



RED
ELÉCTRICA
CORPORACIÓN

Grupo Red Eléctrica

Code of Ethics and Conduct Management Annual Report

Financial year 2020



Index

1. Introduction	3
2. Manager of ethics and defender of interest groups.....	3
3. Ethics and compliance channel.....	4
4. Code of Ethics and Conduct at Red Eléctrica Group	6
5. Code of Conduct for Suppliers.....	6
6. Integrity and transparency	7
7. Acknowledgements and alliances	7
8. Main measures to be implemented in 2021	8



1. Introduction

The purpose of this Code of Ethics and Conduct is to provide a deontological guide to people working in Red Eléctrica Group companies, determining ethical values, principles and behavioural guidelines that govern their activity within the company.

Many of these values and commitments have been a part of Red Eléctrica since 1987, when it published its first shared value system, under the title of “Basic performance principles”. In 2007, Red Eléctrica’s commitment to ethics was further emphasised with the approval of the document entitled “Code of Ethics and Corporate Values”, signalling the start of the ethical consultation and reporting channel, and the creation of the role of Ethical Manager as the highest ranking figure for the development, consolidation and management improvement of ethics at Red Eléctrica Group.

With the Code update in 2013, an attempt was made to bring together the best practices identified on an international level and to implement the Penal Code reform in 2010, which introduced criminal responsibility of legal persons in Spain.

The current edition of the Code of Ethics and Conduct at Red Eléctrica Group was approved by the Board of Directors at its parent company on 26 May 2020, incorporating the demands of different interest groups and the recommendations of organisations implicated in this area.

The Code of Ethics and Conduct encompasses all employees and members of administrative bodies in companies that are part of Red Eléctrica Group, with regard to the exercising of their functions and responsibilities, and is applied to companies in which Red Eléctrica Group is a major stakeholder, regardless of their geographical location and activity.

This purpose of this annual ethical management report is to collate and to disseminate circumstances related to Corporate System for the Ethics Management at Red Eléctrica Group in financial year 2020: functioning of the ethics channel and its compliance, initiatives developed, promoted alliances, recognitions obtained and measures to be implemented.

2. The ethics manager and defender of interest groups

In order to ensure the recognitions, application and compliance of the Code of Ethics and Conduct, Red Eléctrica Group appointed Carlos Méndez-Trelles García, Secretary General and a member of the Board of Directors, as Ethics Manager and defender of interest groups. He assumed took over this role from 1 August 2020, following the retirement of Rafael García de Diego who was Red Eléctrica Group’s first Manager of Ethics.

The Ethics Manager’s responsibilities are the following:

- To solve queries related to Red Eléctrica Group’s Code of Ethics and Conduct.
- To process reports related to the application of the Code and to ensure appropriate instruction.
- To formulate action plans to solve reports received and present them for approval by the President of Red Eléctrica Group. If the report is related to any member of the Executive Committee or the Board of Directors, it shall be presented to the President of the Audit Commission or, where appropriate, to the President of the Sustainability Commission, dealing with the nature of the report.
- To keep the persons who have formulated queries and reports duly informed as to the state of their processing.
- To formulate a periodic review report of the ethics management system and to propose improvement actions therein.



3. Ethics and Compliance Channel

In order to foster the application of the Code of Ethics and Conduct, the corporate website contains an ethics and compliance channel through which queries, reports or suggestions may be made to the Ethics Manager.

This Channel shall be used to:

- Formulate any query related to the interpretation of the Code's ethical values, principles and behavioural guidelines.
- Communicate any breach of the Code, legislation, including criminal and anti-bribery legislation, internal regulation and commitments undertaken by the organisation.
- Communicate any possible irregularity or breach related to financial, accounting or commercial bad practices.

Similarly, the Ethics and Compliance Channel may be used to:

- Submit improvement suggestions related to the Code of Ethics and Conduct.
- Communicate facts or queries to other bodies linked to the supervision of legal obligations and commitments undertaken by the organisation.

In addition, Red Eléctrica has another means of processing breaches, reports, queries and ethical suggestion through a support service called Tell Me, the purpose of which is to receive requests by external interest groups who are not familiar with the abovementioned channel. This service submits all received requests to the Ethics Manager, in complete confidence.

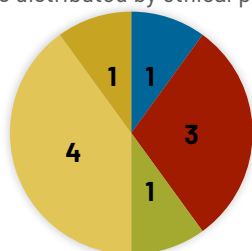
Regarding the system for the protection and processing of possible breaches, reports, queries or suggestions, in 2020, 10 queries were sent to the Ethics Manager, with a maximum solution time of 10 days.

The queries formulated referred to the following ethical principles:

- Corruption prevention,
- Preservation and improvements to the environment,
- Respect for others and working rights,
- Conflicts of interest management,
- Information and personal data confidentiality protection.

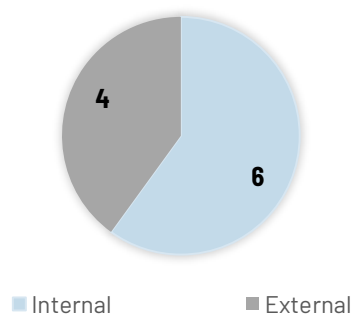
Below is a pie chart of the distribution of queries formulated to the Ethics Manager in 2020, dealing with the related ethical principle and the interest group formulating the query.

No. of queries distributed by ethical principles



- Corruption prevention
- Preservation and improvements to the environment
- Respect for others and working rights
- Conflicts of interest management

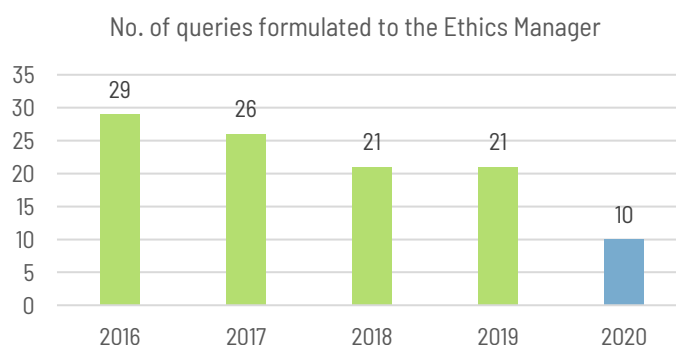
No. of queries distributed by interest groups



- Internal
- External



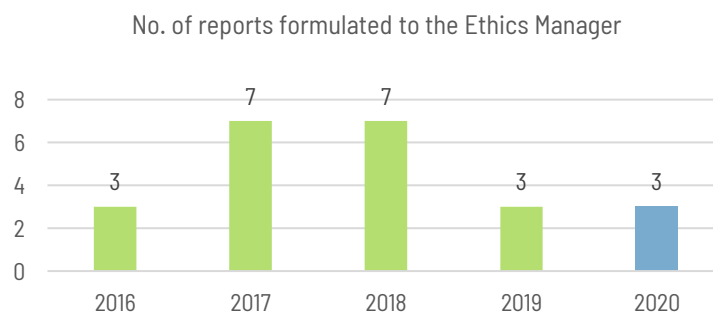
Below is a bar chart of the evolution of the number of queries formulated to the Ethics Manager in the last five financial years.



During 2020, three reports were made in relation to the compliance with the Code of Ethics and Conduct by external interest groups, the content of which is analysed below:

- An allegation regarding the 'sustainability' ethical value, formulated by a private individual, linked to a possible situation of power cuts. The matter was filed as it was an incident caused by an external electric power company to Red Eléctrica Group. The Ethics Manager does not have legitimisation to act in this case, as his powers are tied to possible breaches of the Code of Ethics and Conduct at Red Eléctrica Group, committed by one of the Group's own companies or their employees.
- An allegation regarding the 'sustainability' ethical value, formulated by a private individual in relation to the state of a transformer and its possible impact on the environment and on people. The matter was filed as no detailed information was received in relation to the reported facts or where it took place, with the aim of initiating the steps necessary to devise the solution that provides a response to the situation created.
- An allegation regarding the 'integrity' ethical value, formulated by a private individual who supposedly represented a series of organisations with interests linked to a request for an access service to the Grid, a representation that was not possible to be confirmed by the claimant. Notwithstanding the above, the Ethics Manager proceeded to process the file which was concluded, as the Code of Ethics and Conduct had not been violated by any member of Red Eléctrica Group in relation to the alleged facts.

Below is a bar chart that illustrates the evolution of the number of reports formulated to the Ethics Manager over the last five financial years.



On the other hand, the functions undertaken by the Ethics Manager include providing information of reports that may cause criminal risk to Red Eléctrica Group companies, so that the Group's Penal Compliance Committee, of which it is a member, may be able to assess these reports and, where appropriate, instigate research into the event until a conclusion has been reached.



In 2020, as in previous financial years, the Ethics Manager did not receive any reports concerning breaches related to criminal risks, and none of Red Eléctrica Group's companies were under investigation or convicted by any court of law for breaches related to criminal risks at the organisation. Similarly, there has been no report of any irregularities or breaches related to financial or accounting wrongdoing.

Review and update of the operational regulation of the Ethics and Compliance Channel

The Executive Committee at Red Eléctrica Group approved, on 1 December 2020, the "Management Action Guide for the Ethics and Compliance Channel", the internal regulation that governs the management of the Ethics and Compliance Channel. The new Guide has been approved in order to adapt the operation of the Channel to: the criteria established by the Code of Ethics and Conduct; to Organic Law on Data Protection and Digital Rights, whose article 24 governs the internal reports and information systems; and to European Directive 2019/1937, on 23 October 2019, regarding protection of persons who report breaches of European Union Law.

Red Eléctrica Group has had the collaboration of International Transparency for the review of the regulation governing the Ethics and Compliance Channel.

In 2020, work went into the implementation of a new computer tool that includes Ethics and Compliance Channel updates. It is expected to be operational in 2021 and the organisation's members, as well as its interest groups, can access it in order to formulate queries and reports through this new application.

4. Red Eléctrica Group Code of Ethics and Conduct

The company started the process of reviewing and updating of the Code of Ethics in 2018, with the aim of adapting it to best practices in the area of ethics and compliance management, as well as the changes produced in Red Eléctrica Group's structure. This process ended on 26 May 2020 with the approval on the part of the Board of Directors of the RE Group's new Code of Ethics and Conduct.

The new version of the Code of Ethics and Conduct is comprised of 15 principles, that were established taking into account the criminal risks associated with Red Eléctrica Group's activities. For each of these principles, a catalogue of conducts in line with or contrary to the Code of Ethics and Conduct was created, to avoid the creation of situations favouring the crime commission.

The project was carried out through an in-house work group established for such purpose and involving the participation of the following areas: Ethics Manager and defender of the Interest Groups, Human Resources, Corporate Government, Sustainability, Provisioning, Compliance, and Internal Audit and Risk Control Management as project coordinator. In addition, it has had the collaboration of International Transparency, the benchmark organisation in the area of integrity, for the external review of the new Code.

The dissemination of the new Code of Ethics and Conduct started with the sending of an e-mail by the Group President to the whole organisation on 28 May, in which a copy of the Code was attached. The Group's subsidiary companies with majority stakeholding have raised awareness of the approval of the new Code of Ethics and Conduct at the different Board Meetings and Directories celebrated.

5. Code of Conduct for Suppliers

Red Eléctrica Group has a specific code for its suppliers, the highlight of which is the monitoring of the respect for human rights and the compliance of environmental and safety at work requirements on the part of its suppliers in the development of their products or services required by the company, whether they have been carried out directly or through other companies.



Another consequence of the approval of the Code of Ethics and Conduct is that in 2020 a review and update was carried out on the suppliers' Code of Conduct with the aim of ensuring the appropriate alignment between the two documents. This Code was approved by Red Eléctrica Group's Executive Committee in a meeting held on 3 June.

Red Eléctrica makes available to its interest groups, as well as to other media, the Ethics and Compliance Channel, to facilitate the reporting of breaches to the Code of Conduct on the part of Red Eléctrica suppliers, ensuring their full confidentiality.

During 2020, with the aim of verifying the correct compliance of the Code of Conduct for Suppliers, social audits were carried out on 45 suppliers. The fruits of these audits are that 38 action plans have been agreed with 18 of them, facilitating supplier development and ensuring the improvement implemented.

6. Integrity and transparency

The Code of Ethics and Conduct and the corresponding queries and reports management system, which include aspects related to the fight against corruption, constitutes an efficient mechanism for the detection and processing of possible cases of corruption and fraud. Government bodies, managers and the rest of the workforce at Red Eléctrica Group have to adapt their behaviour to the content of the Code of Ethics and Conduct, and suppliers to the Code of Conduct for company suppliers.

As a result of the commitment by Red Eléctrica to prevent any practice related to corruption, blackmail or facilitation payment, the parent company's board of directors approved, on 22 December 2015, the "Guide for corruption prevention: zero tolerance", as a fundamental element of Red Eléctrica Group's integrity model. Its aim is to provide an orientational guide in the area of corruption prevention for all Red Eléctrica Group's company's professionals, undertaking the commitments and action criteria that, in this respect, shall govern their professional activity therein. Its purpose is to provide Red Eléctrica Group's members with an analysis of the circumstances and risks they face in terms of corruption, as well as moving forward in the dissemination of criteria and instruments the company has at its disposal for its eradication.

Red Eléctrica has a penal and anti-blackmail system whose purpose is to identify the regulations, procedures and tools established in the Group to avoid the breach of criminally-relevant legal regulation applied to the company and its workforce. Added to the due control exercised by Red Eléctrica Group is the management and prevention of criminal risks that may affect it in accordance with its activity and business sector.

The certification of the criminal and anti-blackmail system of Red Eléctrica Group's (Red Eléctrica Corporación) parent company as well as its subsidiary Red Eléctrica de España was carried out in 2020 in accordance with UNE 19601 standard for criminal compliance management systems and with UNE-ISO 37001 standard for anti-corruption management systems.

No reports were recorded in the Ethics Channel in the last financial year with respect to corruption cases. No Red Eléctrica Group company has been under investigation by any court of law with regard to breaches related to corruption cases, as in previous years.

7. Acknowledgements and alliances

In the area of external acknowledgements, it is possible to point to the leadership of Red Eléctrica in the "Code of business conduct" criteria in the assessment by S&P Global which is determined by Dow Jones Sustainability Index. Red Eléctrica achieved the highest score possible (100 out of 100 points) in this section, 11 above the average score of companies in its sector that participated in this index, while it also achieved a maximum score of 100 in the assessment and leadership in its sector.

Among the initiatives in which Red Eléctrica Group has participated in order to drive business ethics, it is worth pointing out its situation as a premium member of the "Corporate Integrity Forum" of NGO Transparencia Internacional España. The Forum brings together large-sized companies that are committed to driving forward and



developing a company compliance, integrity and transparency culture. It offers a space for reflection, analysis and debate, a place of exchange for perspectives, expertise and experiences in areas linked to legislative compliance, corruption prevention, corporate transparency and best practices, with aim of collaborating with continual improvement in its members' integrity models.

Likewise, Red Eléctrica Group is a member of the Spanish Compliance Association (ASCOM) and is part of the group of large-size companies that make up the Forética Cluster of Transparency, Good Governance and Integrity.

8. Main measures to be implemented in 2021

Highlighted below are the relevant issues in which advancements are being made or analysed in the area of ethics and conduct management:

- Updating of the Red Eléctrica Group global compliance policy.
The purpose of this action is to review RE Group's compliance policy in such a way that it incorporates specific requirements contained in standards UNE 19601 and ISO 37001. Once approved, the organisation's most affected personnel will subscribe to the declaration of compliance of the policy. This declaration of compliance is expected to be renewed annually.
- Implementation of the 2021 communication, awareness and training plan for the measuring and accreditation of Red Eléctrica Group's compliance culture.
The aim of this update is to raise awareness of the organisation's compliance culture, monitor the evolution of the company's compliance culture and to provide evidence of the deployment of the compliance culture.
- Review and update of the Corruption Prevention Guide.
The aim of this action is to adapt the Corruption Prevention Guide to Red Eléctrica Group's Code of Ethics and Conduct, strengthening the management, prevention, control and monitoring mechanisms required by a system that has been developed in compliance with standards UNE 19601 and ISO 37001.
- Implementation of the global due diligence system in integrity terms by third parties.
The aim of this action is to establish a process with due diligence measures for an appropriate selection and monitoring in integrity terms of Red Eléctrica Group's third parties. Aspects pending validation of the methodology for the assessment and mitigation of third-party compliance risks are expected to be finalised in 2021, as a prior step to the approval of the regulation that governs the due diligence in integrity system, as well as its implementation in the organisation.