeting of Shareholders of the company, the content of which is available on the corporate website of the company - www.ree.es. The articles restrictions set forth the legal limitations.</p> |

A.13. State whether the general meeting has resolved to adopt anti-takeover measures in the event of a public tender offer by virtue of the provisions of Act 6/2007.

Yes
 No

If so, explain the measures approved and the circumstances under which the restrictions would prove to be ineffective.

A.14. State whether the company has issued securities that are not traded on a European Union regulated market.

Yes
 No

If so, state the various classes of shares and, for each class of shares, the rights and obligations given thereby:

B. GENERAL MEETING OF SHAREHOLDERS

B.1. State whether there are, and if so describe, departures from the minimums contemplated in the Spanish Companies Act regarding the quorum for holding the general meeting of shareholders:

Yes
 No

B.2. State whether there are, and if so describe, departures from the scheme contemplated in the Spanish Companies Act (LSC) for adopting corporate resolutions:

Yes
 No

B.3. State the rules applicable to the amendment of the company's articles of association. In particular, state the majorities contemplated for the amendment of the articles of association and, if applicable, the rules contemplated for the protection of shareholders' rights in the amendment of the articles of association.

The scheme for the amendment of the Articles of Association does not differ from the provisions of articles 285 and following of the Spanish Companies' Act, which require approval by the General Meeting of Shareholders, with the majorities set forth in articles 194 and 201 of the aforesaid Act. Act 31/2014 of 3 December 2014, amending the Spanish Companies Act for the improvement of corporate governance, introduced certain changes in the scheme of majorities (article 201 of the Spanish Companies' Act). In particular, it clarified that resolutions

will be adopted by a simple majority of votes, in the sense that the resolution obtains more votes in favour than against from the capital present in person or by proxy.

For resolutions amending the Articles of Association and similar (article 194 of the Spanish Companies' Act) an "absolute majority" is required if the quorum is greater than 50% of the share capital, and two thirds of the share capital present in person or by proxy when the quorum on second call does not reach 50% of the share capital. An immediate consequence of the reform of the Spanish Companies' Act was the amendment of the Articles of Association and the company's General Meeting of Shareholders Regulations at the Annual General Meeting of Shareholders held on 15 April 2015. The Articles of Association that were in effect at the time of holding the aforesaid General Meeting of Shareholders and were applied thereto were not different from the provisions in articles 285 and following of the LSC, requiring approval by the General Meeting of Shareholders, with the majorities that were set forth in article 194 and 201 of the LSC in effect at the time of holding the aforesaid General Meeting of Shareholders. Article 14 of the aforesaid Articles of Association provides that, in order for an Annual or Extraordinary General Meeting of Shareholders to be duly called, and for a valid resolution to increase or decrease capital, and any other amendment of the Articles of Association, on first call the attendance of shareholders, in person or by proxy, holding at least 50% of the subscribed share capital with voting rights will be required, and on second call the attendance of 25% of the aforesaid subscribed capital with voting rights will be sufficient. In addition, the board of directors, in compliance with the provisions of article 286 of the Spanish Companies' Act, will be required to draft the full text of the proposed amendment and a written report explaining it. Also, under the provisions of article 287 of the Spanish Companies' Act, the notice of call of the General Meeting of Shareholders must state the matters that are to be amended with appropriate clarity, and state the right of all shareholders to examine the full text of the proposed amendment and the report thereon at the registered office, and request that those documents be delivered or sent free of charge. For some time now, resolution proposals have been published in full, in Spanish and in English, together with the Notice of General Meeting, with all the relevant information for shareholders being posted on the company website, which is designed to make it easier for shareholders to exercise their right of information. The company's website is an appropriate means of communication with shareholders and investors. In addition, the following actions to facilitate the exercise of the information right of the shareholders at the General Meeting of Shareholders are notable:

- Call notices are always posted more than one month in advance, which is the established statutory period.
- All documentation submitted for approval by the Meeting is made available to all shareholders at the corporate headquarters, on the website and at the Shareholder Information Office.
- A Shareholder Bulletin is published quarterly, containing the main news regarding the company.
- The items on the agenda of General Meetings of Shareholders are explained in as much detail as possible.
- Separate voting on each item is permitted, including remote voting, with a view to giving shareholders full decision-making freedom and independence in respect of each item put to a vote.
- The Shareholder Information Office specifically deals with requests made by company shareholders. Shareholders may also submit questions in writing about the information available to the public or reported to the competent authorities and make inquiries through the Shareholder Information Office.

The most recent amendment of the company's Articles of Association was approved by the Annual General Meeting of Shareholders held on 22 March 2019, which resolved to amend article 20 of the aforesaid Articles of Association on remuneration. As in prior years, in 2020 an audit was conducted of the processes of management of the General Meeting of Shareholders, seeking improvement of the guarantees of the rights of shareholders in the General Meetings of Shareholders. The auditor's report was published on the website on the same day as the holding of the aforesaid General Meeting of Shareholders.

B.4. Give figures for attendance at the general meetings of shareholders held in the financial year to which this report refers and the two prior years:

| Date of General Meeting | Attendance data | | | | Total |
|-------------------------|------------------------|------------|-------------------|-------|-------|
| | % attendance in person | % by proxy | % remote voting | | |
| | | | Electronic voting | Other | |
| 31/03/2017 | 22.47 | 36.01 | 0.06 | 0.00 | 58.54 |
| Of which, Float | 15.60 | 25.01 | 0.04 | 0.00 | 40.65 |
| 22/03/2018 | 21.73 | 38.63 | 0.06 | 0.00 | 60.42 |
| Of which, Float | 15.09 | 26.83 | 0.04 | 0.00 | 41.96 |
| 22/03/2019 | 21.60 | 41.46 | 0.09 | 0.00 | 63.15 |
| Of which, Float | 13.72 | 26.33 | 0.06 | 0.00 | 40.11 |
| 14/05/2020 | 0.44 | 39.85 | 0.02 | 21.37 | 61.68 |
| Of which, Float | 0.00 | 39.85 | 0.02 | 1.37 | 41.24 |

The Annual General Meeting of Shareholders held on 14 May 2020 was carried out exclusively by electronic means, in accordance to Royal Decree-law 8/2020, of 17 March, on urgent extraordinary measures to tackle the economic and social impact of covid-19 and, as a result, the indicated percentage of attendance in person corresponds to the percentage of remote voting to the aforementioned General Meeting.

B.5. State whether in the general meetings held during the year there was any item in the agenda that, for whatever reason, was not approved by the shareholders:

- Yes
 No

B.6. State whether there is an articles of association restriction establishing a minimum number of shares necessary to attend the general meeting of shareholders or to vote remotely:

- Yes
 No

B.7. State whether there is a requirement that certain decisions, other than those established by law, entailing the acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions are subject to the approval of the general meeting of shareholders:

- Yes
 No

B.8. State the address of and manner of access to the company's website for information on corporate governance and other information on general meetings of shareholders that must be made available to shareholders by way of the company's website:

Article 2 of the General Meeting of Shareholders Regulations establishes the content of the corporate website, the purpose of which is to serve as an instrument to ensure the transparency of corporate activities and allow shareholders greater effectiveness in the exercise of their voting rights, while facilitating the relationship between shareholders and the Company. The Company has been using this form of communication since it became a publicly traded corporation in 1999. The content of the website is updated regularly, extending beyond the requirements of applicable legislation. Act 25/2011 of 1 August 2011 gave greater prominence to the Company's website, since it introduced a new article 11 bis of the Spanish Companies' Act, which governs the electronic headquarters or corporate website. That article established the duty of capital companies to have a website, approved by the General Meeting of Shareholders and registered in the Commercial Registry. For this reason the Annual General Meeting of Shareholders held on 19 April 2012 ratified the creation of the Red Eléctrica website, which was registered in the Commercial Registry. In addition, the aforesaid Act incorporated into article 516 of the LSC the obligation of Listed Companies to use the website to disseminate the announcement of call of the General Meeting of Shareholders, something that Red Eléctrica had been doing for years before that. The Company's website (www.ree.es), redesigned in 2013 after exhaustive international benchmarking for the purpose of improving the channels of communication with shareholders, includes a section accessible from the homepage dedicated to "Corporate Governance" matters, which contains all information regarding this matter that is of interest to shareholders. The aforesaid website also includes a specific area, accessible from the homepage, for "Shareholders and Investors". In 2015 the Corporate Governance and Shareholders and Investors sections were revised in accordance with Circular 3/2015 of 23 June 2015 of the National Securities Market Commission. In the General Meeting of Shareholders subsection of the Corporate Governance section there is a link called "Information Right", containing the information related to the existing channels of communication between the Company and its shareholders, and pertinent explanations for the exercise of the information right. It is also remarkable the review of the Ethics and Transparency section carried out in 2017. Said section was renamed "Ethics and compliance" and now includes information on the Company's new regulatory compliance system, the compliance risk assessment methodology and the importance of awareness-building and training as key factors for developing a culture of compliance within the organisation. In 2018 the Committees section was restructured with the approval of the new Sustainability Committee. Two new information spaces were created in the Ethics and Transparency section in 2019. One is to provide information on the Data Protection and Compliance System, and the other is to make public the Company's commitment to preventing corruption. In 2020, a year marked by covid-19, the General Meeting of Shareholders' section was adapted so that it could be held exclusively by electronic means. Among the special measures adopted in response to the sanitary crisis created by covid-19, the incorporation of a new electronic assistance channel so that shareholders, in addition to being able to use the ordinary proxy, voting and information procedures, could participate in the General Meeting of Shareholders by means of remote assistance and duly cast their vote. In addition, a new website called Ethics and Compliance has been developed, which incorporates, in addition to the information already available since 2017, a renewed and improved ethical channel that allows the possibility to consult, raise complaints and communicate relevant information regarding our management of conflicts of interest.

Publicity of the resolutions approved by the General Meeting of Shareholders is regulated in article 17 of the Meeting Regulations. Regarding publicity, during 2020 the following actions, among others, are notable: the live broadcast, simultaneously in Spanish and English, of the Annual General Meeting of Shareholders held on 14 May 2020 and of the earnings presentations given at the close of the 2019 financial year and the first half of 2020; and the publication in English of the notice of General Meeting of Shareholders, from the day it was published, and of the proposed resolutions to be submitted to approval at the General Meeting of Shareholders, in addition to all the related documentation, including the Annual Corporate Governance Report. In 2020, as in prior years, the Shareholder Electronic Forum was made available for the Annual General Meeting of Shareholders. The aforesaid Forum, created by Red Eléctrica Corporación, S.A. on its website (www.ree.es) for the holding of its General Meetings of Shareholders, is in response to the requirement established in article 539.2 of the Spanish Companies' Act. The aforesaid tool was incorporated into the Regulations of the General Shareholders Meeting, via article 8.4, after its approval by the General Shareholders Meeting on 13 April 2011. The purpose of this forum is to facilitate communication among the shareholders of Red Eléctrica, in order to publish proposals and supplement the agenda in the call of the General Meeting of Shareholders, issue requests for support of such proposals, present initiatives for reaching the percentage required to exercise a minority right as contemplated by law, or make offers of or requests for voluntary proxies.

The Company has a strong commitment to improving and adapting the corporate website on an ongoing basis, as a living instrument of communication, dialogue and commitment to shareholders, in application of its Corporate Governance Policy.

C. STRUCTURE OF THE COMPANY'S MANAGEMENT

C.1. Board of directors

C.1.1 Maximum and minimum number of directors under the articles of association and number set by the general meeting of shareholders:

| | |
|--|----|
| Maximum number of directors | 13 |
| Minimum number of directors | 9 |
| Number of directors set by the shareholders' meeting | 12 |

C.1.2 Complete the following table regarding the board of directors members:

| Name of director | Representative | Category of the director | Position on the Board | Date first appointed | Date last re-elected | Election procedure |
|---|----------------|--------------------------|-----------------------|----------------------|----------------------|--|
| MS CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE | | Independent | DIRECTOR | 19/04/2012 | 14/05/2020 | RESOLUTION OF GENERAL SHAREHOLDERS MEETING |
| MR ROBERTO GARCÍA MERINO | | Independent | MANAGING DIRECTOR | 27/05/2019 | 14/05/2020 | RESOLUTION OF GENERAL SHAREHOLDERS MEETING |
| MS MERCEDES REAL RODRIGÁLVAREZ | | Proprietary | DIRECTOR | 31/10/2017 | 22/03/2018 | RESOLUTION OF GENERAL SHAREHOLDERS MEETING |
| MR ANTONIO GÓMEZ CIRIA | | Independent | DIRECTOR | 09/05/2014 | 22/03/2018 | RESOLUTION OF GENERAL SHAREHOLDERS MEETING |
| MR ALBERTO FRANCISCO CARBAJO JOSA | | Independent | DIRECTOR | 31/03/2017 | 31/03/2017 | RESOLUTION OF GENERAL SHAREHOLDERS MEETING |
| MS MARÍA JOSÉ GARCÍA BEATO | | Independent | DIRECTOR | 29/11/2012 | 31/03/2017 | RESOLUTION OF GENERAL SHAREHOLDERS MEETING |

| Name of director | Representative | Category of the director | Position on the Board | Date first appointed | Date last re-elected | Election procedure |
|---|----------------|--------------------------|-----------------------|----------------------|----------------------|--|
| MS SOCORRO FERNÁNDEZ LARREA | | Independent | DIRECTOR | 09/05/2014 | 22/03/2018 | RESOLUTION OF GENERAL SHAREHOLDERS MEETING |
| MR ARSENIO FERNÁNDEZ DE MESA Y DÍAZ DEL RÍO | | Independent | DIRECTOR | 31/01/2017 | 31/03/2017 | RESOLUTION OF GENERAL SHAREHOLDERS MEETING |
| MS MARÍA TERESA COSTA CAMPI | | Proprietary | DIRECTOR | 25/09/2018 | 22/03/2019 | RESOLUTION OF GENERAL SHAREHOLDERS MEETING |
| MR JOSÉ JUAN RUIZ GÓMEZ | | Independent | DIRECTOR | 22/03/2019 | 22/03/2019 | RESOLUTION OF GENERAL SHAREHOLDERS MEETING |
| MS BEATRIZ CORREDOR SIERRA | | Other non-executive | CHAIR | 25/02/2020 | 14/05/2020 | RESOLUTION OF GENERAL SHAREHOLDERS MEETING |
| MR RICARDO GARCÍA HERRERA | | Proprietary | DIRECTOR | 22/12/2020 | 2/12/2020 | CO-OPTATION |

| | |
|---------------------------|----|
| Total number of directors | 12 |
|---------------------------|----|

Give details of any departures from the board of directors during the reporting period, whether due to resignation or by means of a resolution of the General Shareholders' Meeting:

| Name of director | Category of the director at the time of departure | Date of last appointment | Departure date | Specialised committees of which the director was a member | State whether the departure took place before the director's term of office expired |
|---------------------------|---|--------------------------|----------------|---|---|
| MR ANTONIO GÓMEZ EXPÓSITO | Proprietary | 22/03/2019 | 22/12/2020 | Appointments and Remuneration Committee | YES |
| MR JORDI SEVILLA SEGURA | Other non-executive | 22/03/2019 | 28/01/2020 | | YES |

Cause of departure, whether or not the departure occurred before the end of the term of office expired and other observations; information on whether the director sent a letter to the other members of the Board and, in the case of departures of non-executive directors, an explanation or opinion issued by the director who was removed at the General Shareholders' Meeting

At the meeting held on 28 January 2020, the Board of Directors acknowledged the resignation of Mr. Jordi Sevilla Segura as director and, consequently, as non-executive chairman of the Board of Directors and of the Company. In a letter addressed to all the members of the Board of Directors, he expressed the reasons that led him to present his resignation and concluded that, due to the pressure suffered from having to defend the Company's interests in the recent months, he considered that the time had come to hand over the reins to a new chairmanship, more fit to lead a new chapter for Red Eléctrica. His resignation came at the end of a cycle of promotion of the energy transition and the Strategic Plan.

Likewise, at the meeting held on 22 December 2020, the Board of Directors of Red Eléctrica Corporación, S.A. acknowledged the resignation of Antonio Gómez Expósito from the position of proprietary director, in representation of Sociedad Estatal de Participaciones (SEPI), as resolved by SEPI, who proposed him to become a proprietary director of the company on its behalf, by means of a letter addressed to all the members of the Board on the above mentioned date.

C.1.3 Complete the following tables on the board members in each category:

| EXECUTIVE DIRECTORS | | |
|--------------------------|-----------------------|--|
| Name of director | Office in the company | Profile |
| MR ROBERTO GARCÍA MERINO | MANAGING DIRECTOR | Born on 20 March 1973. Degree in Economics and Business Studies, Universidad de Valladolid. General Management Program (PDG) from the IESE (2016). Master's in Business Administration (MBA) from the Instituto de Empresa (1999). Currently: Chief Executive Officer of Red Eléctrica Corporación, S.A. Member of the administrative body in the companies of the Red Eléctrica Group: · Hispasat, S.A. · Infraestructuras de Telecomunicación S.A.U. (REINTEL) · Red Eléctrica Sistemas de Telecomunicaciones S.A.U. (RETEL) · Red Eléctrica Internacional S.A.U. (REI). Professional experience: Since joining the Grupo Red Eléctrica in 2004, he has performed different functions linked to strategic planning and business development, especially in the international field and in the field of telecommunications, with the performance of the following managerial positions being particularly noteworthy: · Executive Director of Telecommunications and International of Grupo Red Eléctrica (since March 2019), · Corporate Director of Business Diversification (2015-2019), · Director of Strategy and Business Development (2012-2015), · Head of Department of Strategic Planning (2007-2012). Outside the Grupo Red Eléctrica: · Internal analyst in investment banking at the Banco Espírito Santo (2000-2004). |

| | |
|-------------------------------------|------|
| Total number of executive directors | 1 |
| % of the total board | 8.33 |

| PROPRIETARY NON-EXECUTIVE DIRECTORS | | |
|-------------------------------------|--|---|
| Name of director | Name of significant shareholder represented or that nominated the director | Profile |
| MS MERCEDES REAL RODRIGÁLVAREZ | SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI) | Born on 6 January 1968. Degrees in Economics and Business Studies and in Law from Universidad Pontificia de Comillas (ICADE E-3), and Management Development Program from IESE. Currently: · Head of Investees of Sociedad Estatal de Participaciones Industriales' (SEPI) Energy Division. · Member of the board of directors and chair of the Audit Committee of Enresa, S.A. S.M.E. Professional experience: · Member of the board of directors of Enusa Industrias Avanzadas, S.A. S.M.E. · Financial and Controlling Managing director, Controller and Head of HR at the INFOBOLSA, S.A. Group (BME Group and Deutsche Börse, AG Group). · Member of the board of directors, Financial Managing Director and Control Director at OPEN FINANCE, S.L. · Head of financial sector entity audit team at Arthur Andersen (currently Deloitte & Touche). |
| MS MARÍA TERESA COSTA CAMPI | SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI) | Born on 31 July 1951. BA and PhD (<i>Cum Laude</i>) in Economics from the University of Barcelona. Currently: · Professor of Economics at the University of Barcelona since 1987. · Head of the Energy Sustainability Chair at the University of Barcelona. · Coordinator of the Energy |
| | | Economics Programme for the master's degree in Renewable Energy at the University of Barcelona. · Chief researcher of the Environment and Energy Sustainability Research Group. · Corresponding member of the Royal Academy of Moral and Political Sciences. · Personal member of the Energy and Environment Commission of the Real Instituto Elcano (since 2006). Professional experience: · Chairperson of the National Energy Commission (CNE) (2005-2011). · Chairperson of ARIAE (2005-2011). · Vice-Chairperson of MEDREG (2010-2011). · Chair of its Scientific Committee (2014-2016). · Member of CEER (2005-2009) · Chairperson of the Board of MIBEL (2006-2007). · Member of the board of directors of EDP RENOVÁVEIS, S.A. (EDPR) and member of this latter company's Audit, Control and Related Parties Committee (July-September 2018). · Member of the board of directors of ABERTIS (2013 - May 2018), having been a member of the Audit and the Appointments and Remuneration Committees and Chairperson of the CSR Committee. · Member of the Advisory Board of the CSN (2016-2018). · Member of the advisory board of EDP Universidade (2014-2016) · Member of the Advisory Board of Abertis (2011-2013). · Secretary of Industry and Energy of the Government of Catalonia (2004-2005). · Chairperson of EPLICSA (2004-2005). · Member of the Board of Directors of INCASOL (2004-2005). · Vice-Chairperson of CIDEM (2004-2005). · Member of the Board of Directors of the ICF (2004-2005). · Member of the Spanish Parliament in the VII Legislature (2000-2004). Other: She has had a long academic career, with a very active presence in research and teaching, as well as at conferences and as a speaker at international energy sector, industry and business conferences. She has more than 170 publications in books and specialised Spanish and international academic journals in the fields of energy and economics. The Energy Economics research group she leads has received a Research Excellence award from the official agency responsible for evaluating research quality. She received the 2019 Victoriano Reinoso Energy and Society Award (Spanish Energy Club). |

| PROPRIETARY NON-EXECUTIVE DIRECTORS | | |
|-------------------------------------|--|---|
| Name of director | Name of significant shareholder represented or that nominated the director | Profile |
| MR RICARDO GARCÍA HERRERA | SOCIEDAD ESTATAL DE PARTICIPACIONES INDUSTRIALES (SEPI) | Born on 26 April 1958. D. in Physical Sciences from Universidad Complutense of Madrid, degree in Physical Sciences (specializing in Physics of the Atmosphere) by the Universidad Complutense of Madrid and General Management Program from the (IESE). Currently: · Professor of Atmospheric Physics at Universidad Complutense of Madrid. · IGEO Researcher, Institute of Geosciences (CSIC-UCM). · President of the Atmosphere and Ocean Group of the Royal Spanish Society of Physics. · Evaluator of the Austrian Climate and Energy Fund (since 2007). · Member of the Editorial Committee of the Springer's series "Advances in Global Change Research" (since 2005). Professional experience: President of the State's Meteorological Agency (2010-2012). · General Director of Prevention and Health Promotion of the Community of Madrid (1991-1995). · General Director of Public Health of the Basque Government (1987 - 1991). · Member of the Executive Committee of the World Meteorological Organization (2010-2012). · Member of the Board of Directors of AENA (2010 - 2012). · Vice-Chairman of the Board of the European Medium-Term Weather Forecasting Centre (2011-2012). · Representative of Spain on the Board of EUMETSAT (2010-2012). · Representative of Spain in the Steering Committee of the ESF-MedCLIVAR project (2006-2010). At the Universidad Complutense de Madrid, he has been appointed the following positions: · Director of the General Foundation of the Universidad Complutense (2015-2019). · Director of the Department of Astrophysics and Atmospheric Sciences (2013-2015). · Coordinator of the Master in Geophysics and Meteorology (2006-2010). · Full Professor at the aforementioned University for more than 20 years (1988-2010). Other: In the research field, he has been principal researcher in numerous national and international projects. He has directed and developed studies and works on climate variability and change, and has analyzed the impact on climate in various socioeconomic sectors. In the field of the energy sector, he has carried out studies on the modeling of wind and solar resource variability, both at the meteorological and long-term scales; on the impact of extreme events (heat waves and droughts) on energy demand, as well as on the relationship between meteorological extremes and wind energy production. In addition, among the research projects he has developed, one of the most notable assesses the impact of meteorology on air quality on a European scale, having been one of the pioneers in analyzing the impact of extreme weather conditions on health. Moreover he is the author of more than 180 articles in international journals included in the Science Citation Index (SCI), contributing author and reviewer of the 4th report of the Intergovernmental Panel on Climate Change (IPCC), Co-convener of different sessions at the European Geophysical Union and the European Meteorological Society, guest editor of different special issues in prestigious journals included in the SCI, and he participated in international conferences at, among others, the Royal Meteorological Society, Oxford University, Durham University, Bermuda Biological Station, the National Oceanic and Atmospheric Administration (NOAA) and the Biennial Meeting of the Royal Spanish Physics Society. |

| | |
|---------------------------------------|-------|
| Total number of proprietary directors | 3 |
| % of the total board | 25.00 |

| INDEPENDENT NON-EXECUTIVE DIRECTORS | |
|---|---|
| Name of director | Profile |
| MS CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE | Born on 20 May 1968. Degree in Economics and Business Administration from the Universidad Pontificia de Comillas (ICADE) and a Master's Degree in Business Administration from IESE (Executive MBA) at the University of Navarra. Currently: · Member of the Board of Directors of Grupo Ezentis S.A. · Member of the Advisory Board of the Board of Directors of Grupo Antolin-Irausa, S.A. · Member of the Strategic advisory group of Sidenor Aceros Especiales. · Within Red Eléctrica Group, she is a member of the Board of Directors of Hispasat S.A. and lead independent director of Red Eléctrica Corporación, S.A. Professional experience: · General Manager of Corporación de Reservas Estratégicas de Productos Petrolíferos (CORES). · In charge of Cogeneration, Commercial Management, Enagas. · In charge of the International, Petrochemical and Marketing areas of Repsol. · Director of Services Development of Unión Fenosa. · Deputy director of Oil Markets at the National Energy Commission (CNE). · Director of Institutional Relations and Communication at BP Oil España. · Representative of the Spanish delegation in the Emergency Issues Group and in the Markets Group of the International Energy Agency (IEA). · Representative in different international working groups on energy regulation and security of supply issues (ARIAE and CEER). · Lecturer in sessions and/or lectures in different Masters (University of Barcelona, ICAI, Cesma, Spanish Energy Club). |
| MR ANTONIO GÓMEZ CIRIA | Born on 25 March 1957. Degree in Economics and Business from Universidad Complutense de Madrid. Degree in Mathematics from Universidad Complutense de Madrid. Executive MBA from IESE. Accredited Accounting Expert – AECA. Currently: · Member of the Advisory Board of Experts in Accounting and Financial Information (ECIF) of the General Counsel of the Association of Economists. · Member of the board of directors of Mapfre España Compañía de Seguros y Reaseguros, S.A., and member of its Risk Committee. · Member of the board of directors of Mapfre España Compañía de Seguros y Reaseguros, S.A. · Member of the board of directors of Mapfre Re Compañía de Reaseguros S.A. and member of its Executive Committee. · Member of the board of directors of Mapfre Vida, S.A. de Seguros y Reaseguros sobre la Vida Humana. · Member of the board of directors of Hispasat S.A. and member of its audit committee. Professional experience: · Member of the board of directors of Mapfre Global Risks Compañía Internacional de Seguros y Reaseguros, S.A. and member of its Executive Committee. · General Manager of Administration and IT, Member of the Management Committee of Grupo FCC. · Representative of Grupo FCC at the Large Businesses Forum, Ministry of Finance and Public Administrations. Among other positions, he is General Manager for Administration and IT and belongs to the Management Committee of Grupo FCC. · Head of Internal Audit of the FCC group. · Member of the Advisory Council of the Internal Auditors Institute and a Member of its Executive Committee. · General Technical Secretary of InverCaixa, investments management company of La Caixa Group. · Chairperson of Instituto de Contabilidad y Auditoría de Cuentas, ICAC. · Director of Empresa Nacional de Uranio, S.A. · Director of Empresa Nacional de Autopistas, S.A. · Director of Tabacalera, S.A. Head of Market Inspection, Sociedad Rectora de la Bolsa de Valores de Madrid. · Deputy Manager of Studies and Budgetary Planning, Radio Televisión Española. · Head of the Auditing and Accounting Department of Banco de Crédito Agrícola. · Auditor/Inspector of the General State Inspectorate. Other: Member of the National Stock Market Commission (CNMV) Work Group to prepare a “Management report guide for listed entities”. |
| MR ALBERTO FRANCISCO CARBAJO JOSA | Born on 8 August 1949. Degree in Mining Engineering from Universidad Politécnica de Madrid. Degree in Economics from Universidad Autónoma de Madrid. Master's degree on the European Union from the Diplomatic School in Madrid. Currently: · Independent international consultant in the area of electricity. · “Ad Honorem” Professor at the Polytechnic University of Madrid. · Member of the Advisory Board of the Escuela Técnica Superior de Ingenieros de Minas y Energía. Professional experience: · General Director of the Oficina de Compensaciones del Sector Eléctrico (OFICO) (until 1991). · General Manager of Mines and Construction Industries at the Ministry of Industry and Energy (1992-1995). · Member of the Board of Directors of Endesa and Petronor (1992-1995). · Director of the National Energy Committee (1995-2000). · International Regulation Officer at Corporación Unión Fenosa, providing services in the Regulation Secretariat (2002-2004). General Manager of System Operation of Red Eléctrica de España, S.A. (2004 - March 2012). Other: He has been an associate professor in the Energy Systems Department at the Escuela Técnica Superior de Ingenieros de Minas y Energía in Madrid, professor in the master's degree in Renewable Energy at the Escuela de Organización Industrial, professor in the master's degree in Energy and Competitiveness sponsored by Orkestra (Basque Competitiveness Institute), professor in the Higher Energy Business Course given by the Club Español de la Energía and professor in energy supply-related subjects at Universidad de Alcalá de Henares. |

| INDEPENDENT NON-EXECUTIVE DIRECTORS | |
|-------------------------------------|--|
| Name of director | Profile |
| MS MARÍA JOSÉ GARCÍA BEATO | <p>Born on 27 May 1965. Law Degree from the University of Cordoba. State Counsel. Currently: · Director and General Secretary of Banco Sabadell, S.A. · Non-director Secretary of the board of directors of Sabadell Consumer Finance S.A.U. · Trustee of Fundació Privada Banc Sabadell. · Trustee of the Fundación AEB. · Member of the Advisory Board of Fundación Cajasur. Professional experience: · State Counsel at the High Court of Justice in Madrid. · Head of the Legal Services Department of the Spanish Data Protection Agency. · State Counsel in the Consultative Services Sub-directorate of the State Legal Services Directorate. · State Counsel in the Communications Secretariat at the Ministry of Development. · Secretary of the board of directors of Retevisión, S.A. · Cabinet Chief at the Ministry of Justice. · Director, Infoinvest, S.A. · Director, Sociedad Estatal de Gestión Inmobiliaria de Patrimonio, S.A. (SEGIPSA), · Director, Sociedad Estatal para Exposiciones Internacionales, S.A. (SEEI), · Director, Sociedad Estatal Correos y Telégrafos, S.A., · Director, Banco Guipuzcoano, S.A. and Director, Banco CAM, S.A. · Deputy Secretary for Justice. State Counsel in the Audiencia Nacional (National Court) Legal Department. · Head of Legal Services, Banco Sabadell. · Secretary of the board of directors of Banco Urquijo, S.A. · Director of Banco Gallego S.A. · Secretary of the Board of Trustees of Fundación de Estudios de Economía Aplicada (FEDEA). · Secretary of the board of directors of Sabadell United Bank (Miami).</p> |
| MS SOCORRO FERNÁNDEZ LARREA | <p>Born on 7 April 1965. Degree in Civil Engineering from Universidad Politécnica de Madrid, and Senior Management Program (PADE), IESE. Currently: · Chairperson of OFG Telecomunicaciones, · Independent director of GRUPO CEMENTOS MOLINS. · Independent director of the Spanish engineering firm SEG, S.A. · Independent director of Banco Caminos. · Member of the Regional Board of the IESE in Madrid. · Adviser to the board of directors of the Mexican engineering firm CAL Y MAYOR. Professional experience: · Executive director of the consulting firm JUSTNOW, S.L., · Independent Director of Tèmpore Properties Socimi, S.A. · Independent director of the ACR Group. · Member of the board of directors of AMPER, S.A. (as proprietary director), representing Emilanteos, S.L. · Managing Director of COPISA Constructora Pirenaica, S.A. · Vice-Chairperson of ANCI, the association of independent builders. · Member of the governing council of the Civil Engineers Association. · Regional Manager of the construction firm SEOP, S.A. · National representative, FERROVIAL CONSERVACIÓN, S.A. · Representative for Castilla-La Mancha, FERROVIAL AGROMAN, S.A. · Representative for Castilla-La Mancha of AGROMAN Empresa Constructora, S.A. · General Manager for Roads, Hydraulic Works and Transport of the Regional Department of Public Works, Autonomous Community Board of Castilla-La Mancha. · Site manager, Ferrovial, S.A. Other: · Member of the Advisory Board of the daily newspaper Expansión. · Member of WCD, Women Corporate Directors, and co-chairperson of the Spain chapter. · Member of AED, Asociación Española de Directivos, and member of its Executive Committee. · Member of CEAPI, Consejo Empresarial de Alianza por Iberoamerica and member of its Executive Committee. · Member of WPO-YPO, Young Presidents' Organisation, and member of the Executive Committee of the Eurolatam and Madrid chapter. · Member of IWF, International Women's Forum and previously, member of its Executive Committee in Spain. Honor distinction from the Colegio de Ingenieros de Caminos, Canales y Puertos.</p> |

| INDEPENDENT NON-EXECUTIVE DIRECTORS | |
|---|--|
| Name of director | Profile |
| MR ARSENIO FERNÁNDEZ DE MESA Y DÍAZ DEL RÍO | <p>Born on 20 July 1955. Currently: · Senior advisor at VIMAD GLOBAL SERVICES, S.L. · Advisor member of the board of directors of BRUZON CORREDURÍA DE SEGUROS Y REASEGUROS. · Member of the Scientific Board of the International Institute of Political Sciences of the UNESCO Chair in Political Science and Comparative Administrative Study, assigned to the areas of Defence, Industry and National Security since 2010. · Holds a Masters in National Defence from the Rey Juan Carlos University. · Holds a Diploma in 'Advanced Military Studies' from the Centre for Advanced National Defence Studies (1991). Holds a Diploma in 'Advanced National Defence Studies' from the Centre for Advanced National Defence Studies (1991). Holds a Diploma for completing the Executive Management Programme (EMBA) for Members of Parliament from the Instituto de Empresa (IE.BS) Business School (2009). Parliament-Business Companies Programmes in IBERDROLA, INDRA and INFORPRESS. Ad Honorem Professor at the International Institute of Political Sciences of the UNESCO Chair in Political Science and Comparative Administrative Study, assigned to the areas of Defence, Industry and National Security since 2010. Honorary Professor at the Alfonso X El Sabio University of the Royal Forum Chair in Senior Management. Professional experience: · Military expert with a 30 years' experience in matters related to Security and Defense, as well as the Maritime Sector, both in the private and public sectors. Civil servant of the General Administration of the State (1979-2016). · Chief Technical Inspector of the Maritime Department of International Marine Coatings Ltd. (1982-2016). · Senior Advisor for Preventia Neurotechnology (2016-2017). · Professor at the International Studies Society. Advanced International Studies Course (2014). · General Manager of the Spanish Civil Guard (2011-2016). · Rank of Deputy Secretary. Deputy Chair of the Congressional Committee on Defence for the Spanish House of Commons (2004-2011). · Spokesperson in the Spanish House of Commons for the Defence of the GPP Political Party of which he is a member (1996-2000). · Chair of the National Committee for the Defence of the Political Party for which he is a MP (1996-2000). · Government Delegate in Galicia (2000-2004). · Rank of Deputy Secretary. · Member of the OSCE International Parliamentary Assembly. · Member of the NATO Parliamentary Assembly. · Elected as a Member of Parliament (House of Commons) in the following legislative periods: 1989-1993; 1993-1996; 1996-2000; 2000-2004 (resigned as a Member of Parliament to become the government delegate in Galicia); 2004-2008; 2008-2011 and 2011-2015 (resigned as a Member of Parliament to become Director General of the Spanish Civil Guard). · He has served as spokesperson for the Fishery sector, the Naval Sector, Merchant Marine and Defence Spokesperson in the Spanish House of Commons. · First Deputy Mayor of El Ferrol (1987-1989). · Member of the El Ferrol Municipal Council (1983-1991). · Lecturer at seminars and conferences on Fishery, Defence, the Naval Sector, Merchant Marine and National Security in various universities and in other types of national and international forums, among others: the Centre des Hautes Études du Ministère de l'Intérieur de France CHEMI (Centre for Advanced Studies of the French Ministry of the Interior, Paris) and the School de Guardia di Finanza (Italy). He is in possession of several national and international decorations, among others, by the Governments of Spain, France, Italy (twice), Portugal, Peru, Mexico, Colombia. He is a Gold Master Statutory of the Royal Forum of Senior Management.</p> |

| INDEPENDENT NON-EXECUTIVE DIRECTORS | |
|-------------------------------------|--|
| Name of director | Profile |
| MR JOSÉ JUAN RUIZ GÓMEZ | <p>Born on 30 July 1957. Degree in Economics from Universidad Autónoma de Madrid. Trade Expert of the State. Currently:</p> <ul style="list-style-type: none"> · Independent consultant and advisor on macroeconomic issues and on Latin American markets. · Member, in a personal capacity, of the Scientific Council of the Elcano Royal Institute (since 2012). · Member of the Editorial Board of El País and Grupo Prisa. · Member of the advisory board of economic issues of the third vice-president of the Spanish Government <p>Professional experience:</p> <ul style="list-style-type: none"> · Chief Economist and Head of the Research Department at the Inter-American Development Bank (IDB) (2012-2018). · Chief Economist for Latin America at Banco de Santander (1999-2012). · Representative of Banco Santander on the board of directors of the Elcano Royal Institute (until 2012). · Member of the Social Council of the University of Castilla La Mancha (2005-2009) and Chairperson of the same (2010-2012). · Member of the board of directors of various public entities (INI, Aviaco, Autopistas del Atlántico, Renfe and Tabacalera) and also private entities, in particular, in the banking sector, as member of the board of directors in Banco de Santiago (Chile), Banco Santander Colombia, Banco Santander Puerto Rico, Banco Santander Peru and Banco Venezuela between 1999 and 2012. · Head of the Strategy and Planning Department of Banco Santander (1996-1999). · Chief Economist of Asesores Financieros Internacionales (1996). · Member of the Independent Committee of Experts of the Ministry of Economy and Finance responsible for developing macroeconomic scenarios for the Spanish economy (1994-1998). · Member of the Editorial Board of the Recoletos Group (1994-1999). · Chief Economist at Argentaria (1993). <p>The most relevant positions held in the Public Administration (Ministry of Economy and Finance) are as follow:</p> <ul style="list-style-type: none"> · Undersecretary of International Economy and Antitrust of the Ministry of Economy and Finance (1991-1993). · Member of the Management Committee of the Ministry of Economy and Finance (1991-1993). · Chief of Staff for the State Secretariat for Economy (1988-1990). · Executive Advisor to the State Secretariat for Economy (1985-1987). · Head of the Balance of Payments Service, State Secretariat for Commerce (1984-1985). · Economic Advisor to the State Secretariat for Commerce and General Secretariat for Commerce (1983). · Technical support to the General Technical Secretariat during the negotiation of Spain's entry into the EU (1984-1985). · President of the Spanish Delegation to the OECD for the annual meetings regarding macroeconomic monitoring (1990-1993). · Chairperson of the Economic Policy Committee of the European Union (1992-1993). · Member of the Economic Policy Committee of the EU (1989-1992). · Responsible for Spanish relations with the IMF, the World Bank and the Development Banks (Africa, Asia, Latin America and Europe) (1986-1993). <p>Other: Additionally, he works as lecturer in conferences with various institutions and collaborates as professor in the International Master's Degrees of Instituto de Empresa.</p> |

| | |
|---------------------------------------|-------|
| Total number of independent directors | 7 |
| % of the total board | 58.33 |

State whether any independent director receives from the company, or its group, any amount or benefit other than director's remuneration, or maintains, or has maintained in the most recent financial year, a business relationship with the company or any company in its group, whether in his or her own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.

Where applicable, explain the reasons why the director is considered capable of performing his or her duties as an independent director.

| Name of director | Description of the relationship | Reasoned explanation |
|---|--|--|
| MS CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE | The independent director, Ms Carmen Gómez de Barreda Tous de Monsalve, accrued EUR 22,000 in 2020 for her position as director at Hispasat, S.A. | Neither the nature nor quantity of the remuneration accrued as a director of a group company does not affect her independence as a director of Red Eléctrica Corporación, S.A. |

| | | |
|------------------------|---|--|
| MR ANTONIO GOMEZ CIRIA | The independent director, Mr Antonio Gómez Ciria, accrued EUR 7,000 in 2020 for his position as representative of legal person director Red Eléctrica de Sistemas de Telecomunicaciones, S.A.U. at Hispasat, S.A. | Neither the nature nor quantity of the remuneration accrued as a representative of the legal person director of a group company, does not affect his independence as a director of Red Eléctrica Corporación, S.A. |
|------------------------|---|--|

| OTHER NON-EXECUTIVE DIRECTORS | | | |
|--|---|---|---|
| Identify the other non-executive directors, state the reasons why they cannot be classified as proprietary or independent directors and give details of their relationships with the company, its directors or its shareholders. | | | |
| Name of director | Reasons | company, officer or shareholder with which the relationship is maintained | Profile |
| MS BEATRIZ CORREDOR SIERRA | Ms Beatriz Corredor Sierra was appointed a "non-executive" director by the Board of Directors on 25 February 2020. The report which evaluated the director's appointment proposal prepared by the Appointments and Remuneration Committee, as well as the one prepared by the Board of Directors, which analyses the potential classification of the director, concluded that given her personal circumstances and her professional experience, Ms. Corredor Sierra could have been appointed as an independent director. Nevertheless, it did not seem appropriate to categorize her as such given that, going beyond the mere legal requirements, compliance must be observed in relation to the commitments undertaken by the Company before its shareholders, with an important international representation at the General Shareholders' Meeting held in July 2015, where there was practically unanimous approval regarding the role separation of the Chairman and the Managing Director, the relevant responsibilities and the strategic functions that Ms Corredor Sierra was to carry out as president of the Board of Directors, did not fully fit the generally accepted profile for independent directors. Therefore, it was deemed that it would be most advisable to classify Ms Corredor Sierra under the category of "other non-executive directors", established in article 529 (12) (2) Spanish Companies' Act, in line with an orderly and reasonable succession in the role of the previous Chairman of the Board, that she succeeded, who was also classified in the same way and who was supported by almost the totality of the Company's shareholding. The Annual General Shareholders' Meeting of the Company held on 14 May 2020, approved the ratification and appointment of Ms. Corredor Sierra under such a category.. | RED ELÉCTRICA CORPORACIÓN, S.A. | Born July 1, 1968. Law Degree from the Universidad Autónoma de Madrid (1991). Admitted by competitive examination as a qualified Registrar in the Property and Commercial Registries of Spain, Class of 1993. Executive Education: · Program Senior Business Management. IESE-Business School (PADEA - 2013). · Program focused on "Women on Boards of Boards of Directors". IESE-Business School (2015). Currently: · Chair of the Red Eléctrica Group and of the Board of Directors of Red Eléctrica Corporación, S.A. · Property Registrar on leave of absence (more than 25 year's experience). · Associate Professor of Civil Law, Master's Degree in Access to the Legal Profession, University Nebrija. · Adjunct Faculty, Social & Affordable Housing, Master in Real Estate Development. School of Architecture & Design. IE University. · Associate Professor, Policies for sustainable housing, Master in Construction and Real Estate Management, ETSAM. · Vice President of the Royal Board of Trustees of the Museo Nacional Centro de Arte Reina Sofía. · Mentor of the Endeavor Spain Foundation (support for high-impact entrepreneurship) (2014-present). · Member of the Advisory Board of AlumniUAM. · Speaker and international lecturer. Professional experience: · Member of Parliament representing Madrid and president of the Justice Commission. Congress of Deputies. XIII Legislature (2019). · Secretary of the Area of Territorial Planning and Public Housing Policies, Federal Executive Committee, Partido Socialista Obrero Español (June 2017-February 2020). · President of the Pablo Iglesias |

| | | |
|--|--|--|
| | | <p>Foundation (September 2018-February 2020). · Institutional Relations Manager of Spanish Property and Commercial Registrars' Association. Member of the Governing Board, responsible for Institutional Relations and the Press and Communications Office (October 2013-June 2017) · Secretary of State of the Housing and Urban Actions. Ministry of Public Works (October 2010-December 2011). · President of the Board of Directors of the Entidad Public Business Entity of Land, SEPES. · Minister of Housing of the Government of Spain (April 2008-October 2010). · Member of of the City Council of Madrid (September 2007-April 2008). · Member of the Board of Directors of Empresa Municipal de Vivienda y Suelo, EMVS. Other: Throughout her professional career she has developed legal-technical knowledge in the fields of real estate, urban planning, civil law, commercial law, mortgages, tax law, procedural and administrative law, both in the private sectors. In addition, he has held various positions in the public sector, promoting regulatory measures and legislative processes, with leadership and management responsibilities in various ministerial departments and public companies. Her experience also extends to the negotiation and formation of collegiate bodies, to the management of institutional relations at the highest level with the national Administration (Ministries, Autonomous Communities, City Halls), with international Administrations (EU, USA, Latin America, Russia, Turkey, Singapore), with financial entities, with companies in the real estate and other industrial sectors, with collegiate bodies, with Associations and with NGOs. She has also been in charge of Media And Press Offices. She has received, among other awards, the Medal of Honor of the Spanish Property and Commercial Registrars' Association (2018), the ALUMNI Award 2017, Faculty of Law of the Universidad Autónoma de Madrid-UAM and the Grand Cross of the Royal and Distinguished Spanish Order of Carlos III. H.M., King Juan Carlos I (2010).</p> |
|--|--|--|

| | |
|---|------|
| Total number of other non-executive directors | 1 |
| % of the total board | 8.33 |

Give details of any changes in the category of each director during the period:

| Name of director | Date of change | Previous category | Current category |
|------------------|----------------|-------------------|------------------|
| No data | | | |

C.1.4 Complete the following table with information on the number of female directors at the end of the last four years and the category to which they were assigned:

| | Number of female directors | | | | % of total directors in each category | | | |
|---------------------|----------------------------|----------|----------|----------|---------------------------------------|----------|----------|----------|
| | F/Y 2020 | F/Y 2019 | F/Y 2018 | F/Y 2017 | F/Y 2020 | F/Y 2019 | F/Y 2018 | F/Y 2017 |
| Executive | | | | | 0.00 | 0.00 | 0.00 | 0.00 |
| Proprietary | 2 | 2 | 2 | 1 | 16.67 | 16.67 | 16.67 | 8.33 |
| Independent | 3 | 3 | 3 | 3 | 25.00 | 25.00 | 25.00 | 25.00 |
| Other non-executive | 1 | | | | 8.33 | 0.00 | 0.00 | 0.00 |
| Total | 6 | 5 | 5 | 4 | 50.00 | 41.67 | 41.67 | 33.33 |

C.1.5 Indicate whether the company has diversity policies in relation to the board of directors on matters such as age, gender, disability and professional training and experience. Small and medium-sized enterprises, as defined in the Audit Act, must report, at least, their policy on gender diversity.

- Yes
- No
- Partial policies

If so, describe the diversity policies, their objectives, the measures they entail, how they have been applied and their results during the year. State also any specific measures adopted by the board of directors and the Appointments and Remuneration Committee to achieve balance and diversity among the directors.

If the company does not apply a diversity policy, explain the reasons why not.

| Description of the policies, objectives, measures, how applied and results obtained |
|---|
| <p>The Company's diversity policy is set out in the Corporate Governance Policy, the criteria laid down by the Appointments and Remuneration Committee to define the optimum profile for appointment as director, the new Board of Directors competencies matrix, the Board of Directors Regulations (articles 15, 18 and 22) and the Articles of Association (article 24). The Corporate Governance Policy approved by the Board of Directors on 25 November 2014, and revised last on 24 November 2020, acknowledges the aim of improving gender diversity by stating and accepting the principle of strengthening the Company's commitment to diversity in a broad sense, not only in terms of gender but also experience, knowledge, age, nationality or length of service on the Board, in relation to the composition of the Board of Directors and Board Committees and within the practices included in the aforesaid Corporate Governance Policy is the Board of Directors integral diversity. The Company applies the principle of promoting diversity in knowledge, experience and gender among Board and committee members, as an essential factor to enable it to achieve its objectives from a plural and balanced perspective. The Appointments and Remuneration Committee has also had for many years a series of criteria for determining the ideal profile for service as director, which define the qualities, competencies and experience the ideal candidate for the position of director should have. In 2018, the Appointments and Remuneration Committee and the board of directors carried out an assessment of the directors' competencies and knowledge, which resulted in the approval of the board of directors competencies matrix, individually specified for each director. Applying this matrix, which shows the competencies, experience, knowledge, professionalism, suitability, independence of judgement, qualities and capabilities the board of directors should have, makes it easier to supervise overall Board diversity and facilitates informed decision making. The matrix consists of three blocks: knowledge and experience of the business/ overall knowledge and experience/ and diversity. These three blocks are further broken down into 28 categories, so as to reflect the directors' experience and knowledge in matters such as the energy sector, telecommunications, institutional relations, the financial sector and the capital market, strategy and business development, the boards of directors of public and private bodies, sustainability, risk management and compliance, digital transformation, gender, age and length of service on the Board. The Board competencies matrix is a good governance tool that</p> |

facilitates supervision of the balance, diversity, and overall and individual quality of the board of directors at any given time and is consistent with the most advanced international practices and recommendations in corporate governance matters. The matrix is constantly updated to ensure it is fully up-to-date and aligned at all times with the Red Eléctrica Group's strategy. Article 22 of the Board of Directors Regulations provides that the Board of Directors, within the scope of its authority, will ensure that the candidates elected are persons of recognised solvency, competence and experience, ensuring diversity of gender, experience and knowledge within the Board. In this context, it is appropriate to note the important role of the Appointments and Remuneration Committee in the promotion of diversity on the board of directors since, as established in article 24 of the Articles of Association and in article 18 of the Board of Directors Regulations, that Committee is responsible for fostering a candidate of representation for the under-represented sex on the board of directors, assessing skills, knowledge and experience required on the Board, referring proposals for the appointment of independent directors to the Board, and reporting on proposals for the appointment of the other directors, among others. On the other hand, article 15 of the Board of Directors Regulations specifies that in appointing the members of the Audit Committee the candidates' knowledge and experience in accounting, auditing and risk management matters will be taken into account.

C.1.6 Explain any measures agreed by the appointments committee to ensure that selection procedures have no implicit bias that might prevent the selection of female directors, and that the company deliberately searches for and includes among its potential candidate women who have the required professional profile, so as to reach a balanced presence of men and women. Indicate as well if these measures include the promotion of a significant number of female managers:

Explanation of the measures

The purpose of the action taken by the Company is to actively promote the selection of qualified women and include them on the board of directors. The Red Eléctrica Group's Corporate Governance Policy, which is published on the corporate website (www.ree.es), establishes "the principle of strengthening the Company's commitment to diversity in a broad sense, not only in terms of gender but also experience, knowledge, age, nationality or length of service on the Board, in relation to the composition of the Board of Directors and Board Committees" and within the practices included in the aforesaid Corporate Governance Policy is the integral diversity in the Board of Directors. The Company applies the aforementioned principle and, to that end, the board of directors has adopted the recommended best practices in gender diversity and, as of year-end 2020, six (50%) of its members are women. The Company thus continues to comply with the 40% target set in Recommendation 15 of the CBGSC (Código de Buen Gobierno de las Sociedades Cotizadas) ("Good Governance Code of Listed Companies") for the year 2022. Notably, in 2020 a female replaced a male as Chair of the Board of Directors. Furthermore, since 25 May 2013 a female has served as lead independent director after her last re-election for a term of three years on 26 March 2019. Regarding the Board Committees, it is worth highlighting that the Audit Committee is chaired by a woman and two of its four members are women (50%), the Appointments and Remuneration Committee, as of 31 December 2020, was composed of two women (100%), as well as a vacancy of external proprietary director that should be appointed by this Committee, and a female chair. Lastly, the Sustainability Committee is has one woman out of a total of three members (33.3%).

In each candidate selection process, the Appointments and Remuneration Committee analyses the experience of the directors and evaluates whether it is in accordance with the profile of those suitable to hold positions as directors of the type the position of which is vacant at that time. During the selection process, the Appointments and Remuneration Committee fulfils the basic responsibilities specified in article 18.1, sections h), i) and k) of the Board of Directors Regulations. Candidates are assessed taking into account the competencies, experience, professionalism, suitability, independence of judgement, knowledge, qualities, abilities and availability of the existing members of the board of directors, with the Appointments and Remuneration Committee playing an important role in the process. Where considered appropriate, the Appointments and Remuneration Committee seeks the opinion of head-hunters specialised in the recruiting process of directors, who put forward various candidates and issue reports on each one of them, in which they assess the candidate's competencies and experience. These reports are carefully analysed and assessed by the Appointments and Remuneration Committee before a report and/or appointment proposal is submitted to the Board.

The board of directors' concern to hire female talent for the Board is manifested in article 18.1 n) of the Board of Directors Regulations, which makes it one of the Appointments and Remuneration Committee's core responsibilities to ensure that gender diversity is taken into account when filling new vacancies, setting a target for the representation of the less well represented gender and preparing guidelines on how to achieve that objective. All of the foregoing was taken into account by the Appointments and Remuneration Committee and the board of directors when analysing the reports and proposals to fill the vacancies that arose on the board of directors during 2020, as may be seen on the corporate website (www.ree.es) within the documentation the Company made available to shareholders for the Annual General Meeting of Shareholders held on 14 May 2020.

In addition, it should be noted that in order to make progress in achieving the objectives of the "Agenda 2030", undertaken by the Company and involving a commitment to "Being a benchmark company in terms of diversity: parity in the management team (target 50%) and inclusion of groups at risk of social and labour exclusion". In line with the Company's Strategic Plan, in March 2019 the Integral Diversity Plan 2018-2022 (PID) was approved, whose mission is to inspire and be a benchmark through a commitment to diversity of talent, social and labour inclusion and non-discrimination, both within the Company and in the workplace as a whole. Therefore, the relevance of the role of women in the Company's most relevant bodies, and also highlighting the progress made in their incorporation into the Management Team. The presence of women in the bodies of greater responsibility is an essential value for the Red Eléctrica Group.

The signing of the general protocol for the balanced participation of women in pre-executive, executive and management Committee positions is most relevant, within the framework of the initiative more women, better companies, signed with the Ministry of the Presidency, Relations with the Courts and Equality, in 2019.

When despite such measures as may have been adopted, there are few female directors, or none, explain the reasons:

Explanation of the reasons

Not applicable.

C.1.7 Explain the conclusions of the appointments committee regarding verification of compliance with the director selection policy directed at promoting an appropriate composition of the Board of Directors.

As already explained in sections C.1.5 and C.1.6 above (to which we refer to avoid repetition), the Appointments and Remuneration Committee has criteria that define the most suitable profile for a director. In 2018 the Appointments and Remuneration Committee and the Board of Directors approved a matrix of Board competencies, individualised for each director, which is a good governance tool that facilitates supervision of the balance, diversity, and overall and individual quality of the board of directors at any given time and is consistent with the most advanced international practices and recommendations in matters of corporate governance. The matrix is constantly updated to ensure it is fully up-to-date and aligned at all times with the Red Eléctrica Group's strategy.

In assessing candidates for the director position, the Appointments and Remuneration Committee fulfils the basic responsibilities specified in article 18.1, sections h), i), k) and n) of the Board of Directors Regulations and the provisions of the Corporate Governance Policy regarding the selection of directors and analyses the candidates' competencies, training, experience, professionalism, suitability, gender, independence of judgement, knowledge, qualities, capabilities and availability. In the proposals and reports for appointment of directors that the Company has published on its website, which have been submitted to the Annual General Meeting of Shareholders, held on 14 May 2020, there is a transparent statement of the concern of both the Appointments and Remuneration Committee and the board of directors for diversity, in a broad sense, in the composition of the board of directors.

The Company's Board of Directors, under the provisions of article 18.4 j) of the Board of Directors Regulations, assumed years ago the commitment to comply with the recommendations established regarding equality and, therefore, established the obligation of the Appointments and Remuneration Committee to prepare an annual report on gender diversity and equality policy to be submitted to the Board for its approval. This report reflects the Company's concern for diversity and equality and, therefore, measures were analysed and adopted years ago to achieve balance of competencies in the board of directors and throughout the organisation. Red Eléctrica Corporación, S.A.'s Board of Directors, under the provisions of article 18.4 j) of the Board of Directors Regulations, assumed years ago the commitment to comply with the recommendations established regarding diversity and, therefore, established the obligation of the Appointments and Remuneration Committee to prepare an annual report on diversity to be submitted to the Board for its approval. This report reflects the Company's concern for diversity and, therefore, measures were analysed and adopted years ago to achieve balance of competencies in the Board of Directors and throughout the organisation.

The most recent Annual Report on Diversity was approved by the Board of Directors on 28 April 2020, prior a favourable report issued by the Appointments and Remuneration Committees, and having also been analysed by the Sustainability Committee. This report included data on diversity in a broad sense, not only regarding gender but also experience, knowledge, age and years of service of the directors on the Board and within the organisation, including information on a larger number of Red Eléctrica Group companies. This report is published on the corporate website (www.ree.es). It is expected that in 2021, a new Annual Report on Diversity is approved shortly, in line with the Sustainability Report which will be approved on the same date. As of 31 December 2020, the Company has six women directors (50%) and therefore it meets the 40% target for 2022 set in Recommendation 15 of the CBGSC. It is remarkable in this regard the execution of the General protocol on balanced participation of females on the board of directors and the General protocol on balanced participation of females in senior management, executive and management committee positions, both come under the umbrella of the More Women, Better Businesses initiative, signed with the Ministry of the Presidency, Parliamentary Relationships and Equality in 2019. This is a demonstration of the Board of Directors' interest in Band commitment to diversity, considering that despite having six women on the board of directors (50% of the total and above the 40% threshold stipulated in the additional provision one of the Spanish Act 3/2007 of 2 March 2007), commits itself to continue to make progress in this regard. The Company will therefore continue to earmark the funds and resources needed to establish mechanisms that drives up the number of qualified females on the Board and its committees and in management and other positions of responsibility in the organisation enabling the Company's diversity management model to be put into practice and built on.

C.1.8 If applicable, explain the reasons proprietary directors have been appointed at the request of shareholders whose share interests are less than 3% of capital:

| Name of shareholder | Justification |
|---------------------|---------------|
| No data | |

State whether any formal requests for membership on the board have not been honoured for shareholders whose share interests are not less than those of others upon whose request proprietary directors have been appointed. If applicable, explain the reasons the requests have not been honoured:

Yes

[v] No

C.1.9 State, in case they exist, any powers or authorities delegated by the board of directors to individual directors or Board committees:

| Name of director or committee | Brief description |
|-------------------------------|--|
| MR ROBERTO GARCÍA MERINO | The Board of Directors of the company, in a meeting held on 27 May 2019, unanimously resolved: "to delegate, jointly, severally and indistinctly, to the Managing Director of Red Eléctrica Corporation, S.A., Mr Roberto García Merino, under and in accordance with the provisions of articles 249 of the current Spanish Companies Act, 149 of the Commercial Registry Regulations, 22 of the Articles of Association and 5 of the Board of Directors Regulations, all authority of the Board of Directors that may be delegated by law and pursuant to the Articles of Association". |

C.1.10 Give details of any members of the board who hold the position of director or manager in other companies belonging to the group of the listed company:

| Name of director | Name of group entity | Position | Has executive functions? |
|---|--|--|--------------------------|
| MS CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE | HISPASAT, S.A. | DIRECTOR | NO |
| MR ROBERTO GARCÍA MERINO | HISPASAT, S.A. | DIRECTOR | NO |
| MR ROBERTO GARCÍA MERINO | RED ELÉCTRICA INTERNACIONAL, S.A.U. | JOINT DIRECTOR | YES |
| MR ROBERTO GARCÍA MERINO | RED ELÉCTRICA DE ESPAÑA, S.A.U. | REPRESENTATIVE OF THE SOLE DIRECTOR | YES |
| MR ROBERTO GARCÍA MERINO | RED ELÉCTRICA INFRAESTRUCTURAS DE TELECOMUNICACIÓN, S.A.U. | JOINT DIRECTOR | YES |
| MR ROBERTO GARCÍA MERINO | RED ELÉCTRICA SISTEMAS DE TELECOMUNICACIONES, S.A.U. | JOINT DIRECTOR | YES |
| MR ANTONIO GÓMEZ CIRIA | HISPASAT, S.A. | REPRESENTATIVE OF THE LEGAL PERSON DIRECTOR RED ELÉCTRICA SISTEMAS DE TELECOMUNICACIONES, S.A.U. | NO |

For the purpose of this section, a director is considered to have executive functions when they have been empowered, by the relevant company, in relation to the management of corporate activities.

C.1.11 Name any directors of your company who are known by your company to be directors or representatives of directors of other listed companies other than companies in your group:

| Name of director | Name of the listed company | Position |
|------------------|----------------------------|----------|
|------------------|----------------------------|----------|

| | | |
|---|----------------------------------|----------|
| MS CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE | GRUPO EZENTIS, S.A. | DIRECTOR |
| MR ANTONIO GÓMEZ CIRIA | MAPFRE, S.A. | DIRECTOR |
| MS MARÍA JOSÉ GARCÍA BEATO | BANCO SABADELL, S.A. | DIRECTOR |
| MS SOCORRO FERNÁNDEZ LARREA | CEMENTOS MOLINS INDUSTRIAL, S.A. | DIRECTOR |

C.1.12 Indicate and, where applicable, explain whether the company has any rules on the maximum number of directorships to be held by its directors, indicating in each case where the rule is stated:

Yes

No

Explanation of the rules and where are they stated

Article 18.1 k) of the Board of Directors Regulations establishes, among the basic responsibilities of the Appointments and Remuneration Committee in relation to appointments and removals, that of evaluating the time and dedication necessary in order for directors to effectively perform their duties, for these purposes evaluating compatibility thereof with membership on other management bodies of companies, and ensuring that they have sufficient availability for proper performance of their duties. In this regard, the Appointments and Remuneration Committee has the authority to analyse and, if applicable, propose to the Board that members of the Board of Directors of Red Eléctrica Corporación, S.A. be authorised to join the boards of directors of other companies. Article 7.3 of the Board of Directors Regulations limits the number of boards members of other listed companies of which an independent director of the company may be a member to a maximum of two (2), absent an express exception approved by the Board, on proposal of the Appointments and Remuneration Committee. In addition, under article 7.2 b) of the Board of Directors Regulations, proprietary directors may not simultaneously serve as directors of more than five (5) listed companies. And under article 7.2 a) of the aforesaid Regulations, executive directors may only serve as directors on one (1) board of directors of another company, with the exception of positions on Boards of Directors of subsidiaries or investees of the company.

C.1.13 State the overall amounts of the following items of remuneration paid to the board of directors:

| | |
|---|-------|
| Remuneration accrued by the board of directors during the year (thousand euros) | 3,206 |
| Amount of accrued pension rights of current directors (thousands of euros) | 112 |
| Amount of accrued pension rights of former directors (thousands of euros) | |

C.1.14 Name the members of senior management who are not executive directors, and state the total remuneration they earned during the financial year:

| Name | Position(s) | |
|--|---------------------------------|-----|
| MR MIGUEL RAFAEL DUVISON GARCÍA | GENERAL MANAGER OF OPERATIONS | |
| MS EVA PAGÁN DÍAZ | GENERAL MANAGER OF TRANSMISSION | |
| Number of women in high management positions | | 1 |
| Percentage over the total number of members in high management positions | | 50% |
| Total senior management remuneration (in thousands of euros) | | 662 |

C.1.15 State whether there was any amendment of the board regulations during the financial year:

Yes

[] No

Description of amendments

The amendment to the Board of Directors Regulations approved by the Board in 2020 is the following:

A Board meeting was held on 31 March 2020, to incorporate the appropriate adaptations to Law 11/2018, of 28 December, on non-financial information and diversity, to update the functions of the Board and its Committees on sustainability, some of them of a cross-cutting nature, with the formal and material scope agreed upon by the three Committees, and to reinforce the coordination mechanisms between the three Board Committees.

The aforementioned revision improves the governance of the Red Eléctrica Group, reinforcing the role of the Board of Directors of Red Eléctrica Corporación, S.A. in relation to the Group, by incorporating and reinforcing governance agreements (appointment, renewal and dismissal of the directors of the companies of the Group, the appointment and dismissal of the managers of Red Eléctrica Corporación, S.A. and Red Eléctrica de España S.A.U., who report directly to the Chair of the Board or the Managing Director and to the strategic managers of the Group as established by the Board, as well as the establishment of the basic contractual terms governing such relationships, including their remuneration) as adopted by the Board on September 2019. Moreover, the concept of corporate reputation is developed by the Regulations, as one of the inspiring principles of the Board's performance which must ensure, amongst other matters, the interest of the Company as a whole.

Specifically, the adaptations aim to enshrine the functions of the position of Chair of the Board relating to institutional representation, supervision of the policies and strategies of the Company and the Group, assurance of the independence of Red Eléctrica de España, S.A.U. as a Transmission System Operator; separation of regulated and non-regulated activities. They also aim to incorporate the modification foreseen in the Spanish Companies' Act (and other financial regulations, in order to adapt them to Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017, amending Directive 2007/36/EC regarding the encouragement of long-term shareholder engagement) concerning the abolition of the figure of the legal person director in listed companies. Finally, it introduces some other improvements of a formal or stylistic nature.

C.1.16 Describe the procedures for the selection, appointment, re-election and removal of directors. Specify the competent bodies, the formal steps to be taken and the criteria to be used in each procedure.

- 1- Appointment and re-election. Article 21 of the Board Regulations provides that directors will be appointed by the General Meeting of Shareholders or, in the event of an early vacancy, by the Board of Directors by co-optation. The proposal for the appointment (including by way of co-optation) or re-election of directors will be made by the Appointments and Remuneration Committee in the case of independent directors and by the Board itself in the case of all other directors. The Board, within the scope of its authority, will see to it that the candidates selected are persons of recognised solvency, competence and experience, guaranteeing gender diversity, experience and knowledge within the Board, following the policy of appointment and evaluation of candidates approved by the Board itself, even being entitled to use outside advisors when considered to be necessary, in accordance with article 22 of the aforesaid Regulations. Under articles 23 of the Regulations, directors will serve for the term contemplated in the Articles of Association. Articles 20 of the aforesaid Articles sets the term of service as a director at four years. As established in article 7 of the Board Regulations, Independent Directors may not serve as such for a consecutive period of more than twelve years. In 2011 the board of directors approved a Succession Plan for the chairperson. But since 2011, in line with advances in the world of corporate governance, the company has undergone significant structural changes. For this reason, throughout 2017 intensive work was carried out by the Appointments and Remuneration Committee and the lead independent director in the preparation of the "Contingency Plan for the succession of the Chair of the Board" and the "Contingency Plan for the succession of the Managing Director" with the support of an international outside consultant. The Board of Directors, at its meeting held on 19 December 2017, on proposal of the Appointments and Remuneration Committee, approved the aforementioned Plans, including the profiles and functions of the Chair of the board and the Managing Director and previewing the actions to be taken within the company immediately in the event of unforeseen or unforeseeable events that prevent both the chairperson of the Board of Directors and the managing director, during the period of their appointment, from performing their duties. The aforesaid Plans will be reviewed at least every 6/12 months. Both Plans set out in detail their objectives, the causes of activation, the responsible parties and the actions to be taken in each phase, from the first 24 hours to the first month, assigning specific roles and responsibilities and avoiding risks of an unforeseen and disorderly succession. The Contingency Plan for the succession of the Board of Director's Chair has been implemented for the first time and with a satisfactory outcome, after the resignation of the former Chair at the Board meeting held on 28 January 2020. During 2020, both Plans have been analysed for updating purposes and, based on the proposal presented by the Appointments and Remuneration Committee, on the Board of Directors' meeting held on 24 November 2020, the updates of the "Contingency Plan for the succession of the Chair of the Board" and the "Contingency Plan for the succession of the Managing Director" were finally approved.
- 2- Removal. Article 24.1 of the Board Regulations establishes that directors will leave office when the period for which they were appointed has elapsed, or when so decided by the General Meeting of Shareholders in use of the authority conferred on it by law or the articles. Article 24.1 of the Board Regulations establishes that directors will leave office when the period for which they were appointed has elapsed, or when so decided by the General Meeting of Shareholders in use of the authority conferred on it by law or the articles. The Board of Directors must not propose the removal of independent directors before the end of the period for which they were appointed unless, after considering a report by the Appointments and Remuneration Committee, it is satisfied that there is just cause. In particular, just cause will be deemed to exist when the director acquires new positions or new obligations that prevent

him or her from devoting the time needed to discharge the duties of a director, is in breach of his or her duties as a director or is subject to any of the circumstances described in articles 7.2 c) of the Board of Directors Regulations and therefore no longer qualifies as an independent director. The removal of independent directors may also be proposed as the result of public tender offers, mergers or similar corporate transactions which imply a change in the company's share capital structure, where such changes in the structure of the Board are fostered by the criterion of proportionality referred to in articles 7.1.c) of the Board of Directors Regulations. Also, directors must tender their resignation to the board of directors and, if the Board considers it appropriate, resign in the cases contemplated in articles 24.2 of the Board Regulations. Lastly, articles 24.3 of the aforesaid Regulations provides that members of the Committees will leave office when they do so as regards their positions as directors.

C.1.17 Explain to what extent the annual evaluation of the board has resulted in significant changes in its internal organisation and the procedures applicable to its activities:

Description of amendments

The action plan derived from the annual evaluation process, carried out in 2020, has led to the incorporation of improvements in the organization and procedures, highlighting, among others, the following: improving the preparation and review of the Board minutes; reinforcing the strategic debate on markets, competitors, regulated and non-regulated businesses and new business opportunities; continuing to promote informal information sessions and analysis of relevant topics; continuing to make progress in the monitoring, supervision and control of the Group's subsidiaries, and initiating the process of reviewing and updating the Board of Directors' competency matrix, with the support of an external consultant, in order to serve as a guide for the definition of the most appropriate director profiles for the Group's needs and strategies.

Describe the evaluation process and the areas evaluated by the board of directors, assisted where appropriate by an outside consultant, regarding the functioning and composition of the board and its committees and any other area or aspect that was included in the evaluation.

Description of evaluation process and areas evaluated

The Board of Directors, in article 5 of the Board of Directors Regulations, expressly reserves, inter alia, on a nondelegable basis, the annual evaluation of the quality and efficiency of the functioning of the Board, the performance of their duties by the chairperson of the Board and the managing director of the company and the effective functioning of the Board Committees, based on the report referred to it by the Appointments and Remuneration Committee, in coordination with the lead independent director or the chairperson. The evaluation of the functioning of the Board, its chairperson, the managing director of the company and its Committees will be performed by an independent expert third party at least every two years.

Red Eléctrica Corporación, S. A. was one of the first companies to carry out the voluntary annual evaluation process of its board of directors, also being assisted for years by outside advisors with the aim of giving its self-evaluations a more objective and independent view, thus following the recommendations established by recent regulatory amendments and the best practices applicable to Corporate Governance. Upon completion of the process, the last self-evaluation of the Board was approved by the Board of Directors at the meeting held on 22 December 2022. The evaluation process was supported by an external international consultant, Egon Zehner International, S.L., and undertaken under the direction of the Appointments and Remuneration Committee, in coordination with the lead independent director. The summary of the main conclusions of the evaluated areas and the most relevant improvement suggestions related to such areas, as derived from the evaluation process, can be found in the free text section of the Company's Annual Corporate Governance Report, which is published on the corporate website (www.ree.es). Please refer to this document for further information.

C.1.18 For the years in which the evaluation was assisted by an outside consultant, details of any business dealings the consultant or any company in its group have had with the company or any company in its group.

In relation to the evaluation process, the external consultant, and the companies belonging to its group, have not been engaged in any business dealings with the Company or any of the Red Eléctrica Group companies.

C.1.19 State the circumstances in which directors are required to resign.

Article 24.2 of the Board Regulations contemplates that directors will place their positions at the disposal of the Board of Directors and will, if the Board deems appropriate, tender their formal resignations, in the following cases:

- a) When they reach 70 years of age.
- b) When they are subject to any of the grounds of incompatibility or prohibition contemplated by law.
- c) When they are convicted of an offence or penalised in disciplinary proceedings for a serious or very serious infringement conducted by the supervisory authorities of the securities, energy and telecommunications markets.
- d) When they have seriously breached their obligations as directors.

- e) When they leave the management positions with which their appointments as directors were associated.
- f) When their continued presence on the Board endangers the company's interests, and the Board so finds with the favourable vote of two thirds of its members. If a director is tried for any of the crimes indicated in the corporate legislation, the Board will review the matter as soon as possible, and in light of the particular circumstances will decide as contemplated in the preceding paragraph whether it is appropriate for the director to remain in the position. All such determinations will be disclosed and explained in the Annual Corporate Governance Report.
- g) In the case of a proprietary director, when the shareholder the shareholding interests of which it represents on the Board transfers all of its interest in the company, or reduces it to a level requiring reduction of the number of its proprietary directors.
- h) On request of the Board of Directors by a majority of two thirds of its members, when there are repeated absences from meetings of the Board.
- i) When any circumstance occurs that prevents or significantly limits their participation in and dedication to the meetings of the Board and exercise of their duties and responsibilities as directors."

C.1.20 Are supermajorities, other than the legally stipulated majorities, required for any kind of decision?

Yes

No

If so, describe the differences.

Description of the differences

Any resolution. Quorum: Half plus one of its members present in person or by proxy (article 20 of the Regulations); Type of majority: Absolute. Amendment of the Board Regulations as provided in article 3.4 of the Regulations. Same as for any resolution; Type of majority: Two thirds.

Removal of directors when their continued presence on the Board endangers the company's interests, in particular in respect of section 38.4 of the Regulations, and the Board so finds with the favourable vote of two thirds of its members, pursuant to article 24.2 f) of the Regulations. Same as for any resolution; Type of majority: Two thirds.

Removal of director on request of the Board of Directors, when there are repeated absences from meetings of the Board. Request by two thirds majority (article 24.2 h) of the Regulations. In accordance with article 529 septies of the LSC, in the Board of Directors Regulations it is established that if the position of chairperson is held by an executive director, appointment thereof will require the favourable vote of two thirds of the members of the board of directors article 9 of the Regulations).

There are no provisions for resolutions that require a supermajority for their adoption, apart from the specific ones contemplated in the applicable law and the cases referred to above.

Except in cases where other quorums for attendance have been specifically established, the board will be validly constituted with the attendance of at least half plus one of its members, present either in person or by proxy. If there is an odd number of directors, then a quorum will be present with the attendance of the whole number of directors immediately over half.

In accordance with the provisions of article 21 of the Articles of Association, any director may grant a proxy to another director, in writing and specially for each meeting, to represent and vote for them at meetings of the Board of Directors. Such proxy should be given to a director of the same type as the grantor of the proxy (articles 30.2 c) and 20 of the Board Regulations. (Article 529 quater of the LSC only allows non-executive directors to grant proxies to another non-executive director, which provision has been included in article 21 of the Articles of Association and article 30.2 c) of the Board of Directors Regulations).

The chairperson will organise the discussion, ensuring and encouraging the participation of all directors in the deliberations of the body, and will submit the matters for vote when he deems them to have been sufficiently debated. Each director, present in person or by proxy, will have one vote.

Both the Articles of Association (article 21) and article 20 of the Board Regulations provide that resolutions will be adopted by absolute majority of votes of the directors attending the meeting, in person or by proxy, except in those cases in which the law requires that resolutions be adopted by a greater majority, with the exceptions already discussed that are contemplated in the Board of Directors Regulations.

C.1.21 State if there are any specific requirements other than those relating to directors, to be appointed chairperson of the board of directors:

Yes

No

Description of requirements

Article 9 of the Board of Directors Regulations, after its adaptation to article 529 septies of the Spanish Companies' Act, provides that if the position of chairperson is held by an executive director, appointment thereof will require the favourable vote of two thirds of the members of the Board of Directors.

C.1.22 Indicate if the Articles or Board Of Directors' Regulations establish any age limit for directors:

Yes

No

| | Age limit |
|-------------------|-----------|
| Chair | N/A |
| Managing Director | N/A |
| Director | 70 |

C.1.23 Indicate whether the Articles of Association or the Board Of Directors' Regulations set a limit on the term of office of independent directors or any additional requirements stricter than those established by law:

Yes

No

C.1.24 Indicate whether the articles of association or the board of directors' regulations establish specific rules for the granting of proxies by directors in favour of other directors, the manner of doing so and, in particular, the maximum number of proxies a director may hold, as well as whether any limitation has been established regarding the categories within which it is possible to grant proxies, beyond the limitations imposed by law. If so, briefly describe those rules.

Each director may extend a proxy to another director, in writing and specifically for each meeting, to vote for him in the meetings of the Board of Directors. It is so provided in article 21 of the Articles of Association. Non-executive directors may do so only to another non-executive director.

If a director cannot, for justified cause, attend a Board of Directors' meeting that has been called, he must give instructions to the director that will represent him, seeing to it that he is represented by a director of the same category as provided in article 30.2 c) and article 20 of the Board Regulations.

Also, article 529 quater of the LSC must be applied for non-executive directors, as already set forth in the Articles of Association and the Board of Directors Regulations.

C.1.25 State the number of meetings of the board of directors held during the financial year. State also how many times, if any, the board of directors met without the chairperson being present. The figures treat proxies with specific instructions as being in attendance.

| | |
|---|----|
| Number of board of directors meetings | 13 |
| Number of board of directors meetings without the chairperson being present | 0 |

Indicate the number of meetings held by the coordinating director with the rest of the directors without the presence of any executive director, either in person or by proxy:

| | |
|--------------------|---|
| Number of meetings | 1 |
|--------------------|---|

State the number of meetings the various board committees have held during the financial year:

| | |
|---|----|
| Number of meetings of the AUDIT COMMITTEE | 12 |
| Number of meetings of the APPOINTMENTS AND REMUNERATION COMMITTEE | 15 |
| Number of meetings of the SUSTAINABILITY COMMITTEE | 12 |

C.1.26 State the number of meetings held by the board of directors during the financial year and the attendance figures of the members:

| | |
|---|--------|
| Number of meetings with at least 80% of the directors present in person | 13 |
| In-person attendances as a % of total number of votes cast during the year | 100.00 |
| Number of meetings with all the directors present in person or by proxy with specific instructions | 13 |
| Votes cast by directors present in person or by proxy with specific instructions as % of total votes cast during the year | 100.00 |

C.1.27 Indicate whether the individual and consolidated annual financial statements submitted for board formulation are previously certified:

Yes

No

If so, state the person(s) who has/have certified the company's individual and consolidated annual accounts for preparation by the board:

| Name | Position |
|--------------------------------|-------------------------|
| MR ROBERTO GARCÍA MERINO | MANAGING DIRECTOR |
| MS MARÍA TERESA QUIRÓS ÁLVAREZ | CHIEF FINANCIAL OFFICER |
| MR JOSÉ MANUEL RODRÍGUEZ GIL | ECONOMIC DIRECTOR |

C.1.28 Give details of any mechanisms the board of directors has established to ensure that the annual accounts formulated by the Board of Directors and presented before the General Shareholders' Meeting are elaborated in accordance to accounting regulations.

Article 5.5 d) of the Board of Directors' Regulations establishes that, in particular, the Board shall be responsible for the preparation of the annual financial statements and their submission to the General Shareholders' Meeting, which shall include the supervision of the preparation process and the presentation of the financial information, the management report and, where appropriate, of the non-financial information required by law. Article 16.1 a) and b) of the Board of Directors' Regulations states the Audit Committee is responsible for the approval of accounting principles and criteria to be used in the preparation of the annual accounts, both individually for the Company as well as for the consolidated Group, and for the verification of their correctness, reliability and sufficiency; and for the supervision of the preparation process and the presentation, as well as the integrity of the financial information of the Company and the Group, and for the submission of recommendations or proposals to the Board of Directors, aimed at safeguarding such integrity, ensuring that the regulatory requirements and international reference standards, the adequate delimitation of the consolidation perimeter and the correct application of the accounting principles and criteria are applied.

In this regard, as expressly indicated in article 42 of the Board of Directors' Regulations, the Board of Directors will definitively formulate the accounts, after review by the Audit Committee pursuant to its functions as established in the Regulations, seeing to it that there are no qualifications by the auditor. However, when the Board concludes that its position should be maintained, it will publicly explain the substance and scope of the disagreement.

Moreover, article 41 of the Board of Director's Regulations establishes that the Board of Directors shall adopt the necessary measures to ensure that the quarterly, semi-annual and annual financial information, as well as any other information which is made available to the markets, is presented in accordance to the same principles, criteria and professional practices that govern the presentation of the annual accounts.

In this regard, the Audit Committee is particularly important, as it continuously monitors the process of reporting economic and financial information to the market supervisory bodies, thereby increasing the possibility of absence of qualifications in the annual audit reports.

Since it was incorporated in 1985, the Company has not been subject to any audit qualifications regarding its Annual Accounts, which attests to the accuracy, reliability and sufficiency of the Annual Accounts of the Company and of its consolidated Group throughout its life, guaranteeing at all times the highest informational transparency.

C.1.29 Is the secretary of the board of directors a director?

Yes

No

If the secretary is not a director, complete the following table:

| Name of the secretary | Representative |
|---------------------------------|----------------|
| MR CARLOS MÉNDEZ-TRELLES GARCÍA | |

C.1.30 State the specific mechanisms established by the company to preserve the independence of the external auditors and any mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice.

Approval of the policy for engagement of non-audit services from the Outside Auditor is reserved on a nondelegable basis to the board of directors in its internal Regulations (article 5.5 a) xiv). The Annual General Meeting of Shareholders held on 15 April 2015 approved an amendment of the Articles of Association, to adapt them to the legislative reforms introduced by Act 31/2014 of 3 December 2014, amending the Spanish Companies Act to improve corporate governance. Among other articles, there was an amendment of article 23.2 of the Articles of Association related to the authority of the Audit Committee incorporating minimum adjustments in relation to the Outside Auditors. The Audit Committee is the body under the Board of Directors that is responsible for the relationship with outside auditors. In this regard the Audit Committee assists the Board of Directors in ensuring independence of the company's outside auditor. In article 16.3 b) of the Board of Directors Regulations, in relation to the independence of outside auditors, within the functions of the Audit Committee, the function of establishing direct relationships with the Outside Auditors is included, with that committee regularly to collect and receive information from the auditor regarding the audit plan, the process of development thereof and its implementation, and regarding such matters as may result in a threat to their independence, including the matter related to the report from the Outside Auditor of neither it nor any of its partners having been convicted by a final judgement, in criminal proceedings related to the performance of its audit functions, for examination by the Committee, and any others related to the process of development of the audit of accounts. And to authorise, when it considers it to be appropriate, services of the Outside Auditors other than those that are prohibited, on the terms contemplated in the applicable legislation on audit of accounts. In addition, article 16.3 h) of the aforesaid Regulations includes the Audit Committee function of issuing, annually prior to the issue of the audit report, a report stating an opinion as to whether the independence of the Outside Auditors or audit companies has been compromised. In this regard the Audit Committee must ensure that the company (i) makes material disclosure to the CNMV of changes in auditors and, if applicable, disagreements with the departing auditor, and (ii) complies with the applicable rules regarding non-audit services, limits on the concentration of the auditor's business and, in general, the other rules established to ensure independence of the auditors. Also, in the case of resignation of the auditor, the Audit Committee must examine the underlying circumstances. Further, pursuant

to the terms of article 42 of the Board of Directors Regulations, the board of directors will refrain from engaging audit firms whose anticipated fees in all categories are projected to surpass ten percent of total income during the last financial year. In addition, the aforesaid article 42 of the aforesaid Regulations requires the board of directors to report, annually, on the overall fees that have been paid to the outside audit company for services other than auditing, seeking to minimise the engagement of such services to the extent possible. Without prejudice to the obligation established in the aforesaid regulatory rule, to report to the Audit Committee on the services provided to the company and the Group by the outside auditor, other than those related to the outside audit (services that are regularly reported to the markets by way of heading C.1.32 of this report), the approach followed by the company is not to engage this kind of services from the Outside Auditor from the date it has been appointed by the General Meeting of Shareholders, unless there are exceptional reasons justifying the engagement of such services therefrom, which are to be appropriately explained in the annual public reporting of the company. In any case, the engagement of such services must be authorised by the Audit Committee. Since 2016, in compliance with Recommendation 6 of the CBGSC, the company publishes the Audit Committee Report on the independence of the Outside Auditor on the corporate website, duly in advance of the date of holding the Annual General Meeting of Shareholders. The company makes frequent presentations to financial analysts and investment banks to report the key economic and financial figures of the group, and to review its business performance. Said presentations are regularly attended by the most important professionals and specialists in the sector. After making the foregoing presentations, all participants are offered the opportunity to be included in a list of entities that periodically receive the most important information regarding the company of interest to them. Presentations to analysts are sent in advance to the CNMV so that they are disclosed to the markets through its website. These presentations are then immediately posted on the company's website. The principal purpose of the "Investor Relations" Department, under the company's Corporate Economic and Financial Office, is to serve as a channel for communications with financial professionals and institutional investors and respond to their inquiries.

C.1.31 Indicate whether the company changed its external auditor during the year. If so identify the new and departing auditors:

Yes

No

Explain any disagreements with the departing auditor and the reasons for the same if any.

Yes

No

C.1.32 Indicate whether the audit firm provides any non-audit services to the company and/or group. If so, state the auditor's fees for such services in absolute terms and as a percentage of the total fees invoiced to the company and/or its group:

Yes

No

| | company | Group companies | Total |
|---|---------|-----------------|-------|
| Fees for non-audit services (thousands of euros) | 106 | 114 | 220 |
| Fees for non-audit services / Fees for audit services (%) | 89.00 | 21.00 | 33.00 |

C.1.33 State whether the audit report on the financial statements for the prior financial year contains reservations or qualifications. Where applicable, state the reasons given to the shareholders in the General Meeting by the chairperson of the audit committee to explain the substance and scope of the reservations or qualifications.

Yes

No

C.1.34 State the number of consecutive financial years the current audit firm has audited the company's and/or group's individual or consolidated financial statements. Also state how long the current audit firm has audited the company's financial statements as a percentage of the total number of financial years for which the company's financial statements have been audited:

| | Individual | Consolidated |
|--|------------|--------------|
| Number of consecutive financial years | 8 | 8 |
| No. of financial years audited by current audit firm / No. of financial years the company or its group has been audited (as a %) | 23.00 | 40.00 |

C.1.35 Indicate if there is a procedure to ensure that directors have the information they need in order to prepare for the board of directors' meetings in good time. If so, give details.

Yes

No

Details of the procedure

The Board of Directors meetings are called at least six days in advance and all the relevant information is sent together with the call. The call always includes the agenda for the meeting and, as a general rule, the relevant information is attached, duly summarised and prepared. Notwithstanding the foregoing, article 19.5 of the Board Regulations establishes that the call of the board of directors will be sent at least three (3) days prior to the date of the meeting. As an exception and for emergency reasons, the Board of Directors may be called by telephone and the prior notice period will not apply when, in the chairperson's opinion, the circumstances so require. The urgent reasons will be explained in the minutes of the meeting as provided in article 19.6 of the Regulations.

Article 27.1 of the Board Regulations provides that a director has the broadest rights to collect information regarding any matter affecting the company. In this regard a director may examine the books, records, documents and other background of corporate transactions, and inspect all of its facilities. The right to information extends to subsidiary companies, both domestic and foreign. In accordance with article 27.3 of the Board Regulations, in order not to interfere with the ordinary management of the company, exercise of information rights is channelled through the chairperson of the Board of Directors and/or the managing Director. They will respond to director inquiries by providing the information directly, making the appropriate spokesmen at the appropriate level within the organisation available, or arranging for requested on-site review and inspection. Article 27.4 of the Board Regulations provides that the chairperson may restrict access to certain information on an exceptional and temporary basis, informing the board of directors of the decision during its next meeting. Also, both the Audit Committee and the Appointments and Remuneration Committee may access any kind of company information or documentation they need to effectively perform their duties.

C.1.36 State, and if applicable develop, whether the company has established rules requiring directors to report and, if applicable, resign under circumstances that may prejudice the credit and reputation of the company, and if so give details:

Yes

No

Explain the rules

Article 35.4 of the Board of Directors' Regulations establishes that the Directors' duty of information includes the duty to inform the Company of any judicial, administrative, or other kind of action, which, due to its importance, could damage the credit and reputation of the Company or the Group and, specifically, of any criminal cases under investigation, as well as the subsequent procedural vicissitudes.

Likewise, in accordance with the provisions of Article 24.2 f) of the Board of Directors' Regulations, the directors must respect the discretion of the Board of Directors, and formalize their resignation, if two thirds of the Board deems it appropriate, that is, when their role jeopardizes the interests of the Company or the Group, in accordance with the foregoing.

If an order is issued for the commencement of oral proceedings against a director for any of the offenses set forth in the corporate legislation, the Board of Directors shall examine his case as soon as possible and, in view of the specific circumstances, shall decide whether or not he should continue in his role, in accordance with the provisions of the preceding paragraph. A reasoned account of all the foregoing shall be given in the Annual Corporate Governance Report.

The Appointments and Remuneration Committee must inform the Board of Directors of all such matters pursuant to Article 18.3 a) of the Board of Directors' Regulations, which, among other functions "ensures compliance by the directors with the provisions of the Board of Directors' Regulations and informs the Board of their compliance, issuing the corresponding reports and proposals and, if applicable, on the measures to be adopted in the event of non-compliance."

C.1.37 Indicate, unless there have been special circumstances that have been recorded in the minutes, whether the Board of Directors has been informed or has otherwise known of any situation affecting a director, whether or not related to his or her performance in the Company, which could damage the credit and reputation of the Company:

Yes

No

C.1.38 Give details of significant agreements that have been entered into by the company that become effective, are amended or are terminated in the event of a change of control of the company by reason of a public tender offer, and the effects thereof.

There are no agreements entered into by the company that become effective, are amended or are terminated in the event of a change of control of the company by reason of a public tender offer for its shares.

C.1.39 Identify individually for directors, and on an aggregate basis in other cases and describe in detail any agreements between the company and its directors and managers or employees that contain indemnification, guarantee or golden parachute clauses, when they resign or are improperly dismissed, or if the contractual relationship concludes by reason of a public tender offer or other transaction.

| Number of beneficiaries | 3 |
|---------------------------------------|---|
| Type of beneficiary | Type of resolution |
| Managing director, top-level managers | At 31 December 2020 there are 3 beneficiaries with this type of agreement. In accordance with the remuneration policy, following market practice for these cases, as a result of the new appointment of the managing director, the previously existing employment contract is suspended. In the event that this contract is terminated, the managing director would earn on compensation terms, the remuneration existing at the date of the suspension, taking into account, for the appropriate purposes, the length of service at Red Eléctrica de España, S.A.U. up to the date of appointment as managing director (15 years), plus the period of service -if any- after the termination of the position as managing director, all in accordance with current labour legislation. Following the corporatization process carried out in 2020, the Company undertaking this obligation is Red Eléctrica Corporación, S.A. Both the economic regime and the suspension of the employment relationship of the new managing director are in line with that applicable to the previous managing director. There are no guarantee or golden parachute clauses for dismissals in favour of top-level Managers currently providing their services within the Group. If the employment relationship is extinguished, the compensation corresponding to those Managers would be calculated in accordance with the applicable labour laws. The contracts of these Managers were approved by the Appointments and Remuneration Committee and they were duly notified to the Board of Directors. |

Indicate whether, apart from any regulatory reporting requirements, these contracts must also be reported or approved by corporate bodies of the company or its group. If so, specify the procedures, circumstances and nature of the bodies responsible for such approval or reporting:

Board of directors

General Meeting of Shareholders

| | | |
|---|-----|----|
| Body authorising the clauses | √ | |
| | Yes | No |
| Is the general meeting of shareholders informed of the clauses? | √ | |

C.2. Board of Directors committees

C.2.1 Give details of all committees of the board of directors, their members and the proportions of executive, proprietary, independent and other non-executive directors that are members thereof:

| AUDIT COMMITTEE | | |
|---|----------|-------------|
| Name | Position | Category |
| MS MERCEDES REAL RODRIGÁLVAREZ | MEMBER | Proprietary |
| MR ANTONIO GÓMEZ CIRIA | MEMBER | Independent |
| MR ARSENIO FERNÁNDEZ DE MESA Y DÍAZ DEL RÍO | MEMBER | Independent |
| MS CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE | CHAIR | Independent |

| | |
|------------------------------------|-------|
| % of executive directors | 0.00 |
| % of proprietary directors | 25.00 |
| % of independent directors | 75.00 |
| % of other non-executive directors | 0.00 |

Explain the functions of this committee, including any additional functions to those specified by law, and describe the committee's procedures, composition and functioning. For each of these functions, indicate the most important actions taken during the year and how, in practice, the committee has performed each of the functions assigned to it by law, the Articles of Association or any other corporate resolution.

The functions, procedures and rules of organisation and functioning of the Audit Committee are set forth in articles 23 of the Articles of Association and 15 and 16 of the Board of Directors Regulations (for full details, see the corporate website, www.ree.es). The most important actions of the Audit Committee are included in the Annual Activities Report of the aforesaid Committee for 2020, which is available on the corporate website (www.ree.es), in the section on "Reports and Other Documents" referred to in Recommendation 6 of the CBGSC.

Identify the members of the Audit Committee that have been appointed having regard to their knowledge and experience of accounting, auditing or both and state the date of the appointment of the commission chairperson in its position.

| | |
|------------------------------------|--|
| Names of directors with experience | MS MERCEDES REAL RODRIGÁLVAREZ / MR ANTONIO GÓMEZ CIRIA / MR ARSENIO FERNÁNDEZ DE MESA Y DÍAZ DEL RÍO/ MS CARMEN GÓMEZ DE BARREDA TOUS DE MONSALVE |
| Date of appointment as chairperson | 24/11/2020 |

| APPOINTMENTS AND REMUNERATION COMMITTEE | | |
|---|----------|-------------|
| Name | Position | Category |
| MS SOCORRO FERNÁNDEZ LARREA | CHAIR | Independent |
| MS MARÍA JOSÉ GARCÍA BEATO | MEMBER | Independent |

| | |
|------------------------------------|--------|
| % of executive directors | 0.00 |
| % of proprietary directors | 0.00 |
| % of independent directors | 100.00 |
| % of other non-executive directors | 0.00 |

Explain the functions of this committee, including any additional functions to those specified by law, and describe the committee's procedures, composition and functioning. For each of these functions, indicate the most important actions taken during the year and how, in practice, the committee has performed each of the functions assigned to it by law, the Articles of Association or any other corporate resolution.

The functions, procedures and rules of organisation and functioning of the Appointments and Remuneration Committee are set forth in article 24 of the Articles of Association and article 17 and 18 of the Board of Directors Regulations (for full details, see the corporate website, www.ree.es).
The most important actions of the Appointments and Remuneration Committee are included in the Annual Activities Report of the aforesaid Committee for 2020, which is available on the corporate website (www.ree.es), in the section on "Reports and Other Documents" referred to in Recommendation 6 of the CBGSC.

| SUSTAINABILITY COMMITTEE | | |
|-----------------------------------|----------|-------------|
| Name | Position | Category |
| MR ALBERTO FRANCISCO CARBAJO JOSA | MEMBER | Independent |
| MS MARÍA TERESA COSTA CAMPI | MEMBER | Proprietary |
| MR JOSÉ JUAN RUIZ GÓMEZ | CHAIR | Independent |

| | |
|------------------------------------|-------|
| % of executive directors | 0.00 |
| % of proprietary directors | 33.33 |
| % of independent directors | 66.67 |
| % of other non-executive directors | 0.00 |

Explain the functions delegated or assigned to this Committee, different to those specified in section C.1.9, and describe its procedures and rules of organisation and functioning. For each of these functions, indicate the most important actions taken during the year and how, in practice, the committee has performed each of the functions assigned to it by law, the Articles of Association or any other corporate resolution.

The functions, procedures and rules of organisation and functioning of the Sustainability Committee are set forth in the new articles 18 BIS and 18 TER of the Board of Directors Regulations (for full details, see the corporate website, www.ree.es).
The most important actions of the Sustainability Committee are included in the Annual Activities Report of the aforesaid committee for 2020, which is available on the corporate website (www.ree.es), in the section on "Reports and Other Documents" referred to in Recommendation 6 of the CBGSC.

C.2.2 Complete the following table with information regarding the number of female directors that have been members of the committees of the board of directors at the end of the last four financial years:

| | Number of female directors | | | | | | | |
|---|----------------------------|--------|----------|-------|----------|-------|----------|-------|
| | F/Y 2020 | | F/Y 2019 | | F/Y 2018 | | F/Y 2017 | |
| | Number | % | Number | % | Number | % | Number | % |
| AUDIT COMMITTEE | 2 | 50.00 | 2 | 50.00 | 2 | 40.00 | 1 | 20.00 |
| APPOINTMENTS AND REMUNERATION COMMITTEE | 2 | 100.00 | 1 | 33.33 | 2 | 40.00 | 3 | 75.00 |
| SUSTAINABILITY COMMITTEE | 1 | 33.33 | 2 | 66.66 | 0 | 0.00 | 0 | 0.00 |

C.2.3 State whether there is any regulation of Board committees, the place where the regulations may be consulted, and any changes that have been made to them during the year. Also state whether any voluntary annual report has been prepared on the work of each committee.

The Board of Directors Regulations of the Company regulate the structure, composition and functioning of the Audit Committee, the Appointments and Remuneration Committee, and the Sustainability Committee in accordance with the principal international recommendations and practices regarding corporate governance, introducing improvements in organisation and functioning.

The Company opted for comprehensive regulation in the Board of Directors Regulations without establishing specific internal regulations for the committees. Since November 2018, the Company has had three Board committees following the creation of the Sustainability Committee. This involved the restructuring of the other two Board Committees: the Audit Committee and the Appointments and Remuneration Committee. The three Committees were established by the Board of Directors to help it perform its duties. They are eminently technical and are intended to achieve a greater degree of efficiency and transparency.

The structure, composition, functions and responsibilities of the Committees are established in articles 22 to 24 of the Articles of Association and implemented through articles 14 to 18 TER of the Board of Directors' Regulations. Both these Company documents are fully in line with the latest reforms of the Spanish Companies' Act, the Public Companies' Code of Corporate Governance and the latest international recommendations and best practices on the composition of board committees and the independence and qualifications of their members. At the end of 2018 the Board of Directors' Regulations were reviewed to update the functions of the three Board Committees. The revised document was approved at the 19 February 2019 meeting of the Board Of Directors. The amendments made to the Regulations were approved in order to:

- Restructure the Board committees by creating a new Sustainability Committee and update the functions of the other two board committees – the Audit Committee and the Appointments and Remuneration Committee – based on the strategic importance the board of directors wants to attach to sustainability in the Red Eléctrica Group.
- Increase the responsibilities of the Appointments and Remuneration Committee through the creation of a new model governing labour relations between the board of directors and the Red Eléctrica Group companies in accordance with international corporate governance best practices.
- Revise the general supervisory function the Audit Committee is tasked with in coordination with the specific supervisory functions assigned to each of the other Board committees in their various jurisdictions.
- Make some changes to key corporate governance practices, especially in the international arena, and to introduce other improvements of a formal nature or concerning style.

The current Board of Directors Regulations may be viewed on the Company's website, www.ree.es, in the Corporate Governance section, without prejudice to their being registered, and therefore available to the shareholders and any interested person, at the CNMV and the Madrid Commercial Registry.

At its meeting on 30 April 2019, the Board of Directors approved the new version of the Board of Directors Regulations to further increase the independence of the System Operator by including, inter alia, the new function of an Audit Committee in article 16.4 a).

Moreover, the Board of Directors, at their meeting held on 31 March 2020, approved the voluntary amendment to the Board of Directors' Regulations, in order to incorporate the appropriate adaptations to Law 11/2018, of 28 December, on non-financial information and diversity, to update the functions of the Board and its Committees on sustainability, some of them of a cross-cutting nature, with the formal and material scope agreed upon by the three Committees, and to reinforce the coordination mechanisms between the three Board Committees.

Each year, the Board Committees prepare reports on their activities, which are incorporated in the Annual Corporate Governance Report and are published on the Company's website. In 2020, in accordance with Recommendation 6 of the Public Companies' Good Governance Code, the activities reports of the Board Committees for the 2019 financial year were published, separately, on the corporate website. It is planned that the 2020 activities reports for the three Committees will also be published on the corporate website (www.ree.es).

D. RELATED PARTY AND INTRAGROUP TRANSACTIONS

D.1. Explain the procedure, if any, and the competent bodies for the approval of related party and intragroup transactions.

In May 2010, at the proposal of the Audit Committee, the Board of Directors approved a related-party transaction control policy and set objective parameters (relevant or not relevant) for the control of related-party transactions, annual recurring related-party transactions and transactions that must be disclosed to the Markets. In compliance with the aforesaid resolutions, the Audit Committee annually monitors the related party transactions and reports in a timely manner to the board of directors. However, as a result of the update of the Board of Directors Regulations, dated 20 December 2016, and of the Internal Regulations of Conduct in the Securities Market, dated 26 September 2017, the board of directors on the basis of the current legal scheme for related party transactions, and taking account of the corporate rules of the company as fully adapted to that scheme, in January 2018 derogated the aforesaid resolutions and approved a new resolution whereby any related party transaction that the company or companies included in its Group engage in with directors or shareholders of the companies, individually or collectively with others holding a significant participation, including shareholders represented on the board of directors of the company or companies in its Group, or persons related thereto in accordance with the current legislation, is submitted to approval of the board of directors, after a report from the Audit Committee, prior to being implemented. Excepted from approval by the Board are transactions that, simultaneously, have the following three characteristics: -that they are conducted under contracts whose terms and conditions are standardised and apply on an across-the-board basis to a high number of customers, - that they are conducted at prices or rates established generally by the party acting as supplier of the goods or services in question, and - that the amount thereof does not exceed 1% of the annual income of the company. Also, the reporting obligations legally established in relation to the aforesaid related party transactions will be met. The resolutions of January 2018 also contemplate the need to report semi-annually to the Board of Directors, after a report of the Audit Committee, and after implementation, any related party transaction undertaken by the company or companies in its Group with the directors and officers of the company, shareholders and third parties that may exercise "significant influence", as well as close family members thereof, on the terms contemplated in the current legislation.

The Draft Bill for the transposition of Directive (EU) 2017/828, incorporates a new special regime of related-party transactions involving listed companies, which aims to provide the current regime with greater clarity and systematicity. A definition of "related-party transactions" is established by reference to the provisions of International Accounting Standards and the list of "persons related to the director" is extended. The substantive regime is structured in two different parts: the disclosure and approval regime, with different exceptions is contemplated in the first part; and the approval of intra-group related-party transactions is regulated separately. Consequently, once the Bill has been approved, the Company will proceed to make the necessary adjustments to the regime of related-party transactions established in its internal regulations.

D.2. Describe those transactions that are significant by reason of their amount or relevant by reason of their subject matter, entered into by the company or entities in its group and the significant shareholders of the company:

| Name of related significant shareholder | Name of the company or group entity | Nature of the relationship | Transaction type | Amount (thousands of euros) |
|---|-------------------------------------|----------------------------|------------------|-----------------------------|
| No data | | | | N/A |

D.3. Describe the transactions that are significant by reason of their amount or relevant by reason of their subject matter, entered into by the company or entities in its group and the directors or managers of the company:

| Name of the directors or managers | Name of the company or group entity | Link | Nature of the transaction | Amount (thousands of euros) |
|-----------------------------------|-------------------------------------|------|---------------------------|-----------------------------|
| No data | | | | N/A |

D.4. Give details of any significant transactions entered into by the company with other entities belonging to the group, unless the transactions are eliminated in the process of preparing the consolidated financial statements and, as regards their subject matter and terms, are part of the ordinary course of the company's business.

In any event, any intragroup transaction entered into with entities established in countries or territories considered to be tax havens is to be reported:

| Name of group company | Brief description of the transaction | Amount (thousands of euros) |
|---------------------------------------|---|-----------------------------|
| TRANSMISORA ELÉCTRICA DEL NORTE, S.A. | Leases. | 4 |
| TRANSMISORA ELÉCTRICA DEL NORTE, S.A. | Other expenses. | 86 |
| TRANSMISORA ELÉCTRICA DEL NORTE, S.A. | Financing agreements, loans and capital contributions (lender). | 17,457 |
| TRANSMISORA ELÉCTRICA DEL NORTE, S.A. | Financial income on the loan. | 759 |
| TRANSMISORA ELÉCTRICA DEL NORTE, S.A. | Provision of services. | 18 |
| HISDESAT SERVICIOS ESTRATÉGICOS, S.A. | Provision of services. | 1,594 |

D.5. Give details of significant transactions between the company or entities in its group and other related parties that have not been reported in previous sections:

| Name of the related party | Brief description of the transaction | Amount (thousands of euros) |
|---------------------------|--------------------------------------|-----------------------------|
| No data | | N/A |

D.6. Give details of the mechanisms in place to detect, determine and resolve any conflicts of interest between the company and/or group, on the one hand, and its directors, managers or significant shareholders, on the other.

In accordance with article 31 e) of the Board of Directors' Regulations a director must take the measures necessary to avoid being involved in situations in which its interests, whether for itself or a third party, may be in conflict with the corporate interest and its duties to the Company. Article 32 of the Board of Directors' Regulations develops the duty to avoid situations of conflict of interest referred to in article 31 e) and clarifies it as regards those from which the director must refrain. In any case, directors must notify the Board of Directors of any direct or indirect conflict that may exist between their own interests, or those of persons related to them, and the interests of the Company. Any conflicts of interest directors may have will be reported in the notes to the annual accounts.

For the Red Eléctrica Group the correct management of conflicts of interest is considered to be one of the fundamental principles of the Code of Ethics and Conduct, which specifies the basic conduct guidelines that must govern the actions and decisions of the members of the Group, in order to preserve impartiality and objectivity in the exercise of their functions.

In accordance to the Code of Ethics and Conduct, the Red Eléctrica Group is committed to the identification and exemplary management of any possible conflict of interest, providing its members with the necessary tools to deal with them in a satisfactory manner so that the reputation of the organization can be preserved.

The Red Eléctrica Group respects the participation of its members in other professional and/or business activities, as long as this does not negatively affect the efficiency in the development of their functions and responsibilities, or alter the impartiality and objectivity in the exercise of their professional activity.

In accordance to the Code of Ethics and Conduct, the following constitute adequate conduct guidelines in order to manage conflicts of interest:

- Act at all times in a professional manner, with loyalty to the Red Eléctrica Group and its stakeholders, independently of personal or third parties' particular interests.
- Communicate situations of real or apparent conflict of interest, independently of whether there is direct involvement or mere awareness, through the ethics and compliance channel, so that the situation can be assessed, and the necessary measures can be adopted.
- Inform the organization of those commercial relationships involving personal or family interests that may alter the impartiality and objectivity of those involved.
- Refrain from intervening in the making of decisions that are affected by a possible conflict of interest until the potential conflict has been managed.
- When acting with officials, public authorities, customers, suppliers or other third parties, respect must be observed for the impartiality and objectivity of those involved.

On the contrary, the Code of Ethics and Conduct deems that the following conduct guidelines contravene the appropriate management of conflicts of interest:

- Being a member of a management body, or any other similar body, or exercising control of any company that maintains business relations with the Red Eléctrica Group, as well as of an agency of the Administration, without the knowledge and, where appropriate, approval of the organization.
- Maintaining business relationships with entities involving a professional, personal or family relationship, without informing the organization.
- Take advantage of any business opportunity for personal benefit, directly or indirectly, through the development of professional activity in the Red Eléctrica Group.
- Make use of Red Eléctrica Group's assets, as well as any confidential and/or privileged information for personal gain.
- Performing external activities that entail a loss of efficiency or productivity or using the organization's means, information, time spent or time spent in the organization.
- Perform work or provide services for the benefit of companies in Red Eléctrica Group's sectors when such companies develop activities that may compete, directly or indirectly, with the organization.

In 2018, the Red Eléctrica Group developed a Guide for the management of conflicts of interest with the aim of detecting and preventing potential conflicts of interest that may affect the Red Eléctrica Group's management team. The Guide is the result of Red Eléctrica Group's commitment to align the interests of the management team with those of its shareholders and other stakeholders, so that no manager puts his or her own interests before those of the Red Eléctrica Group.

The management team at Red Eléctrica Group, in addition to what is established in the Code of Ethics and Conduct, expressly commits to comply with aforementioned Guide the following guidelines:

- Duty to communicate: the management team must communicate to the Consultative Body responsible for the application of the Guide any real or apparent conflicts of interest in which they may be involved or might be aware of.
- Duty of transparency: the management team must, at all times, provide any information regarding possible conflicts of interest, whether real or apparent, in which they may be involved or might be aware of to the managers at Red Eléctrica Group and/or Consultative Body.
- Duty of abstention: the management team must abstain from intervening in the making of decisions affected by a possible conflict of interest.

D.7. Indicate whether or not the Company is controlled, within the meaning of Article 42 of the Commercial Code, by another entity, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to those of any of them.

Yes

No

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1. Explain the scope of the company's Risk Control and Management System, including tax risks:

Since 2002 the Red Eléctrica Group has had a comprehensive risk management system to facilitate compliance with the Group's strategies and objectives, ensuring that the risks that may affect them, including tax risks, are identified, analysed, evaluated, managed and controlled in a systematic manner, with uniform criteria within an acceptable risk level approved by the Board of Directors.

The management system was developed in accordance with the ISO 31000:2018 standard on principles and guidelines in the management of risk, and is of a comprehensive and ongoing nature, with such management being undertaken by business unit, subsidiary and corporate level support area.

The Red Eléctrica Group has an integrated risk management policy and a general procedure for enterprise risk management and control, based on the COSO ERM 2017 Enterprise Risk Management.

From 2015 onwards, the tax risk control and management policy has been integrated into this overall policy.

The overall policy is fully aligned with the Group's strategic plan and is available on the corporate website in the Corporate Governance section, through the following link, Comprehensive Risk Management Policy.

In 2020 an external evaluation process of the Red Eléctrica Group's Integrated Risk Management System was carried out by the auditing firm Ernst&Young with the aim of evaluating the alignment of the current model with best practices according to ISO 31000:2018 standards and COSO ERM 2017. The conclusion of this evaluation was that the implementation of the System complied with the reference standards. Additionally, a series of aspects that could be improved were identified, which could help to strengthen the current System, and which have been taken into account for the development of the Integrated Risk Management System Activity Plan for the 2021 financial year.

In 2015 the Red Eléctrica Group started on a gradual review, with the support of international audit firms, of the compliance of the five components of internal control, according to the COSO Integrated Framework.

On that same year, the firm Ernst & Young reviewed the first of these components ("control environment") and in November 2016, the second ("risk assessment"). In both reviews they came to the conclusion that the elements and activities relating to the control and risk assessment environment are formally established and in place in all areas/operations of the organisation and that, furthermore, in all cases the best practices in these fields have been implemented.

During 2017 the third component, "Control Activities", was evaluated by Deloitte, the conclusion being that within the Group it is mature and in line with advanced best practices in the market.

In addition, in 2017 EY audited the comprehensive risk management system and concluded that the system implementation is in accordance with the ISO 31000 standard.

In 2018, EY assessed the fourth component of the COSO Integrated Framework: "Information and communication". Its conclusion was that the Red Eléctrica Group has sound information and communication mechanisms in place, in line with the most advanced practices.

In 2019, the review of the components of the COSO Integrated Framework was completed with an evaluation of the fifth component: "Monitoring" by PwC. This firm concluded that Red Eléctrica has procedures and controls in place that ensure a high degree of compliance with the principles of this component, in line with best internal control practices.

E.2. Identify the company bodies responsible for the preparation and implementation of the Risk Control and Management System, including tax risks:

The integrated risk management system ensures that all the Red Eléctrica Group's units are involved and that the bodies responsible for risk control are properly informed of risk status.

The Policy and Procedure for integral risk management and control define the different responsibilities of the governing bodies and each of the organizational units, as well as the information flows and activities to be carried out.

The Board of Directors Regulations expressly gives the Board of Directors responsibility for approving the group's integrated risk management policy, which sets the acceptable level of risk, and for receiving reports on and periodically monitoring the internal control, prevention and reporting systems.

Twice a year, the Board reviews the risk management system and material risks, including tax risks, without prejudice to the information it receives regularly from the Audit Committee as part of the committee's continuous risk monitoring activity.

The Audit Committee is responsible for periodically supervising the effectiveness of the integrated risk management system, including tax risk, to ensure that material risks are identified, are kept within the established acceptable risk levels and are properly reported.

The Executive Committee, composed of the highest-level managers of the main areas of the Company, is assigned the functions of monitoring the Risks Map of important risks and ensuring appropriate control and monitoring of the management of the risks characterised as being of high level, and others of special importance, and the action plans critical to mitigation thereof.

The Internal Audit and Risk Control Office, reporting on a dotted-line basis to the Chair's Office and on a solid-line basis to the Audit Committee, is responsible for coordinating and supporting the risk identification, analysis and assessment process and periodically controlling risks. This directorate submits the appropriate reports to the Executive Committee, Audit Committee and the Board of Directors. The organisational units participate continuously, together with the Internal Audit and Risk Control Office, in the identification, analysis and assessment of the Group's risks and in the implementation of the chosen action plans to mitigate those risks.

E.3. Indicate the main risks, including tax risks and, insofar as they are material, corruption risks (the latter within the meaning of Royal Decree-Law 18/2017), that could affect the achievement of business objectives:

One of the principal businesses of the Red Eléctrica Group is the transmission of electricity and the operation of the electricity system in Spain, which are regulated activities, in so far as they are critical to the security and continuity of Spain's electricity supply and are carried out on an exclusive basis.

The classification as a regulated activity affects both the setting of revenues and the environment and conditions in which the Company must undertake its principal activities and determines the risks to which it is exposed.

Moreover, the Red Eléctrica Group stated in its Strategic Plan 2018-2022, the importance of the new activities integrated into the Group in the areas of infrastructure, telecommunications, international businesses and digital innovation, primarily.

The types of risks the Red Eléctrica Group faces in its efforts to achieve its strategies and objectives can be classified as follows:

Strategic risks:

- Risks associated with the regulatory framework within which the Group operates.
- Business risks associated with the business context or strategic decisions.
- Risks associated with sustainability and good governance. Operational risks:
- Risks associated with planned assets or assets under construction.
- Risks associated with assets in service.
- Risks related to information systems.
- Risks associated with people and their organisation.
- Compliance risks. Financial risks.
- Market risks.
- Risks associated with the company's solvency.
- Counterparty risks.
- Underwriting risks.

The Red Eléctrica Group has a Guide for the prevention of corruption: zero tolerance, approved by the Board of Directors in 2015, which develops the values and behavioural guidelines included in the Code of Ethics and Conduct related to the main manifestations of corruption.

The Company periodically monitors the processes considered susceptible to corruption and fraud risk through the fraud and criminal risk prevention models, which incorporate specific controls over these risks.

In the area of corruption prevention, it is worth highlighting the certification of the criminal and anti-bribery compliance system for Red Eléctrica Corporación, S.A. and Red Eléctrica de España, S.A., in accordance with the ISO 37001 anti-bribery management system standard by the certifying entity AENOR.

The tax aspects, classified as strategic risks associated with the regulatory framework, were included in the Comprehensive Risk Management Policy in 2015, which sets out specific risk management action guidelines.

In accordance to the risk analysis performed by the Red Eléctrica Group, a total of 99 relevant risks were identified in the most recently presented Risks Map.

E.4. State whether the entity has risk tolerance levels, including for tax risk:

The Group's risk management system defines a methodology for setting the risk level, so that all identified risks are classified in three categories:

- High-level risks.
- Medium-level risks.
- Low-level risks.

The level of a risk is determined by combining two variables – the probability of occurrence and the impact its occurrence would have on the Company – in respect of four key elements of the business:

- ELECTRICITY SUPPLY: Energy not supplied (ENS) as a result of the next event.
- REPUTATION: Stakeholder perceptions in the event of failure to meet their expectations and disclosure of the event in communication channels and social media.
- STRATEGIC PLAN: Degree of impact on the achievement of the Group's Strategic Plan.
- ECONOMIC LOSS: Impact on the income statement after corporate income tax.

Each risk is situated within the probability/impact matrix according to its probability of occurrence and level of impact, thus automatically determining the level of risk. The following matrix reflects the distribution of the 99 risks identified, in accordance with its respective value. The overall acceptable risk level the Group is willing to accept for each of the four main types of impact envisaged in the Integrated risk management system is approved by the board of directors. As a general rule, the overall risk level must not exceed this approved acceptable risk level.

At an individual level, as set out in the Comprehensive risk management policy, every risk that does not exceed the low risk level is considered acceptable. Risks that exceed the low risk level must be acted upon until they reach an acceptable level. Risk management must aim for consistency between the importance of the risk and the cost and resources required to reduce it. However, for activities that have repercussions for the electricity system, the impact the risks may have on the system must also be taken into account.

E.5. Indicate what risks, including tax risks, have materialised during the financial year:

Regarding operational risks, it should be emphasised that the transmission network facilities are permanently exposed to events that may affect the continuity and security of the electricity supply. These events are caused mainly by third parties and also meteorological phenomena. If such events occur, the Group has insurance policies limiting the potential their impact on the income statement.

If the aforementioned risks were to materialize, the Group has the corresponding insurance policies to limit the potential impact that these events could have on its income statement. On 30 July, the monitoring of the Spain-Morocco interconnection (ESMA) led to the detection of a leak in cable 4 of the ESMA, located in one of the plugs made during the sealing campaign of a leak recorded in 2018. In response to this accidental spill event, the link's Maritime Interior Plan was put in place to ensure an immediate response, the correct action of the personnel involved, the correct use of anti-pollution equipment and material, as well as an adequate coordination with the organizations working in the management of an event, including administrations involved.

On 3 September, the sealing work was completed and the Maritime Interior Plan was deactivated in Phase 0 (alert). The security of the power supply of the interconnection has not been compromised at any time thanks to its double circuit and the fact that the affected (standby) cable has been out of service since it was rendered inoperative in 2018.

On 30 January 2020, the World Health Organization (WHO) declared the outbreak of the new SARS-CoV-2 or COVID-19 coronavirus an international public health emergency and, in mid-March, a pandemic.

Since the first days of February, the Company has implemented a comprehensive contingency plan that has ensured that the situation resulting from the COVID-19 has not had a significant impact on the development of the Group's activity.

Red Eléctrica guaranteed electricity supply to all homes and essential services at all times. To further ensure the guarantee of electricity supply, the Company set up a third control center which, like the other two, operates with full autonomy by independent teams working 24/7. Additional preventive measures were also taken with respect to the equipment that operates the Telecommunications Supervision Center and the Telecommunications Monitoring Centre, as well as with the professionals who are part of the standby teams to attend to possible incidents in the to deal with possible incidents in the network. Likewise, the telecommunications business (fibre and satellite) has been providing essential services without incidents.

In this context, the Group has deployed measures to safeguard the health of all its professionals, applying action protocols adapted to the recommendations issued by the various competent authorities. The digital transformation, developed by the Company in recent years, has enabled the safe remote work of all Group employees whose physical presence in the work center was not strictly necessary (80% of the workforce).

The development of new infrastructures, both for electric power transmission and telecommunications, suffered temporary delays due to the total or partial stoppage of economic activities imposed by the authorities. These were almost entirely recovered in the last months of the year. The impact on the Group's investments, as a whole, was approximately 5% of the initially planned investment volume. This impact is expected to be recovered in 2021.

In the economic and financial area, throughout this period the Group has been in a solid financial position to face these difficult times, having taken measures aimed at strengthening liquidity.

The pandemic has had no effect on revenues from the Group's regulated activities, which represent the majority of the Group's revenues. However, the satellite telecommunications business has been affected by both the duration of the crisis and the evolution of the Latin American markets in which it operates, leading to price renegotiations and cancellations of contracts and projects, which, together with the evolution of the U.S. dollar and the Brazilian real, had a negative impact on the Group's satellite business revenues in 2020 of around EUR 20 million. In this context, Hispasat, S.A. has undertaken a process of strategic reflection that has concluded with the approval of new strategic lines of action aimed at repositioning the company as a benchmark operator in the provision of advanced satellite communications services (new businesses), protecting its traditional activity and making the best possible use of the useful life of the current fleet. In view of this situation and indicators of impairment, the Group performed an impairment test of the assets corresponding to the traditional satellite business at the end of 2020, registering EUR 122 million in impairment provisions.

E.6. Explain the plans for response to and monitoring of the company's principal risks, including tax risks, and the procedures the company follows to ensure that the board of directors responds to any new challenges that may arise:

In the process of identification, analysis, evaluation and control of risks, the actions required to reduce the degree of risk down to the acceptable level are established.

For the monitoring of risks, the current comprehensive risk management system includes the monitoring of more than 500 action plans aimed at reducing the level of risk and more than 300 indicators to review their evolution.

The Risk Control area, together with the risk management units, reviews the performance and mitigating effect of the agreed action plans. This review is carried out annually for all risks and semi-annually for high-level risks and other risks that have been placed on special watch. Regarding the latter, the additional review is carried out because a change in their situation could convert them into high-level risks in the mid to long term.

Furthermore the Red Eléctrica Group has a System for Internal Control of Financial Reporting (SICFR), with the basic aim of improving the efficiency and security of processes for preparing economic and financial information on the Company, with the early and voluntary adoption of international best practices. The SICFR includes Red Eléctrica's tax information and processes and the associated controls.

The Red Eléctrica Group also has contingency plans that regulate the various crisis situations that may arise in the event of an electricity incident (to ensure security of the supply), or a non-electricity incident that may affect the environment, people, the operations of the Company, the availability of its systems, the business results or any other aspect that may have an impact on the reputation of the Company. The Company also has a Business Continuity Plan with the aim of making the necessary preparations and planning a set of procedures to be able to respond appropriately to a disaster, crisis or emergency from the moment it arises until the situation returns to normal. The aim is to reduce the impact on the business to a minimum and to speed up and automate decision making in crisis situations.

In the Red Eléctrica Group, pandemic risk is identified, assessed and managed mainly through the Business Continuity Plan. Thus, in 2020, the declared alert situation due to the COVID-19 pandemic activated the corresponding action protocol to, firstly, ensure the safety of the Group's employees and secondly, to guarantee the continuity of the Company's activity and the correct performance of its main functions.

The COVID-19 crisis scenario made it necessary to carry out a review of the Risk Map in order to evaluate to what extent the situation caused

by the pandemic, and the declaration of the state of alarm, could be affecting these risks, or could do so, if the state of alarm was extended or even once the situation returned to normal. Although this new scenario affected some of the risks identified in the map, it did not significantly alter the assessment of their risk level after the implementation of the measures associated with the continuity plan. Additionally, the Risk Control area carries out actions with other units of the Group for the development of risk management in line with the Comprehensive Risk Management System. During 2020 we have collaborated with the subsidiary Infraestructuras de Telecomunicación S.A.U. in the development of its own risk map, as well as with the subsidiary Hispasat, S.A. in adapting its management methodology to the Red Eléctrica Group Policy.

F. INTERNAL SYSTEMS FOR CONTROL AND MANAGEMENT OF RISKS IN RELATION TO THE PROCESS OF FINANCIAL INFORMATION REPORTING (SICFR)

Describe the mechanisms comprising the systems for control and management of risks in relation to the process of financial information reporting (SICFR) of your entity.

F.1. Control environment of the entity.

State, indicating the main features, at least:

F.1.1 What bodies or functions are responsible for: (i) the existence and maintenance of an appropriate and effective SICFR; (ii) its implementation; and (iii) its monitoring.

The model of responsibilities of the System for Internal Control of Financial Reporting (hereinafter "SICFR") is structured by way of the following special bodies, offices and organisational units, which develop, maintain and monitor the process of preparation of financial information:

- The Board of Directors, which has the ultimate responsibility for the existence and maintenance of an appropriate and effective SICFR. For these purposes, article 5 a) ix) of the Company's Board of Directors Regulations provides that one of the Board's nondelegable responsibilities is the "approval of the policy for control and management of the principal risks of the Company and the Group, and periodic review and monitoring of the systems for internal control, prevention and reporting".
- The Corporate Economic and Financial Office, as the level implementing the guidelines issued by the board of directors, has given responsibility for the design, implementation, functioning and coherence of the SICFR to the Economic Office, since within its responsibilities, as indicated in the SICFR Manual, is that of "establishing an appropriate control structure to ensure the effectiveness of the internal control system".
- The Audit Committee is responsible for supervision of the SICFR. In accordance with article 16 of the Board of Directors Regulations, the Audit Committee will exercise the functions of "supervising the process of preparation and the integrity of the financial information of the Company and, if applicable, the Group, seeing to proper attention to the regulatory requirements, appropriate delimitation of the perimeter of consolidation, and proper application of accounting principles and criteria as applicable thereto" and "supervising the Internal Audit services, which will see to proper functioning of the information and internal control systems". For performance of its SICFR supervisory functions the Audit Committee has the Internal Audit and Risk Control Office, and the outside auditors. (For details, see section F.5)
- The organisational units of the Group are jointly responsible for the controls defined in their areas of responsibility and must ensure the proper design and operation thereof.

To supplement these measures, in 2015 the Internal Audit Department work started on a gradual review of the compliance of the five components of internal control, according to the COSO Integrated Framework, May 2013. At the end of 2015 the audit firm EY reviewed the first of these components ("control environment") and in November 2016, the second ("risk assessment"). In both reviews it came to the conclusion that the elements and activities relating to the control and risk assessment environment are formally established and in place in all areas/operations of the organisation and that, furthermore, in many cases the best practices in these fields have been implemented. During 2017 the third component, "Control Activities", was evaluated by Deloitte, the conclusion being that within the Group it is mature and in line with advanced best practices in the market.

In addition, in 2017 EY audited the comprehensive risk management system and concluded that the system implementation is in accordance with the ISO 31000 standard.

In 2018, EY assessed the fourth component of the COSO Integrated Framework: "Information and communication". Its conclusion was that Red Eléctrica counts with sound information and communication mechanisms, in line with the most advanced practices within the COSO framework.

In 2019, the review of the components of the COSO Integrated Framework was completed with the evaluation of the fifth component of COSO: "Monitoring" by PwC. This firm concluded that Red Eléctrica has procedures and controls in place that ensure a high degree of compliance with the principles of this component, in line with best internal control practices.

F.1.2 If they exist, particularly as regards the process of preparation of financial information, describe the following:

- Departments or mechanisms responsible: (i) for design and review of the organisational structure; (ii) for clear definition of the lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) that there are sufficient procedures for proper dissemination thereof within the entity:

The Corporate Resources Office, as the level implementing the guidelines issued by the Board of Directors, through the Human Resources Office of the Group, is responsible for determining the basic structure of the organisation, determining the various levels of authority and the resulting levels of responsibility. All of the foregoing is intended to maintain an organisational structure design that is implemented, reviewed and updated on an ongoing basis.

The internal mechanisms used by this office for clear definition of the lines of responsibility and determination of the general framework of the organisational structure are documented as follows:

- Restated Text of the Articles of Association.

- Internal Code of Conduct in the Securities Market.
- Corporate Responsibility Manual.
- Code of Ethics and Conduct

The details of the scope of lines of responsibility and authority of the SICFR are regulated by way of the SICFR Action Guide, which details the functions of maintenance, updating and supervision of the SICFR at each of the various levels of responsibility that are described. It should be noted that the Corporate Economic and Financial Office has delegated some of the tasks to the Economic Office, and the latter has delegated them to the Accounting Information and Administration Department. This SICFR Action Guide is part of the Group rules and is available to employees on the Intranet.

Dissemination of the organisational structure is accomplished by way of the Intranet, with an updated organisation chart being available to employees.

- Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether there are specific references to the transactions ledger and preparation of financial information), body responsible for analysing non-compliance and proposing corrective actions and sanctions:

The Group has an appropriate conduct framework, stating values and specific guidelines for action, strengthening the bases for achieving the objectives of reliable and transparent financial information. At this level are the following documents aligned with the corporate policies of the Group:

- Code of Ethics and Conduct:

The Code of Ethics and Conduct of the Red Eléctrica Group is intended to provide a deontological guide to all the people who are part of the Red Eléctrica Group to know and facilitate their commitment to the ethical values, principles and guidelines of conduct that should govern their professional activity within the organization.

The current edition of the Code of Ethics and Conduct of the Red Eléctrica Group was approved on 26 May 2020 by the Board of Directors of the Group's parent company, Red Eléctrica Corporación, S.A. The Code of Ethics and Conduct is applicable to all those who are part of the Red Eléctrica Group. This includes employees and members of the companies' administrative bodies which form part of the Red Eléctrica Group, in the exercise of their functions and responsibilities.

The Code of Ethics and Conduct is structured through three ethical values (respect, integrity and sustainability) and fifteen principles, which have been established taking into account the criminal risks associated with the activities of the Red Eléctrica Group. For each of the aforementioned principles, a catalogue of conducts related to, or contrary to, the Code of Ethics and Conduct is established, to avoid the creation of situations which may favour the commission of crimes.

One of the fifteen principles of the Code of Ethics and Conduct refers specifically to the disclosure of financial and non-financial information. The aforementioned principle reflects the commitment of the Red Eléctrica Group in this area:

- The principles of transparency and information of maximum quality so that the public information of the organization is presented in a clear, complete, simple, orderly and understandable manner, to ensure confidence in its veracity and facilitate decision making by its stakeholders.
- That the information provided by the Red Eléctrica Group to its stakeholders is homogeneous and systematized, reflecting both the economic and business objectives, as well as the environmental, social and good governance objectives that form part of the social interest of the organization.
- That the financial and non-financial information of the Red Eléctrica Group faithfully reflects the reality of the organization. Specifically, the accounting information must be in accordance with generally accepted accounting principles and international financial reporting standards.

The principle on the disclosure of financial and non-financial information is implemented through 11 guidelines of conduct. In this regard, the guideline that refers to the obligation of the organization and all its members to provide the necessary information and collaboration so that the controls contained in the ICFR are constantly updated to ensure the integrity of the organization's accounting records and financial information, is of particular importance.

For the Red Eléctrica Group, awareness and training are key factors for the development of a corporate culture based on ethics and compliance. It is an essential condition that its members know the ethical values, principles and guidelines of conduct of the Code and feel identified with them.

The Red Eléctrica Group is committed to continuous training and awareness and develops, on an annual basis, a Plan for the dissemination of the culture of ethics and compliance for the members of the organization and its stakeholders. Its actions are adapted to the responsibilities and needs of the functional areas, to the activities carried out by the organization, as well as to the cultural diversity of the countries where the Red Eléctrica Group is present.

The Red Eléctrica Group has an Ethics Manager and ombudsman for stakeholders to ensure knowledge, application and compliance with the Code, which carries out the following functions with the collaboration of the compliance area:

- To investigate complaints regarding the application of the Code.
- To prepare the action plans for the resolution of the complaints made and submit them for the approval of the Chair of the Red Eléctrica Group. If the complaint is related to any member of the Executive Committee or the Board of Directors, it shall be submitted to the Chair of the Audit Committee or, as the case may be, the Chair of the Sustainability Committee, depending on the nature of the complaint.

The Code of Ethics is reviewed periodically in order to adjust its requirements to the reality of the Red Eléctrica Group and its relationship with stakeholders. The Code may be modified with the express approval of the Board of Directors of the parent company of the Red Eléctrica Group.

- Internal Code of Conduct in the Securities Market:

The “Internal Regulations for Conduct in the Securities Market” initially were approved by the board of directors on 25 June 2009. Thereafter, they were reviewed and updated periodically to adapt the requirements to the needs of the Company and its relationship with the environment and its stakeholders; the most recent review was made in September 2019, to adapt it to the market abuse regulation.

The aforesaid regulations establish the rules for action in the securities markets and the required records, in relation to the following:

- Inside and Material Information.
- Conflicts of Interest.
- Related Parties.
- Rules on the free formation of prices.
- Treasury shares.

These regulations apply to those subject thereto as specified in article 2 and 3, that is the directors, the secretary and the vice secretary of the Company’s Board, as well as those persons whose customary functions are related to the securities markets and are expressly specified by the Oversight Body. In this regard the persons subject thereto must sign through the platform, established for this purpose, a declaration confirming they understand and accept the obligations to which they are subject as stated in point 2.2 of article 2.

For the purposes of the aforesaid regulations, the Oversight Body, as specified in article 16, comprises the Legal Affairs Director, the Board Secretary and the Director of the Corporate Economic and Financial Office. In addition to its specific responsibilities established in the aforementioned regulations, the Oversight Body is also responsible for confirming, recording, reporting and monitoring compliance with the obligations and duties stipulated therein.

- Corporate Responsibility Policy:

The purpose of this policy is to establish the general principles and guidelines so that all companies in the Red Eléctrica Group undertake sustainable, ethical and responsible business management in the performance of their duties.

- Complaint channel, allowing communication to the Audit Committee of irregularities of a financial and accounting nature, in addition to possible non-compliance with the code of conduct and irregular activities in the organisation, stating if applicable that it is of a confidential nature:

In accordance with the provisions of its Code of Ethics and Conduct, the Red Eléctrica Group has made available to the members of the organization and its stakeholders an ethical and compliance channel through which they can:

- Make any consultation on the interpretation of the ethical values, principles and guidelines of conduct of the Code, or proposal for improvement.
- Communicate any non-compliance with the Code, legislation, internal regulations and commitments assumed by the organization.
- Communicate any possible irregularity or non-compliance related to bad financial, accounting or commercial practices.

The ethics and compliance channel is managed by the Ethics Manager in coordination with the compliance area, the operation of which is regulated in the procedure for managing queries and complaints of the Code of Ethics and Conduct of the Red Eléctrica Group.

Those complaints in which aspects that could have criminal relevance are identified will be referred to the Criminal Compliance Committee of the Red Eléctrica Group.

Complaints that do not include the identity of the complainant are evaluated, processed and resolved, if the evidence provided and the subsequent investigations demonstrate a real non-compliance.

The processing and resolution of queries and complaints formalized through the ethics and compliance channel entails the application of the following principles:

- Guarantee the confidentiality, anonymity and indemnity of the whistle-blower acting in good faith through the ethics and compliance channel.
- Guarantee the confidentiality, anonymity and indemnity of persons who have collaborated in the resolution of a complaint and have acted in good faith.
- To ensure that no retaliation is taken, directly or indirectly, against those persons who, in good faith, have made a report relating to the Code through the ethics and compliance channel, or have cooperated in resolving it.
- Maintain the confidentiality of the actions carried out, unless such information is required by an administrative or judicial authority.
- Provide an early and effective response in order to put an end to irregularities or prevent them from occurring.
- Adopt the necessary precautions to avoid the violation of fundamental rights, as well as to ensure proper custody of the information obtained.
- To guarantee the protection of personal data, in accordance with the provisions of the applicable legislation.

- Regular programmes of training and updating for personnel involved in the preparation and review of financial information, as well as evaluation of the SICFR, which cover at least accounting standards, audit, internal control and risk management:

The Human Resources Office, based on the training prepared by the Offices involved in the preparation and review of financial information, manages and plans the educational programmes related to specific training in this area. In this regard, the Corporate Economic and Financial Office, as the level implementing and having responsibility for the design, implementation, functioning and coherence of the SICFR, proposes training programmes to the Human Resources Office to ensure that the training is kept updated for all personnel involved in the preparation and review of the financial information, as well as evaluation of the SICFR.

Additionally, as of last year, the Group and other major companies, is involved in a collaboration concerning SICFR to share experiences, knowledge and best practices in this area.

F.2. Evaluation of financial reporting risks.

State, at least:

F.2.1 The principal features of the risk identification process, including risks of error or fraud, in terms of:

- Whether the process exists and is documented:

The company bases its process for identification of risks of error or fraud in the financial information on the Enterprise Risk Management – Integrated Framework issued by COSO (Committee of Sponsoring Organizations of the Treadway Commission), implementing practices aimed at designing and maintaining an internal control system that allows providing reasonable security in respect of the reliability of the regulated financial reporting.

The process of evaluation of risks of information reporting is documented in the Group’s Manual for the System for Internal Control of Financial Reporting. That procedure is available within the company’s SICFR management tool, to which the managers involved have access.

- Whether the process covers all of the financial reporting objectives (existence and occurrence, integrity, evaluation, presentation, breakdown and comparability, and rights and obligations), whether it is updated and with what frequency.

For the significant accounts and breakdowns the key processes and sub-processes associated therewith have been defined, and the risks that may generate errors and/or fraud in the financial information have been identified, covering all of the objectives of financial reporting (existence and occurrence, integrity, evaluation, presentation, breakdown and comparability, and rights and obligations), updated at least annually.

- The existence of a process of identification of the perimeter of consolidation, taking account, inter alia, of the possible existence of complex corporate structures, holding companies or special-purpose companies.

The Audit Committee is responsible for supervision of the perimeter of consolidation. The procedure for review and authorisation of the financial information is formalised monthly by way of internal review at the level of the Corporate Economic and Financial Office, and concludes with presentation to the Audit Committee, and subsequently to the Board of Directors. In these reviews, among other matters, the perimeter of consolidation, as well as any other complex corporate structure, holding company or special-purpose company, are subject to approval.

- Whether the process takes account of the effects of other types of risks (operational, technological, financial, legal, tax, reputation, environmental, etc.) to the extent affecting the financial statements:

The process of identifying financial reporting risks factors in the effect of other types of risk stipulated in the end-to-end risk management system detailed in section e) when these risks affect the financial statements. These risks are, however, assessed and managed by other areas in the company.

- Which governance body of the entity supervises the process:

The Audit Committee supervises the effectiveness of the internal control and risk management systems, so that the principal risks are identified, managed and appropriately disclosed. This supervision is carried out with the support of the Internal Audit and Risk Control Office, which is functionally independent from this Audit Committee.

F.3. Control activities.

State, indicating their principal features, whether there are at least:

F.3.1 Procedures for review and authorisation of financial information and the description of the SICFR, to be disclosed to the securities markets, indicating those responsible, as well as documentation describing the flow of activities and controls (including those related to risk of fraud) of the various types of transactions that may materially affect the financial statements, including the accounting closing procedure and the specific review of the relevant judgements, estimates, valuations and projections.

On a monthly basis, the Accounting Information and Administration Department, which organisationally reports to the Group's Economic Office, reviews and formally validates the financial information prepared and reported to the Corporate Economic and Financial Manager in order to ensure its reliability. The aforesaid procedure of review and authorisation ends with presentation thereof to the Audit Committee and, thereafter, to the board of directors. In these reviews the perimeter of consolidation, the accounting and tax criteria, judgements, and the relevant estimates and projections used in preparation of the Financial Statements are subject to approval by the Audit Committee.

Also, prior to formulation of the consolidated Annual Accounts and the Management Report, as an additional guarantee mechanism regarding the financial information, a process of Certification of Accounts has been implemented whereby the companies comprising the consolidated Group and the Offices/Departments that participate in preparation of the financial information, are expressly asked to certify that they have effective control mechanisms and that there is no fact that may significantly affect the accounts that has not been appropriately communicated.

In addition, the Economic Office, reporting to the Corporate Economic and Financial Office, has been delegated the functions of supervision of the process of design, implementation, functioning and coherence of the SICFR, as well as keeping the Audit Committee timely informed in respect thereof. While the Internal Audit and Risk Control Office is responsible for supporting the Audit Committee in its supervision and evaluation of the SICFR by way of conducting the audits included in its annual plan, and reporting the results.

The SICFR implemented within the company involves the entire Organisation by way of implementation and regular monitoring of the functioning of the various controls in the area of generation of financial information. This SICFR originated in 2008, as a part of a voluntary project. Since the 2008 financial year it has been adapted to all of the regulatory requirements and reviewed by an independent third party. As a result of its implementation, the processes/sub-processes and key controls that cover the various types of transactions that may materially affect the Financial Statements, as well as all of those affected by relevant judgements, estimates, valuations and projections, have been documented by way of flowcharts.

All of the documentation is known to the managers of each cycle/sub-cycle and is updated annually to adapt its content to the current reality of the company, as well as the possible changes in the processes, controls, risks, systems, etc.

The units that participate in preparation of the financial information must see to compliance with and updating and maintenance of the SICFR within their areas of responsibility, and must provide the Economic Office with their annual agreement with the procedures included in the SICFR. This includes ensuring that:

- i. all controls, objectives and supplementary information are properly documented;
- ii. the design and implementation of the controls provide reasonable security and cover the established control objectives;
- iii. there is no new system or procedure that is not included within the scope of the flowcharts, that may significantly affect the established control objectives;
- iv. improvement actions have been implemented if ineffective controls have been identified in a prior review.
 - The documentation describing the flows of activities and controls (including those related to the risk of fraud) include:
 - Details of the internal rules and procedures, which govern everything from general controls to sub-processes.
 - Details of the organisational structures.
 - Details of the significant cycles.
 - Flowcharts of each of the sub-processes.
 - A description of the process, the specific risk covered, incoming information prior to application of the control and outgoing information after application of the control, regularity, objective pursued, potential errors mitigated, coverage of fraud and type thereof, as well as the department responsible for implementation.
 - Details of the information systems affecting automatic and/or semi-automatic controls.
 - Assessment of the level of risk of failure of the SICFR controls, as a result of an assessment of the probability and impact thereof if they do not function effectively.

Among the principal transactions seeking to guarantee the reliability and transparency of the process of preparation of the financial information, the following are notable:

- Review of the processes of estimates and provisions (at the level of revenue and expenses).
- Review of impairment associated with recorded assets (mainly referring to assets).
- Review of the commissioning of assets and the processes for fixing associated values (capitalisable items, monitoring of administrative approvals, technical commissioning conditions, etc.).
- Renew using specific mandatory procedures and/or instructions of:
 - Accounting records and/or entries.
 - One-off transactions (evaluation at the Senior Management level of the economic and financial, corporate and legal implications that may derive from such transactions).
 - Closing of Financial Statements, and preparation of the individual and consolidated Annual Accounts. The internal reference rules governing these matters are set forth in the following:
 - i. "Manual of Accounting Policies and Chart of Accounts of the Group", which includes the accounting policies that are to govern the Group's making of accounting allocations in the information systems, as well as in the preparation of the Financial Statements and the Annual Accounts, in order to guarantee an accurate image of the assets and liabilities, financial situation, results of operations, changes in net worth and cash flows.

- ii. "Procedure for Preparation and Close of the Individual and Consolidated Financial Statements and Annual Accounts", in which it is established that "the process of closing annual accounts is a process that occurs twice each financial year (at the close of the financial year and at the midpoint of the year with preparation of the semi-annual interim information), the purpose of which is obtaining annual accounts that reflect the economic situation of the company. This process affects all companies in the Group that must prepare their own annual accounts following the local rules in their countries".
 - Preparation and publication of financial information (includes matters related to the preparation and approval of the Annual Corporate Governance Report, Annual Accounts, Corporate Responsibility Report, communications to the National Securities Market Commission, official communications, etc.). The principal internal rules governing these matters are set forth in the following:
 - i. "Internal Code of Conduct in the Securities Market".
 - ii. "Procedure for Preparation and Close of the Individual and Consolidated Financial Statements and Annual Accounts". At this specific level of closing information and, if applicable, subsequent publication, the Corporate Economic/Financial Office, the General Secretariat, the Board of Directors and the office of the Chairperson play a fundamental role.

- F.3.2 Policies and procedures for internal control of information systems (inter alia regarding secure access, control of changes, operation thereof, operational continuity and separation of functions) that support the relevant processes of the entity in relation to preparation and publication of financial information.

The Group has established a protocol for conduct and use of computer and communications systems, the preparation of which is the responsibility of the Corporate Information Technologies Office. This document establishes the principal rules to govern use of computer and telecommunications resources that the Group makes available to its workers (equipment, applications, Internet access and electronic messaging services).

On the other hand, the Group maintains a procedure that regulates the activities of management of computer security in the environment of the corporate information systems, the responsibility of the Corporate Information Technologies Office.

The following controls and measures exist to provide the Group with reasonable assurance regarding the internal control of the information systems:

- Annually there is analysis of the security risks of the information in the Corporate Information Systems (*Sistemas de Información Corporativos*, or "SIC"), which allows obtaining a list of the most significant risks, with assessment thereof, and establishing the actions and measures necessary to reduce or maintain the level of risk of those considered to be most important.
- The security rules are reviewed annually, or whenever there are significant changes, in order to assure maintenance of their suitability, adequacy and effectiveness.
- An inventory is maintained of all assets (equipment, software, applications and information) that are a part of the SIC. Each asset must have an assigned responsible organisational unit.
- General measures are established to protect the information, depending on the category in which it is classified. In addition, the responsible unit may define specific measures complementing the general measures.
- Security documentation addressed to employees and outside collaborators is prepared and published.
- The heads of the units are to verify that new employees and outside collaborators are aware of the published information security documentation. Also, they are to see to it that these persons comply with the content of the documentation.
- The Human Resources Office is to report to the Information Technologies Department on all movements of personnel, internal and external (hires, departures, transfers and changes of position) in order for it to apply the corresponding changes in rights of access to the information systems.
- All employees and collaborators must return the computer equipment in their possession at the end of the employment, contract or relationship with the company, and may not appropriate information.
- A risk evaluation will be conducted to determine the security implications deriving from the process of participation of outside collaborators in business processes, and appropriate controls will be defined and implemented.
- The Corporate Resources and Transformation Office will define and implement the physical security measures to protect the facilities in which the information systems are housed against damage caused by fire, flood and other forms of natural or man-made disasters. In addition, it will establish appropriate controls of entrance into restricted access areas, to ensure that only authorised personnel are allowed access.
- The Information Technologies and Systems Department will ensure proper and secure operation of the information systems for which it is responsible, by preparation and implementation of appropriate operating procedures. These procedures will contemplate separation of duties to reduce the risk of negligence or deliberate misuse of the system. In the case of provision of computer services by third parties, the Information Technologies and Systems Department must verify that the agreed security controls and service levels have been implemented and are maintained by the third parties.
- The Information Technologies and Systems Department is responsible for defining rules and procedures for management of access (authentication and authorisation) by users to the information systems.
- Formal communications procedures will be established to ensure that information security incidents and weaknesses associated with the information systems are communicated to it in a manner allowing timely corrective action.
- An Informatics Contingency Plan (*Plan de Contingencias Informáticas*, or "PCI") is prepared for the information systems, so that in the event of a disaster destroying them or making them unavailable resumption of service may be accomplished at a time consistent with their level of criticality.

- F.3.3 Internal control policies and procedures to monitor the management of activity subcontracted to third parties, as well as such matters of evaluation, calculation or valuation as may be entrusted to independent experts, which may materially affect the financial statements.

The Group is particularly concerned with operations undertaken by third parties (in order to ensure that, in key processes that may be outsourced there is a maximum guarantee of control and the standards demanded by the Group are fulfilled).

In all cases, outsourcing of such activities is based on a services agreement, which clearly indicates the services to be rendered and the resources the third party is to provide to perform such services. There is exhaustive control of such subcontracted activities, and there is evidence of that control.

The Group also has a code of conduct for suppliers, the objective of which is to make its suppliers aware of the general principles for their working and professional conduct within their different areas of activity. The Group sees to the ongoing application of these principles by the suppliers.

F.4. Information and communication.

State, indicating their principal features, whether there are at least:

- F.4.1 A specific function responsible for defining and updating accounting policies (an accounting policy department or area) and resolving doubts or conflicts deriving from their interpretation, maintaining fluid communication with those responsible for the operations within the organisation, and an updated accounting policies manual communicated to the units through which the entity operates.

The Group has a "Manual of Accounting Policies and Chart of Accounts of the Group" which serves as a reference to set the guidelines and actions in the field of accounting records, and is appropriately communicated to the employees to which it is applicable (any action is to be taken taking the provisions of the aforesaid manual into account). This manual is updated periodically, the most recent update being in December 2019; in the update process it is verified that the accounting policies are within the regulatory framework applicable to the company, as established in the Commercial Code, General Accounting Plan and other commercial legislation, as well as the International Financial Reporting Standards adopted by the European Union.

In addition, the Accounting Information and Administration Department, located within the Economic Office, assumes responsibility for defining and resolving any matter related to the interpretation of the accounting policies, covering any area of the various companies. The Economic Office organisationally is located within the Corporate Economic and Financial Office, which in turn reports to the managing director.

- F.4.2 Mechanisms for capture and preparation of financial information in standardised format, applicable to and used by all units of the entity of the group, supporting the principal financial statements and the notes, as well as the information specified regarding the SICFR.

The Group has formal processes for closing and preparation of the information associated with the Financial Statements and the Annual Accounts. In both cases, the procedures for closing of the Financial Statements and preparation of the Annual Accounts contain guides for action and supervision that are implemented when obtaining, analysing and thereafter preparing the information for final approval.

The system supporting the operations of the Group is principally SAP. The companies that do not use SAP are required to apply the criteria fixed by the Group to ensure uniformity in those processes by way of a reporting package prepared for that purpose, which must include all breakdowns needed for preparation of the Financial Statements and notes. In the process of preparation of the consolidated financial information and the breakdowns thereof a computer application is used that ensures the uniformity, standardisation and validity of the information.

For its part, the SICFR is supported by a corporate tool that is managed centrally, from which the information specified in the SICFR is drawn. In addition, the Group has implemented a specific mechanism for the entire process of formulation of the Annual Accounts, in which the Audit Committee is of particular relevance. Functionally it reports to the Board of Directors, and is responsible for seeing to a maximum guarantee of the entire process of preparation (among other matters, both at the level of the work supervising Internal Audit and by the outside auditor), as a step prior to formulation by the Board of Directors.

In addition, in application of Directive 2013/50/EU, in fiscal year 2020 the transition to the publication of the consolidated financial statements in ESEF ("European Single Electronic Format") format was carried out.

The primary financial statements have been prepared in XHTML format, and all figures (using ESEF taxonomy and iXBRL markup language) of the statement of financial position, statement of income and other comprehensive income, statement of changes in equity and statement of cash flows have been tagged in the consolidated financial statements in accordance with IFRS.

The directors shall be responsible for preparing and publishing the individual and consolidated annual financial statements and management report, which together make up the annual financial report, which shall be prepared in ESEF.

Finally, in order to provide external agents with reliable and truthful financial information on its assets and liabilities, financial situation and the results of its operations, the following has been drafted the "Internal Rules of Conduct in the Securities Market" have been drawn up, which regulate these aspects, both in the communications to the supervisory bodies The "Internal Rules of Conduct in the Securities Market"

have been drafted, which regulate these aspects, both in communications to supervisory and/or regulatory bodies, as well as at the media level.

F.5. Supervision of the functioning of the system.

State, indicating the main features, at least:

F.5.1 The SICFR supervision activities undertaken by the Audit Committee, and whether the entity has an internal audit function that within its authority supports the commission in its supervision of the internal control system, including the SICFR. Also state the scope of the evaluation of the SICFR undertaken during the financial year and the procedure whereby the one responsible for performing the evaluation communicates the results thereof, whether the entity has an action plan specifying the possible corrective measures, and whether the impact thereof on financial information has been considered.

Supervision of the financial information is a responsibility given to the Audit Committee. Its responsibilities include, inter alia, (i) approval of the accounting principles to be used in preparation of the Annual Accounts of the company and its consolidated Group; (ii) supervision of the process of preparation and presentation, as well as the integrity of the financial information of the company and, if applicable, the Group, seeing to it that the regulatory requirements are observed; (iii) appropriate delimitation of the perimeter of consolidation; and (iv) proper application of the applicable accounting principles and criteria.

In addition, the Audit Committee regularly monitors the effectiveness of the internal control and risk management systems, so that the principal risks are identified, managed and appropriately disclosed, in particular the systems related to the process of issuing financial information, among which is the SICFR, aimed at providing reasonable assurance of the reliability of the financial information.

For the performance of these functions the Audit Committee has the support of the Internal Audit and Risk Control Office, hierarchically reporting to the chairperson of the company, and functionally to the Audit Committee. The Audit Committee sees to the independence and effectiveness of the Internal Audit function; supervises and controls the process of selection, appointment, re-election and removal of the head of the audit function; controls the resources assigned to the Internal Audit function and, inter alia, its budget; receives periodic information regarding its activities; and verifies that the Senior Management of the company and the Group is acting on the conclusions and recommendations in its reports.

The head of Internal Audit must present an annual work programme to the Audit Committee, report to it directly on any issues arising during its implementation and submit an activities report at the end of each financial year. Regarding the SICFR, the Internal Audit work plan contemplates covering the entire SICFR in periods of 3 years. Internal Audit designs and executes a testing plan on the control environment, general controls, area level controls and established procedures, and on a selective basis verifies compliance with the designed flowcharts. Once fieldwork is completed, Internal Audit prepares and issues the SICFR audit reports, based on the provisions of the annual work plan approved by the Audit Committee, and verifies proper implementation of the SICFR corrective actions.

In addition to the audit work performed by Internal Audit in relation to the SICFR, on an annual basis there is an audit of the SICFR to confirm reasonable assurance of the design and effective application thereof. This audit of the SICFR by outside auditors has been performed since the 2008 financial year.

The Audit Committee is timely informed of the reviews performed by Internal Audit and the outside auditor, other SICFR tasks performed and the evolution of the action plan regarding recommendations for improvement identified in the audits. These recommendations for improvement are classified by priority and those associated with risk of fraud are broken out.

Throughout the 2020 financial year, the Hispasat subgroup and its subsidiaries have adapted their control system to the criteria established in the Internal Control Integrated Framework issued by COSO, having standardized the information and integrated it into the SICFR of the Red Eléctrica Group.

The Group considers that it maintains an effective SICFR. In the 2020 financial year no significant deficiencies were detected in the Group's SICFR and the external auditor has concluded that the Group has an effective SICFR.

F.5.2 Whether there is a procedure for discussion whereby the auditor (in accordance with the provisions of the NTA (*Normas Técnicas de Auditoría*, the Technical Audit Standards)), the internal audit function and other experts may advise senior management and the Audit Committee or directors of the entity of significant weaknesses in internal control identified during the processes of review of the annual accounts or such others as may have been entrusted to them. Also, state whether there is an action plan seeking to correct or mitigate the weaknesses identified.

In relation to the outside auditors, the Board of Directors Regulations provide that it is regularly (at least once each year) to request them to provide an evaluation of the quality of the Group's internal control procedures.

With regard to the company's Audit Committee, as regards supervision of the functioning of the internal control system, among its objectives is ensuring that the outside auditor, the Internal Audit function and other experts may advise the board of directors of the significant weaknesses in internal control identified during the processes of review the Annual Accounts, or such others as may have been entrusted to them. In this regard, the communications are to be sent for each review when it is completed, always prior to formulation of the Financial Statements by the Board of Directors.

F.6. Other relevant information.

F.7. Outside auditor's report.

State:

F.7.1 Whether the SICFR information transmitted to the markets has been reviewed by the outside auditor, in which case the entity must include the corresponding report as an annex. If not, it must state the reasons.

The Group has voluntarily submitted its SICFR to review since 2008. These reviews were performed by Deloitte, S.L. until 31 December 2012; by PriceWaterhouseCoopers from 1 January 2013 until 31 December 2014; and by KPMG, S.L since 1 January 2015.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

State the company's degree of compliance with the recommendations of the Code of Good Governance of Listed Companies.

If any recommendation is not complied with or is complied with partially, a detailed explanation of the reasons must be included so the shareholders, investors and market in general have sufficient information to evaluate the actions of the company. General explanations will not be acceptable.

1. The articles of association of listed companies should not place an upper limit on the votes that can be cast by a single shareholder nor impose other obstacles to the takeover of the company by means of share purchases on the market.

Complies [X] Explain []

2. That, when the listed company is controlled, within the meaning of Article 42 of the Commercial Code, by another entity, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to those of any of them, it should publicly disclose the following in a precise manner:

- a) The type of activity they engage in, and any business dealings between them, we well as between the subsidiary and other group companies.

- b) The mechanisms in place to resolve possible conflicts of interest.

Complies [] Partially complies [] Explain [] Not applicable [X]

3. During the holding of the annual general meeting, as a supplement to written dissemination of the annual corporate governance report, the chairperson of the board of directors should verbally advise the shareholders, in sufficient detail, of the most relevant corporate governance matters of the company, in particular:

- a) The changes occurring since the prior annual general meeting of shareholders.

- b) The specific reasons the company does not comply with the recommendations in the Code of Corporate Governance and the alternative rules, if any, applied in this regard.

Complies [X] Partially complies [] Explain []

4. The Company should define and promote a policy on communication and contacts with shareholders and institutional investors in the context of their involvement in the company, as well as with voting advisors that fully respects the rules against market abuse and gives equal treatment to shareholders in the same position.

And that, without prejudice to the legal obligations regarding the dissemination of privileged information and other types of regulated information, the Company also has a general policy regarding the communication of economic-financial, non-financial and corporate information through the channels it deems appropriate (media, social networks or other channels) that contributes to maximizing the dissemination and quality of the information available to the market, to the shareholders and other stakeholders.

Complies [X] Partially complies [] Explain []

5. The board of directors should not refer to the general meeting any proposed delegation of authority to issue shares or convertible securities excluding the right of pre-emption in an amount greater than 20% of the capital at the time of the delegation.

And when the board of directors approves an issue of shares or convertible securities with exclusion of the right of pre-emption, the company on its website should immediately publish the reports regarding that exclusion referred to in the commercial legislation.

Complies [X] Partially complies [] Explain []

6. Listed companies that prepare the reports identified below, whether mandatorily or voluntarily, should publish them on their websites sufficiently in advance of the holding of the annual general meeting, even if dissemination thereof is not mandatory:

- a) Report on independence of the auditor.

- b) Reports on the functioning of the audit and appointments and remuneration committees.

- c) Audit Committee report on related party transactions.

Complies [X] Partially complies [] Explain []

7. The company should provide live broadcasts of the holding of the general meetings of shareholders by way of its website.

And that the Company has mechanisms that allow the delegation and exercise of votes by telematic means and even, in the case of large cap companies and to the extent proportionate, attendance and active participation in the General Shareholders' Meeting.

Complies Explain

8. The Audit Committee should ensure that the annual accounts submitted by the Board Of Directors to the General Shareholders' Meeting are prepared in accordance with accounting regulations. And that in those cases in which the auditor has included a qualification in his audit report, the Chair of the Audit Committee should clearly explain at the General Shareholders' Meeting the Audit Committee's opinion on its content and scope, a summary of which shall be made available to the shareholders at the time of the publication of the notice of the meeting, together with the rest of the proposals and reports of the board.

Complies Partially complies Explain

9. The company on its website, on a permanent basis, should publish the requirements and procedures it will accept to evidence ownership of shares, the right of attending the general meeting of shareholders and the exercise or delegation of voting rights.

And the aforesaid requirements and procedures should promote attendance and the exercise of shareholder rights and be applied in a non-discriminatory manner.

Complies Partially complies Explain

10. When any shareholder entitled to do so, prior to the holding of the general meeting of shareholders, exercises the right to supplement the agenda or present new proposed resolutions, the company should:

- a) Immediately disseminate those supplementary points and new proposed resolutions.
- b) Make the attendance card, proxy or remote voting form public, with the changes required for voting on the new points on the agenda and alternative proposed resolutions, on the same terms as for proposals by the board of directors.
- c) Submit all such points or alternative proposals to vote and apply the same voting rules thereto as those formulated by the board of directors, in particular including the presumptions or inferences regarding the sense of the vote.
- d) Subsequent to the general meeting of shareholders, communicate the breakdown of the vote on such supplementary points or alternative proposals.

Complies Partially complies Explain Not applicable

11. If the company contemplates paying attendance allowances for the general meeting of shareholders, it should establish a general policy regarding such allowances in advance, and that policy should be stable.

Complies Partially complies Explain Not applicable

12. The board of directors should carry out its functions with unity of purpose and independence of judgement, give the same treatment to all shareholders that are in the same position and be guided by the corporate interest, that being understood to be achievement of a profitable business sustainable in the long term, promoting its continuity and maximising the economic value of the company.

And in pursuit of the corporate interest, in addition to respecting the laws and regulations and behaving based on good faith, ethics and respect for commonly accepted best practices and uses, it should seek to reconcile the corporate interest, as applicable, with the legitimate interests of its employees, suppliers, customers and other stakeholders that may be affected, and the impact of the activities of the company in the community as a whole and in the environment.

Complies Partially complies Explain

13. The board of directors should be of the size necessary to achieve effective and participatory functioning, which makes it advisable for it to have between five and fifteen members.

Complies Explain

14. The board of directors should approve a director selection policy that:

- a) Is specific and verifiable.
- b) Ensures that the proposals for appointment or re-election are based on prior analysis of the required faculties of the board of directors.

- c) Promotes diversity of knowledge, experience, age and gender. For this purpose, measures that encourage the company to have a significant number of female senior managers are considered to favour gender diversity.

The results of the prior analysis of the required faculties of the board of directors should be set forth in the explanatory report of the appointments committee that is published upon call of the general meeting of shareholders to which the ratification, appointment or re-election of each director is submitted.

The appointments committee annually will verify compliance with this policy and will report thereon in the annual corporate governance report.

Complies Partially complies Explain

15. Proprietary and independent directors should constitute an ample majority of board of directors' positions, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the percentage ownership interest they hold in the company.

And that the number of female directors should account for at least 40% of the members of the board of directors by the end of 2022 and thereafter, and not be less than 30% prior to that date.

Complies Partially complies Explain

16. Proprietary directors as a percentage of non-executive directors should not be greater than the capital of the company represented by those directors as a percentage of the remainder of capital.

This criterion may be eased:

- a) In companies of high capitalisation in which there are few shareholdings legally considered to be significant.
b) In companies with a plurality of shareholders represented on the board of directors but not otherwise related.

Complies Explain

17. The number of independent directors is at least half of the total number of directors. However, when the company is not of high capitalisation or, when it is, it has a shareholder or multiple shareholders acting in concert, which control more than 30% of the share capital, the number of independent directors should represent at least one third of the total number of directors.

Complies Explain

18. Companies should post the following director particulars on their websites, and keep them updated:

- a) Professional experience and background.
b) Other boards of directors to which they belong, whether or not the companies are listed, as well as the other compensated activities they engage in, whatever their nature.
c) Indication of the category to which the director belongs, in the case of proprietary directors indicating the shareholder represented or with which the director has ties.
d) The date of their first and subsequent appointments as a company director, and subsequent re-elections.
e) Shares held in the company and any options thereon held thereby.

Complies Partially complies Explain

19. In the annual corporate governance report, after verification by the appointments committee, the reasons for the appointment of proprietary directors proposed by shareholders with share interests less than 3% of capital should be explained, as should the reasons for any rejection of a formal request for a board position from shareholders whose share interest is not less than that of others successfully applying for a proprietary directorship.

Complies Partially complies Explain Not applicable

20. Proprietary directors should resign when the shareholders they represent fully transfer their shareholdings. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

| | Complies [X] | Partially complies [] | Explain [] | Not applicable [] |
|-----|--|------------------------|-------------|----------------------|
| 21. | | | | |
| | <p>The board of directors should not propose the removal of any independent director before the expiry of that director's tenure as mandated by the articles, except where just cause is found by the board of directors, after a report from the appointments committee. In particular, just cause is understood to exist when the director comes to occupy new positions or assumes new obligations that prevent its dedicating the time necessary for performance of the functions inherent in the position of a director, breaches the duties inherent in the position or is in any of the circumstances resulting in loss of independent status, in accordance with the provisions of applicable law.</p> <p>The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction produces changes in the capital structure of the company, in order to meet the proportionality criterion indicated in recommendation 16.</p> | | | |
| | Complies [X] | | Explain [] | |
| 22. | | | | |
| | <p>Companies should establish rules obliging directors to report and, where appropriate, resign when situations affecting them arise, whether or not related to their performance in the company itself, which could damage the credit and reputation of the company. In particular, they should be obliged to inform the board of directors of any criminal proceedings that initiates against them, as well as the progress of any such proceedings.</p> <p>And that, having been informed or having otherwise become aware of any of the situations mentioned in the preceding paragraph, the board should examine the case as soon as possible and, in view of the specific circumstances, decide, following a report from the appointments and remuneration committee, whether or not to adopt any measure, such as opening an internal investigation, requesting the resignation of the director or proposing his or her removal. The annual corporate governance report should contain a report on the matter, unless there are special circumstances that justify it, which should be recorded in the minutes. This is without prejudice to the information that the Company must disclose, if appropriate, at the time of the adoption of the corresponding measures.</p> | | | |
| | Complies [X] | Partially complies [] | Explain [] | |
| 23. | | | | |
| | <p>All directors should express clear opposition when they feel a proposal submitted for the approval of the board of directors might harm the corporate interest. In particular, independents and other directors unaffected by the conflict of interests should challenge any decision that could go against the interests of shareholders lacking board of directors representation.</p> <p>When the board of directors makes significant or reiterated decisions about which a director has expressed serious reservations, he should draw the pertinent conclusions. Directors resigning for such causes should explain their reasons in the letter referred to in the next recommendation.</p> <p>This recommendation also applies to the secretary of the board of directors, whether or not a director.</p> | | | |
| | Complies [] | Partially complies [] | Explain [] | Not applicable [X] |
| 24. | | | | |
| | <p>When, either by resignation or by resolution of the general meeting, a director leaves office before the end of his term of office, he should sufficiently explain the reasons for his resignation or, in the case of non-executive directors, his opinion on the reasons for the removal by the meeting, in a letter to be sent to all members of the board of directors.</p> <p>And, without prejudice to the disclosure of all of the above in the annual corporate governance report, to the extent that it is relevant to investors, the company should publish the resignation as soon as possible, including sufficient reference to the reasons or circumstances provided by the director.</p> | | | |
| | Complies [X] | Partially complies [] | Explain [] | Not applicable [] |
| 25. | | | | |
| | <p>The appointments committee should ensure that non-executive directors have sufficient time available for proper performance of their duties.</p> <p>And the board of directors regulations should establish the maximum number of boards of companies of which their directors may be members.</p> | | | |
| | Complies [X] | Partially complies [] | Explain [] | |
| 26. | | | | |
| | <p>That the board of directors should meet with the frequency necessary to properly perform its duties, at least eight times per year, in accordance with a schedule of dates and agendas established at the beginning of the year, each director individually being entitled to add other agenda items.</p> | | | |
| | Complies [X] | Partially complies [] | Explain [] | |

27. Director absences should be kept to a strict minimum and quantified in the Annual Corporate Governance Report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.
- Complies Partially complies Explain
28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, the person expressing them can request that they be recorded in the minute book.
- Complies Partially complies Explain Not applicable
29. The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.
- Complies Partially complies Explain
30. Independently of the knowledge required of directors for performance of their duties, companies should also offer directors refresher courses when circumstances so warrant.
- Complies Explain Not applicable
31. Agendas for meetings should clearly indicate those points in respect of which the board of directors must adopt a decision or resolution, so that the directors may, in advance, study or collect the information necessary for adoption thereof.
- When, exceptionally, by reason of urgency, the chairperson wishes to submit decisions or resolutions not appearing on the agenda for approval of the board of directors, express prior consent of the majority of the directors present will be required, with that consent to be reflected in the minutes.
- Complies Partially complies Explain
32. The directors should be regularly advised of movements in shareholdings and the opinions held by significant shareholders, investors and rating agencies regarding the company and its group.
- Complies Partially complies Explain
33. The chairperson, as the one responsible for effective functioning of the board of directors, in addition to exercising the functions attributed thereto by law and the articles, should prepare and submit to the board of directors a schedule of dates and matters to be considered; organise and coordinate the periodic evaluation of the Board and, if applicable, the Managing Director of the company; be responsible for direction the Board and the effectiveness of its functioning; see to it that sufficient time is devoted to discussion of strategic matters, and order and review the refresher programmes for each director, when circumstances so warrant.
- Complies Partially complies Explain
34. When there is a lead director, in addition to the authority corresponding to it by law, the articles or the board of directors regulations should give the lead director the following authority: chairing the board of directors in the absence of the Chairperson and the vice chairpersons, if any; voice the concerns of the non-executive directors; maintaining contact with investors and shareholders to learn of their points of view for purposes of forming an opinion regarding their concerns, in particular in relation to the corporate governance of the company; and coordinating the succession plan for the chairperson.
- Complies Partially complies Explain Not applicable
35. The Secretary of the board of directors in particular should see to it that the board of directors, in its actions and decisions, takes account of such corporate good governance recommendations contained in this Good Governance Code of Listed Companies as may be applicable to the company.
- Complies Explain
36. The full board of directors annually should evaluate and, if applicable, adopt an action plan correcting deficiencies identified in respect of:
- The quality and efficiency of the functioning of the board of directors.
 - The functioning and composition of its committees.
 - Diversity in the composition and competencies of the board of directors.
 - The performance of the chairperson of the board of directors and, if applicable, the company's managing director.

e) The performance and contribution of each director, paying special attention to the heads of the various committees of the board.

Evaluation of the various committees will start from the report they submit to the board of directors. Evaluation of the board of directors will start from the report submitted by the appointments committee.

Every three years the board of directors will be assisted in the evaluation by an outside consultant, the independence of which will be verified by the appointments committee.

The business relationships maintained by the consultant or any company in its group with the company or any company in its group must be itemised in the annual corporate governance report.

The process and the areas evaluated will be described in the annual corporate governance report.

Complies Partially complies Explain

37. When there is an executive committee, at least two non-executive directors should sit on it, at least one of whom should be independent; and its secretary should be the secretary of the board of directors.

Complies Partially complies Explain Not applicable

38. The board of directors should be kept fully informed of the business transacted and decisions made by the executive committee and all members of the board of directors should receive copies of the minutes of the meetings of the executive committee

Complies Partially complies Explain Not applicable

39. That the members of the audit committee as a whole, and especially its chair, are appointed taking into account their knowledge and experience in accounting, auditing and risk management, both financial and non-financial.

Complies Partially complies Explain

40. Under the supervision of the Audit Committee, there should be a unit that assumes the internal audit function, seeing to the proper functioning of the internal control and information systems, and functionally reporting to the non-executive director that chairs the Board or the Audit Committee.

Complies Partially complies Explain

41. The head of the unit in charge of the internal audit function should present the annual work plan to the audit committee for approval by the committee or the board, report directly to it on its execution, including any incidents and limitations on scope that may arise in its development, the results and follow-up of its recommendations, and submit an activities report at the end of each year..

Complies Partially complies Explain Not applicable

42. In addition to those contemplated by law, the Audit Committee should have the following functions:

1. As regards internal reporting and control systems:

- a) Supervise and evaluate the preparation process and the integrity of financial and non-financial information, as well as the control and management systems for financial and non-financial risks relating to the company and, if applicable, to the group - including operational, technological, legal, social, environmental, political, reputational and corruption-related risks - reviewing compliance with regulatory requirements, the appropriate delimitation of the scope of consolidation and the correct application of accounting criteria..
- b) Ensuring the independence of the unit that assumes the internal audit function, proposing the selection, appointment, re-election and removal of the head of the internal audit service; proposing the budget of this service; approving its orientation and work plans, ensuring that its activity is principally focused on the relevant risks of the company; receiving periodic information regarding its activities; and verifying that senior management takes account of the conclusions and recommendations in its reports.
- c) Establishing and supervising a mechanism to enable employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report potentially significant irregularities, including financial and accounting irregularities, or of any other nature, related to the company that they notice within the company or its group. This mechanism must guarantee confidentiality and, in any case, provide for cases in which communications can be made anonymously, respecting the rights of both the whistleblower and the reported party.
- d) To ensure in general that the policies and systems established in the area of internal control are effectively applied in practice.

2. Regarding the outside auditor:

- a) Investigating the circumstances giving rise to the resignation of any outside auditor.
- b) Seeing to it that the remuneration of the outside auditor for its work does not compromise its quality or independence.
- c) Seeing to it that the company notifies any change of auditor to the CNMV, accompanied by a statement regarding the existence of disagreements with the outgoing auditor and, if applicable, the substance thereof.
- d) Ensuring that the outside auditor annually has a meeting with the full board of directors to report to it on the work performed and the evolution of the accounting and risk situation of the company.
- e) Ensuring that the company and the outside auditor comply with current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other regulations of the independence of auditors.

Complies Partially complies Explain

43. The Audit Committee should have authority to meet with any company employee or executive, even ordering their appearance without the presence of another executive.

Complies Partially complies Explain

44. The Audit Committee should be informed of structural and corporate modification transactions expected to be implemented by the company, for analysis thereof and prior report to the board of directors on the economic conditions thereof and their accounting impact, in particular, if applicable, on the proposed exchange ratio.

Complies Partially complies Explain Not applicable

45. The risk control and management policy should identify or determine at least the following:

- a) The various kinds of risk, financial and non-financial (inter alia operating, technological, legal, social, environmental, political and reputation, including those related to corruption) to which the company is exposed, including contingent liabilities and other off-balance-sheet risks within financial or economic risks.
- b) A risk control and management model based on different levels, including a specialized risk committee when the sectorial regulations so provide, or when the company deems it appropriate.
- c) The setting of the level of risk that the company deems acceptable.
- d) The measures contemplated for mitigating the impact of the identified risks, should they materialise.
- e) The internal reporting and control systems to be used to control and manage the aforesaid risks, including contingent liabilities and off-balance-sheet risks.

Complies Partially complies Explain

46. Under the direct supervision of the Audit Committee or, if applicable, a specialised commission of the board of directors, there should be an internal risk management and control function exercised by a unit or internal department of the company that is expressly given the following functions:

- a) Ensuring the good functioning of the risk control and management systems, in particular that all important risks affecting the company are appropriately identified, managed and quantified.
- b) Actively participating in the preparation of the risk strategy and in important decisions regarding the management thereof.
- c) Seeing to it that the risk control and management systems adequately mitigate the risks within the context of the policy defined by the board of directors.

Complies Partially complies Explain

47. The members of the appointments and remuneration committee (or of the appointments committee and the remuneration committee, if they are separate) should be designated in a manner ensuring that they have the knowledge, skills and experience appropriate to the functions they are called on to perform, and the majority of those members should be independent directors.

Complies Partially complies Explain

48. High capitalisation companies should have an appointments committee and a separate remuneration committee.

Complies []

Explain [X]

Not applicable []

The company has not considered it convenient to have a separate appointments committee and a separate remuneration committee for the following reasons:

- Because of the small size of the board of directors (composed of 12 members, one of whom is an executive director) in comparison.
- Also, it is considered that a single committee can fully comply with all the functions that the law and the recommendations attribute to one and the other committee separately.

49. The appointments committee should consult with the chairperson of the board of directors and the company's managing director, especially on matters relating to executive directors.

And any director should be entitled to request of the appointments committee that it consider potential candidates to fill director vacancies, if in its judgement they are suitable.

Complies [X]

Partially complies []

Explain []

50. The remuneration committee should exercise its functions independently, and in addition to those given to it by law, it should have the following functions:

- a) Proposing to the board of directors the standard conditions for senior manager contracts.
- b) Verifying that the remuneration policy established by the company is observed.
- c) Periodically reviewing the remuneration policy applied to directors and senior managers, including share-based remuneration schemes and application thereof, as well as ensuring that individual remuneration is proportionate to that paid to other directors and senior managers of the company.
- d) Seeing to it that possible conflicts of interests do not compromise the independence of the outside advice provided to the committee.
- e) Verifying the information on remuneration of directors and senior managers contained in the various corporate documents, including the annual report on remuneration of directors.

Complies [X]

Partially complies []

Explain []

51. The remuneration committee should consult with the chairperson and managing director of the company, especially on matters relating to executive directors and senior managers.

Complies [X]

Partially complies []

Explain []

52. The rules for the composition and functioning of the supervision and control committees should appear in the board of directors regulations, and should be consistent with those applicable to the committees mandated by law in accordance with the foregoing recommendations, including:

- a) They should be composed exclusively of non-executive directors, with a majority of independent directors.
- b) Committees should be chaired by independent directors.
- c) The board of directors should appoint the members of such committees based on the knowledge, skills and experience of the directors and the tasks of each committee, discuss their proposals and reports, and they should render accounts, at the first full meeting of the board of directors subsequent to their meetings, of their activities and take responsibility for the work performed.
- d) The committees should be entitled to engage outside advisors, when they feel this is necessary for the discharge of their duties.
- e) Minutes of the meeting should be prepared and made available to all directors.

Complies [X]

Partially complies []

Explain []

Not applicable []

53. The supervision of compliance with the company's environmental, social and corporate governance policies and rules, as well as internal codes of conduct, should be entrusted to one or more committees of the board of directors, which may be the audit committee, the appointments committee, a committee specialized in sustainability or corporate social responsibility or any other specialized committee that the board of directors, in the exercise of its powers of self-organization, has decided to create. Such committee should be composed

solely of non-executive directors, the majority of whom should be independent, and should be specifically assigned the minimum functions indicated in the following recommendation.

Complies [X] Partially complies [] Explain []

54. The minimum functions referred to in the above recommendation are as follows:
- a) Overseeing compliance with corporate governance rules and the company's internal codes of conduct, ensuring, in this regard, that the corporate culture is aligned with its purpose and values.
 - b) The supervision of the application of the general policy regarding the communication of economic-financial, non-financial and corporate information as well as communication with shareholders and investors, voting advisors and other stakeholders. Likewise, the way in which the entity communicates and relates with small and medium-sized shareholders will be monitored.
 - c) The evaluation and periodic review of the corporate governance system and the company's environmental and social policy, so that they fulfil their mission of promoting the social interest and take into account, as appropriate, the legitimate interests of other stakeholders.
 - d) Monitoring that the company's environmental and social practices are in line with its strategy and policy.
 - e) Monitoring and evaluation of stakeholder relations processes.

55. The corporate social responsibility policy in environmental and social matters identify and include, at least:

- a) The principles, commitments, objectives and strategy with regard to shareholders, employees, customers, suppliers, social issues, environment, diversity, fiscal responsibility, respect for human rights and the prevention of corruption and other unlawful conduct.
- b) The methods or systems for monitoring the results of application of the specific practices indicated above, the associated risks and management thereof.
- c) The mechanisms for supervision of non-financial risk, ethics and business conduct.
- d) The channels for communication with, participation of and dialogue with stakeholders.
- e) The responsible communication practices that avoid manipulation of information and protect integrity and honour.

Complies [X] Partially complies [] Explain []

56. In a separate document or in the management report, the company should report on the matters related to corporate social responsibility, for that purpose using any of the internationally accepted methodologies.

Complies [X] Partially complies [] Explain []

57. The remuneration of directors should be such remuneration as is necessary to attract and retain directors of the desired profile and compensate the dedication, qualification and responsibility the position requires, but not so high as to compromise the independence of judgement of the non-executive directors.

Complies [X] Explain []

58. Variable remuneration tied to the performance of the company and personal performance, and remuneration in the form of delivery of shares, options or rights on shares or instruments indexed to the value of the share and long-term savings systems such as pension plans, retirement systems or other social security systems should be limited to executive directors.

The delivery of shares as remuneration to non-executive directors may be contemplated when it is conditioned on their holding them until they cease to be directors. The foregoing will not apply to the shares, if any, the director needs to dispose of in order to pay the costs related to acquisition thereof.

Complies [X] Partially complies [] Explain []

59. That the payment of the variable components of remuneration is subject to sufficient verification that the performance or other conditions previously established have been effectively fulfilled. The entities shall include in the annual directors' remuneration report the criteria as to the time required and methods for such verification depending on the nature and characteristics of each variable component.

In addition, the entities should consider the establishment of a "malus" clause based on the deferral for a sufficient period of time of the payment of a portion of the variable components implying their total or partial loss in the event that some event occurs prior to the time of payment that makes it advisable to do so.

Complies Partially complies Explain Not applicable

60. In the case of remuneration linked to company earnings, account should be taken of any qualifications stated in the outside auditor's report that reduce those earnings.

Complies Partially complies Explain Not applicable

61. A significant percentage of the variable remuneration of executive directors should be tied to delivery of shares or financial instruments indexed to their value.

Complies Partially complies Explain Not applicable

62. That once the shares, options or financial instruments corresponding to the remuneration systems have been assigned, the executive directors may not transfer their ownership or exercise them until a period of at least three years has elapsed.

An exception is made in the case where the director maintains, at the time of the transfer or exercise, a net economic exposure to the variation of the share price for a market value equivalent to an amount of at least twice his annual fixed remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to shares that the director needs to dispose of in order to meet the costs related to their acquisition or, subject to the favourable opinion of the appointments and remuneration committee, to meet extraordinary situations that require it.

Complies Partially complies Explain Not applicable

As in 2019, the person who has held the position of managing director in 2020 has made a commitment to the company to maintain ownership of the shares received as annual variable remuneration each year for at least five years. This is enshrined in the Annual Report on Directors' Remuneration, approved by the Board of Directors at its meeting held on 23 February 2021; thus, this recommendation is compiled insofar as it concerns the minimum period of three years set forth therein.

63. The contractual arrangements should include a clause allowing the company to claim repayment of the variable components of remuneration when the payment is not in accordance with the performance conditions, or when the remuneration has been paid based on information later shown to be inaccurate.

Complies Partially complies Explain Not applicable

64. Payments for termination or extinction of the contract should not exceed an amount equivalent to two years of the total annual remuneration and should not be paid until the company has been able to verify that the director has complied with the criteria or conditions established for its receipt.

Regarding this recommendation, payments due to contractual termination shall include any payments whose accrual or payment obligation arises as a result of, or in connection with, the termination of the contractual relationship between the director and the company, including amounts not previously consolidated from long-term savings systems and amounts paid under post-contractual non-competition covenants.

Complies Partially complies Explain Not applicable

H. OTHER INFORMATION OF INTEREST

1. If there is any relevant aspect of corporate governance within the company or the entities in the group that has not been included in the other sections of this report, but that it is necessary to include in order to set forth more complete and reasoned information regarding the governance practices in the entity or its group, briefly explain.
2. This section also may be used to supply any additional information, clarification or qualification relating to foregoing sections of this report, provided such additional information is relevant and not repetitious.
In particular, state whether your company is subject to the corporate governance legislation of countries other than Spain and, if so, include any information that the company is required to disclose that is not required in this report.
3. The company also may indicate if it has voluntarily adhered to other codes of ethical principles or best practices, international, sectoral or otherwise. If applicable, identify the code in question and the date of adhesion. In particular, the company should mention whether it adheres to the 20 July 2010 Code of Best Tax Practices:

1. The company for years has voluntarily prepared an Annual Corporate Governance Report, available on the corporate website, following a model with structure and content of its own that has a format and content following the most recognised international practices. The intention thereby as to respond appropriately to the demands and recommendations of its shareholders, to which we remit for any third party that may consider it to be of interest. This report has been incorporated in the abovementioned Annual Corporate Governance Report as an Official Annex.

2. The company is subject to Spanish law as regards corporate governance.

Set forth below is additional information regarding the following sections.

A.5: The company's significant shareholder, Sociedad Estatal de Participaciones Industriales (SEPI), has not any commercial, contractual or corporate relationship with the company and/or its group that are material or arise outside the ordinary course of business.

C.2.1: Appointments and Remuneration Committee: On 26 January 2021, the Board of Directors agreed to appoint proprietary director Ricardo García Herrera as a member of the Appointments and Remuneration Committee for a term of 3 years to fill the existing vacancy on said Committee.

C.2.2:

- As of 31 December 2020, the Appointments and Remuneration Committee had two female members (100%), there being, additionally, a vacancy for an external proprietary director on this Committee.
- The Sustainability Committee was created on 27 November 2018 and, therefore, there is no data on female directors on this Committee with respect to previous years.

D.6: In addition, the Red Eléctrica Group has a Consultative Body that is responsible for the development and proper application of the aforementioned Guide, insofar as it concerns the identification, management and resolution of conflicts of interest. The Consultative Body acts, in all cases, in an independent manner in order to be able to carry out its functions effectively and without undue influence. The members of the Consultative Body are

- Ethics Manager and Stakeholder Ombudsman.
- Director of Internal Audit and Risk Control.
- Director of Legal Services.
- Director of Human Resources.
- Chief Financial Officer.

The Consultative Body also advises and proposes measures to guarantee a better use of confidential information related to the management of conflicts of interest. The Red Eléctrica Group has an ethical and compliance channel for the communication of possible conflicts of interest that may affect its members, and the necessary measures are adopted by the organization to preserve the values and principles of the Code of Ethics and Conduct.

3. The Board of Directors of Red Eléctrica Corporación, S.A. at its meeting held on 29 September 2015 approved the adhesion of the Red Eléctrica to the Code of Good Tax Practices, which had been approved by the Forum of Large Companies according to the wording proposed by the State Agency of Tax Administration (AEAT), and during the 2020 financial year has complied with the contents thereof. The adhesion to the Code of Good Tax Practices of the Red Eléctrica Group took place on October 23, 2015 in accordance with the procedure established therein.



**ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED
COMPANIES**

This annual corporate governance report was approved unanimously by the board of directors of the company at its meeting on:

[23/02/2021]

State whether there are any directors who voted against or abstained from voting to approve this Report.

[] Yes
[v] No



Red Eléctrica Corporación, S.A. and subsidiaries

Independent Reasonable Assurance Report on the
System of Internal Control over Financial Reporting
(ICOFR) of Red Eléctrica Corporación, S.A. and
subsidiaries for 2020



KPMG Auditores, S.L.
Pº. de la Castellana, 259 C
28046 Madrid

Independent Reasonable Assurance Report on the System of Internal Control over Financial Reporting (ICOFR) of Red Eléctrica Corporación, S.A. and subsidiaries for 2020

To the Directors of Red Eléctrica Corporación, S.A.

Further to your request, and in accordance with our engagement letter dated 26 October 2020, we have examined the Internal Control over Financial Reporting (hereinafter "ICOFR") information of Red Eléctrica Corporación, S.A. (the Parent) and subsidiaries (the Red Eléctrica consolidated Group or the Group) described in note F of the accompanying Annual Corporate Governance Report at 31 December 2020. This system is based on the criteria established in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission.

An entity's internal control over financial reporting is designed to provide reasonable assurance that its annual financial reporting complies with the applicable financial reporting framework. It includes policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and assets of the Group; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the Group's consolidated annual accounts in accordance with the applicable financial reporting framework; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposal of the Group's assets that could have a material effect on the consolidated annual accounts. In this respect it should be borne in mind that, irrespective of the quality of the design and operation of the internal control system adopted in relation to annual financial reporting, the system may only provide reasonable, but not absolute assurance in relation to the objectives pursued, due to the limitations inherent in any internal control system.

Directors' and Management's Responsibility

The Board of Directors of the Parent and Senior Management of the Group are responsible for adopting appropriate measures to reasonably ensure the implementation, maintenance and monitoring of an adequate system of internal control over financial reporting, evaluating its effectiveness and developing improvements to that system, and defining the content of and preparing the accompanying ICOFR information.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Our Responsibility

Our responsibility is to express an opinion on the effectiveness of the Group's Internal Control over Financial Reporting based on our examination.

We conducted our examination in accordance with ISAE 3000 (International Standard on Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) for the issue of reasonable assurance reports. This standard requires that we plan and perform our work to obtain reasonable assurance about whether the Group maintains, in all material respects, effective internal control over financial reporting. Our work included obtaining an understanding of the Group's Internal Control over Financial Reporting, testing and evaluating the design and operating effectiveness of that system, and performing such other procedures as were considered necessary in the circumstances. We consider that our examination provides a reasonable basis for our opinion.

We apply International Standard on Quality Control (ISQC) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including international standards on independence) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Inherent Limitations

Due to the limitations inherent in any internal control system, there is always a possibility that ICOFR may not prevent or detect misstatements or irregularities that may arise as a result of errors of judgement, human error, fraud or misconduct. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.



(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Conclusion

In our opinion, the Group maintained, in all material respects, effective internal control over financial reporting at 31 December 2020, in accordance with the criteria established in the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Furthermore, the disclosures contained in the ICOFR information included in note F of the Group's Annual Corporate Governance Report at 31 December 2020 have been prepared, in all material respects, in accordance with the requirements set forth in article 540 of the Revised Spanish Companies Act and in Spanish National Securities Market Commission (CNMV) Circular 5/2013 of 12 June 2013, and subsequent modifications, the most recent being CNMV Circular 1/2020 of 6 October 2020, with respect to the description of Internal Control over Financial Reporting in Annual Corporate Governance Reports.

Other Matters

Our examination did not constitute an audit of accounts and is not subject to the legislation regulating the audit of accounts in Spain. As such, in this report we do not express an audit opinion on the accounts under the terms provided in the above-mentioned legislation. However, on 23 February 2021 we issued our unqualified auditor's report on the consolidated annual accounts of the Group for 2020, in accordance with the legislation regulating the audit of accounts in Spain.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Eduardo González Fernández

23 February 2021