



Grupo Red Eléctrica

Audit Committee

15 February 2022

Activities Report of the Audit
Committee for 2021



Contents

1. Introduction	3
2. Legal background, structure, functions and composition	3
2.1. Legal background	
2.2. Structure and functions	
2.3. Composition	
3. Activities carried out in 2021	9
3.1. Regarding financial information	
3.2. Regarding internal control and risk management systems	
3.3. Regarding internal audit services	
3.4. Regarding the external auditors	
3.5. Regarding compliance with legal provisions and internal regulations	
3.6. Regarding the Company's shareholders	
3.7. Other activities	
4. Directors' attendance at meetings	13
5. Review of the financial statements for 2021	14
6. Assessment of compliance with the principles and recommendations established by the CNMV (Technical Guide 3/2017)	14
7. Assessment and conclusions	16



1. Introduction

The Annual Action Plan of the Audit Committee for 2022, in accordance with that contained in Article 16.6 a) of the Board Regulations, envisages the preparation of an annual report on the Committee's activities in 2021, which constitutes the subject matter of this document.

2. Legal background, structure, functions and composition

2.1 Legal background:

Spanish Account Auditing Act (*Ley 22/2015 de Auditoría de Cuentas*), amended section 529 quaterdecies of the Spanish Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July (*Ley de Sociedades de Capital*), in relation to the Audit Committee and, therefore, in December 2016 the Board amended Articles 15 and 16 of the Board Regulations regarding the composition, functioning and functions of the Audit Committee, which are now fully brought into line with this Act.

At the meeting held on 19 February 2019, the Board approved an amendment to the Board Regulations in view of the strategic focus the Board wished to give to sustainability in the Red Eléctrica Group by restructuring the Board's Committees, creating a new Sustainability Committee and updating the functions of the other two Committees, the Audit Committee and the Appointments and Remuneration Committee. The responsibilities of the Appointments and Remuneration Committee were strengthened in relation to the Group companies, in accordance with international best practices regarding corporate governance, and in addition, the general oversight and risk control function to be carried out by the Audit Committee was reviewed, in conjunction with the specific functions assigned to each of the other Committees within the scope of their respective responsibilities.

At the meeting held on 31 March 2020, the Board Regulations were amended to include the appropriate adaptations to Spanish Law 11/2018, of 28 December, on non-financial information and diversity (*Ley 11/2018 en materia de información no financiera y diversidad*), to update the functions of the Board and its committees as regards sustainability, some of them of a cross-cutting nature, with the formal and material scope agreed upon by the three Committees, and to strengthen the mechanisms of coordination among the three Board Committees.

Lastly, the Board, at its meeting held on 25 May 2021, approved the amendment to the Board Regulations to include the appropriate adaptations to Spanish Law 5/2021, of 12 April, which amends the consolidated text of the Spanish Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010, of 2 July, (*Ley de Sociedades de Capital*), and other financial regulations, as regards the encouragement of long-term shareholder engagement in listed companies, and to include certain technical and wording clarifications.

This revision therefore brought the Board Regulations into line with matters mainly relating to the rules on related-party transactions, directors' remuneration, the directors' duty of diligence and the content of the Annual Corporate Governance Report and the Annual Directors' Remuneration Report.

2.2 Structure and functions:

Article 23 of the Articles of Association and Articles 15 and 16 of the Board Regulations govern the structure, composition and functions of the Audit Committee.

The functions of the Audit Committee include, among others, providing support to the Board in overseeing the process of preparing the Company's financial and non-financial information, the internal control and risk



management systems, supervision of relations with the external auditors, compliance with legal provisions and internal regulations, and relationships with the Company's shareholders, in matters concerning its functions, and reporting on related-party transactions that must be approved by shareholders at the General Meeting or by the Board, and overseeing the internal procedure established by the Company.

The Committee meets with the appropriate frequency to properly discharge its duties. In any event, it must meet at least on a quarterly basis, when called by its chair or requested by two of its members and whenever the Board or the Chairwoman requests the issuance of a report or the submission of proposals.

Article 15.4 of the Board Regulations stipulates that meetings may be called, with the related documentation, by electronic means that guarantee the due security and confidentiality of the call notice and of the relevant documentation.

This call notice, which will include the agenda, will be sent by the Chair or Secretary of the Committee to each of its members at least three days prior to the date scheduled for the meeting, except in cases of emergency where a meeting needs to be called in a shorter period of time.

Article 15.6 of the Board Regulations stipulates that Committee meetings may be held by conference call, video-conference or any other remote means of communication that allows the holding of such meetings, provided that all Committee members agree to do so.

The Committee may be convened with the attendance of the majority of its members and may adopt decisions or recommendations by an absolute majority of votes of the directors attending the meeting in person or by proxy. To better carry out its functions, the Committee may engage advice from independent professionals and may also access any type of information or documents of the Company that it may require to carry out its functions.

2.3 Composition:

The composition of the Audit Committee is governed by Article 23.1 of the Articles of Association and Article 15 of the Board Regulations. In accordance with these articles, the Committee will be comprised of four (4) members appointed from among the non-executive directors, and the majority of its members must be independent directors. The chair of the Committee will be an independent director chosen by the Committee from among its members, and the secretary will be the secretary to the Board.

The appointment, re-election and removal of the Committee members is carried out by the Board at the proposal of the Chairwoman of the Board, following a report from the Appointments and Remuneration Committee. The Committee members will discharge their duties for a period of no more than four (4) years, may be re-elected and will leave office when they cease to be directors or when so resolved by the Board, following a report from the Appointments and Remuneration Committee. The chair will be replaced every four (4) years and may be re-elected when one year has elapsed since their replacement.

The composition of the Committee as at 1 January 2021 was as follows:

Director	Position	Director category	Date of appointment
Ms. Carmen Gómez de Barreda Tous de Monsalve	<i>Chair</i>	Independent non-executive	24/11/2020
Ms. Mercedes Real Rodrigálvarez	<i>Member</i>	Proprietary non-executive (SEPI)	27/11/2018



Mr. Antonio Gómez Ciria	<i>Member</i>	Independent non-executive	27/10/2020
Mr. Arsenio Fernández de Mesa y Díaz del Río	<i>Member</i>	Independent non-executive	25/04/2017

The appointments, re-elections and removals of members of the Audit Committee in 2021 were as follows:

- Red Eléctrica Corporación, S.A.'s Board, at its meeting held on 2 July 2021, appointed the independent director Mr. Jose María Abad Hernández as member of the Audit Committee of Red Eléctrica Corporación, S.A, for the term of four (4) years stipulated in the Board Regulations, at the proposal of the Chairwoman of the Board and following a report from the Appointments and Remuneration Committee, in accordance with Article 23 of the Articles of Association and Article 15 of the Board Regulations, to fill the vacancy on the Audit Committee as a result of the expiry of the term of office of the independent director Mr. Arsenio Fernández de Mesa y Díaz del Río as Board member of the Company.
- On 30 November 2021, Red Eléctrica Corporación, S.A.'s Board resolved to re-elect the proprietary director Ms. Mercedes Real Rodrigálvarez as member of the Audit Committee of Red Eléctrica Corporación, S.A, for the term of four (4) years stipulated in the Board Regulations, at the proposal of the Chairwoman of the Board and following a report from the Appointments and Remuneration Committee, in accordance with Article 23 of the Articles of Association and Article 15 of the Board Regulations.
- Red Eléctrica Corporación, S.A.'s Board, at its meeting held on 30 November 2021, appointed the independent director Mr. José Juan Ruiz Gomez as member of the Audit Committee of Red Eléctrica Corporación, S.A, for the term of four (4) years stipulated in the Board Regulations, at the proposal of the Chairwoman of the Board and following a report from the Appointments and Remuneration Committee, in accordance with Article 23 of the Articles of Association and Article 15 of the Board Regulations, to replace Carmen Gómez de Barreda Tous de Monsalve as member of the Audit Committee, as Mr. Ruiz Gómez stepped down from his position as member of the Sustainability Committee.
- The Audit Committee, at its meeting held on 30 November 2021, appointed Mr. Antonio Gómez Ciria as chair of the Committee for a term of four (4) years, in accordance with Articles 15.1 and 15.2 of the Board Regulations, as a result of the former Chairwoman stepping down from his position as member of the Audit Committee and since more than one year has elapsed since he held the position of Chair of the Audit Committee.

The composition of the Committee as at 31 December 2021 was as follows:

Director	Position	Director category	Date of appointment
Mr. Antonio Gómez Ciria	<i>Chair</i>	Independent non-executive	30/11/2021
Ms. Mercedes Real Rodrigálvarez	<i>Member</i>	Proprietary non-executive (SEPI)	30/11/2021
Mr. José María Abad Hernández	<i>Member</i>	Independent non-executive	2/07/2021
Mr. José Juan Ruiz Gomez	<i>Member</i>	Independent non-executive	30/11/2021



The directors comprising the Committee are particularly well qualified for their position and have extensive professional experience, having held positions of the highest responsibility outside the Red Eléctrica Group where they carried out functions related to those entrusted to the Committee. The professional profiles of its members most notably show their knowledge and experience in accounting, auditing and risk management, of both financial and non-financial risks, which have been taken into account for their appointment as a whole, and in particular for the appointment of the Committee chair, as established in section 529 quaterdecies of the Corporate Enterprises Act and in Recommendation no. 39 of the Good Governance Code for Listed Companies, and in Article 15.2 of the Board Regulations, which also establishes that, as a whole, the Committee members will have the relevant technical expertise in relation to the sectors of activity to which the Group companies belong.

Below is a brief summary of the professional careers of the Committee members at 31 December 2021, who have knowledge and experience in accounting, auditing and/or risk management:

- *Mr. Antonio Gómez Ciria*, born on 25 March 1957, has a B.A. in Economics and Business Studies from Universidad Complutense de Madrid, a B.A. in Mathematics from Universidad Complutense de Madrid, and an Executive MBA from IESE Business School and is a Chartered Certified Accountant (AECA).

He is currently a member of the Advisory Board of Experts on Accounting and Financial Information (ECIF) of the General Council of the Spanish Association of Economists; Board member of Mapfre, S.A. and member of its Risk Committee; Board member of Mapfre España Compañía de Seguros y Reaseguros, S.A.; Board member of Mapfre Re Compañía de Reaseguros, S.A. and member of its Management Committee; Board member of Mapfre Vida, S.A. de Seguros y Reaseguros sobre la Vida Humana. He is also a Board member of Hispasat, S.A. and a member of its Audit Committee.

He has also held positions that include Board member of Mapfre Global Risks Compañía Internacional de Seguros y Reaseguros, S.A. and member of its Management Committee; General Manager of Administration and Information Technology and member of the Management Committee of the FCC Group; Representative of the FCC Group at the Large Companies Forum of the Ministry of Finance and Public Administrations; General Manager of Internal Audit and member of the Management Committee of the FCC Group; Internal Audit Manager of the FCC Group; Member of the Advisory Board of the Institute of Internal Auditors and member of the Management Committee; General Technical Secretary of InverCaixa (investment management company belonging to the La Caixa Group); Chair of the Spanish Accounting and Audit Institute (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 for the Madrid Stock Exchange (Sociedad Rectora de la Bolsa de Valores de Madrid); Deputy Manager of Budget Planning and Research for Radio Televisión Española; Head of the Auditing and Accounting Department of Banco de Crédito Agrícola; and Auditor/Inspector for the Spanish State Auditing Agency.

Member of the CNMV Work Group to prepare "Guidelines for preparing the directors' report for listed companies".

- *Ms. Mercedes Real Rodríguez*, born on 6 January 1968, has a B.A. in Economics and Business and a B.A. in Law from Universidad Pontificia de Comillas (ICADE E-3), and completed the Executives Development Programme (PDD) at IESE Business School.

She is currently Head of Investees at Sociedad Estatal de Participaciones Industriales (SEPI); and Board member and chair of the Audit Committee of ENRESA, S.A, S.M.E.

She has also held positions that include Board member of ENUSA Industrias Avanzadas, S.A.; Chief Financial and Control Officer, Controller and Head of Human Resources at the INFOBOLSA Group (BME Group and Deutsche Börse Group, AG); Board member and Chief Financial and Control Officer of OPEN FINANCE, S.L.;



and Head of the Audit Team of companies in the financial sector at ARTHUR ANDERSEN (currently DELOITTE & TOUCHE).

- *Mr. Jose María Abad Hernández*, born 28 May 1982, holds a B.A. in Law from Universidad Pontificia de Comillas (ICADE); a B.A. in Business Administration and Management, specialising in Finance, from Universidad Pontificia de Comillas (ICADE); Specialist in Quantitative Research Methods (Statistical Techniques) from Universidad Politécnica de Madrid; Advanced Studies Programme in International Economics from the Kiel Institute for the World Economy (Kiel, Germany).

He is currently a Visiting Scholar in the Financial and Capital Markets Department of the International Monetary Fund (IMF) (Washington, DC) (since 2021); Visiting Professor at ESADE Business & Law School (Barcelona) (since 2018) where he teaches the 'Company Valuation' and 'Analysis and Valuation of Financial Institutions' courses as part of the Master in Finance.

He has also held positions that include Financial Sector Expert in the Financial and Capital Markets Department of the International Monetary Fund (IMF) (Washington, DC) (2020-21); Executive Manager of the European Financial Institutions Group of the Research Division and senior banking analyst responsible for coverage of listed banks in Southern Europe (Spain, Portugal, Greece) at Goldman Sachs (London) (2015-2020); Vice President and senior analyst at the Sovereign and Supranational Risk Group and member of the Sovereign Ratings Committee at Moody's Investors Service (London) (2015); Board member of AXIS Participaciones Empresariales S.G.E.I.C, S.A.S.M.E. (ICO Group) (Madrid) (2012-2015); Chief Economist and Head – with the rank of Deputy Manager – of the Research Department and the International Relations Department of Instituto de Crédito Oficial (ICO) under the Ministry of Economy and Competitiveness (Madrid) (2012-2015).

As Chief Economist, and Head of the Research Department and the International Relations Area of Instituto de Crédito Oficial (ICO) under the Ministry of Economy and Competitiveness (Madrid) (2012-2015) he was: responsible for shaping ICO's macro vision, defending the "Spanish position" on key economic policy issues with other national and European multilateral development banks, and for managing the CEO's international agenda; Member of ICO's Procurement, Strategy and International Relations and Monitoring Committees of Fond-ICO Global; Joint Secretary of the High Level Expert Group for SME Financing of the Ministry of Economy and Competitiveness (2013); ICO Representative at the Financial Institutions Shareholder Group (FISG) of the European Investment Fund (EIF) in Luxembourg; ICO Representative on the Board of the European Association of Long-Term Investors (ELTI) in Brussels; ICO Sherpa in the Long-Term Investors Club (LTIC) and in the "Big Six Group", formed by the presidents and/or CEOs of the six major European development banks (Germany, France, Italy, Spain and Poland, and the EU through the EIB Group); Co-responsible for the launch and monitoring of the "Cátedra Fundación ICO de Financiación a PYME", led by the University of Alcalá de Henares, which won the "Titanes de las Finanzas" award (granted by the ECOFIN Forum) in 2015; Advisor (for Spain and Portugal) to the Chief Global Economist at Unicredit Group (London) (2011-2012); Consultant (for Spain and Portugal) to the European Economic Analysis team at Goldman Sachs (Frankfurt) (2010-2011); Senior Associate in the Sovereign and Supranational Risk Group, member of the Sovereign Ratings Committee and the Economic Analysis Committee at Moody's Investors Service (Frankfurt) (2009-2010); Associate of the Strategy and Operations Group at KPMG (Madrid) (2006).

In terms of his academic career, he was a research and teaching assistant at the Institute for Economic Policy at the University of Leipzig (Germany) (2011-2012); Research and teaching assistant at the International Centre for Financial Research (CIIF) at IESE Business School (Madrid) (2007-2008); Research and teaching assistant in the Department of Economics at ICADE - Universidad Pontificia Comillas (Madrid) (2005-2006).

He is also the author of numerous monographs, Articles and research projects on various topics related to financial and capital markets and economic policy.



- *Mr. José Juan Ruiz Gómez*, born 30 July 1957, holds a B.A. in Economics from Universidad Autónoma de Madrid. Trade Expert of the State.

He is currently President of the Elcano Royal Institute and a member of its Executive Committee; independent consultant and advisor on macroeconomic issues and Latin American markets.

In terms of his professional profile, he was 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 the Elcano Royal Institute (until 2012); Member of the Social Advisory Board of the University of Castilla-La Mancha (2005-2009) and Chair of the Board (2010-2012); Member on the boards of both public entities (INI, Aviaco, Autopistas del Atlántico, Renfe and Tabacalera) and private companies, particularly in the banking sector, holding the positions of director of 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); Member of the Editorial Board of El País and the Prisa Group.

The most relevant positions held in the government (Ministry of Economy and Finance) are: Undersecretary for International Economy and Competition of the Ministry of Economy and Finance (1991-1993); Member of the Steering Committee of the Ministry of Economy and Finance (1991-1993); Chief of Staff for the Secretary of State for Economy (1988-1990); Executive Advisor to the Secretary of State for Economy (1985-1987); Head of the Balance of Payments Service, Secretary of State for Trade (1984-1985); Economic Advisor 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 entry into the EU (1984-1985); President of the Spanish Delegation to the OECD for the annual meetings on macroeconomic monitoring (1990-1993); Chair 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).

In addition, he is active as a speaker at conferences with various institutions and collaborates as a lecturer in the International Master's programme at IE Business School.

Detailed information on the Committee members and their professional background is available to shareholders, investors and other stakeholders on the Company's website.

The secretary of the Committee is Mr. Carlos Méndez-Trelles García, the current secretary to the Company's Board of Directors, by virtue of his appointment as such, approved by Red Eléctrica Corporación, S.A.'s Board, at the proposal of the Appointments and Remuneration Committee, on 26 May 2020.

Throughout 2021, at the request of the Committee itself and following an invitation by the Chair, the persons who during the financial year have held the position of Corporate Chief Financial Officer and Finance Manager attended the Committee meetings during the year, along with the Corporate Manager of Transformation and Resources, the Chief Financial Officer, the General Manager of International Business, the Head of Corporate Development, the Technology and Innovation Manager, the Head of Regulation and Legal Services, the Head of the Organisation, Compensation and Labour Relations Department, and the Head of the Risk Management, Compliance and Quality Department, all of them solely to report on matters related to the areas of their competence, safeguarding at all times the independence of this Committee.



In addition, the Internal Audit and Risk Control Manager and the Head of the Internal Audit Department attended the Audit Committee on eight (8) occasions to take part in items on the agenda relating to matters within their competence.

In 2021, as regards the review of the financial statements of the Company and its Group for 2020, the external auditor of the Company and its Group explained to the Committee the audit procedures carried out in the Group. The Committee agreed to report favourably on the financial statements for 2020.

The external auditor attended Audit Committee meetings on (4) four occasions to take part in items on the agenda relating to matters within his competence.

3. Activities carried out in 2021

At its meeting held on 18 December 2020, the Audit Committee approved its Annual Action Plan for 2021, taking into consideration the responsibilities attributed to it by the Articles of Association and the Board Regulations.

The Chair of the Audit Committee informed the Board of its activities at the Board meetings held immediately after each Committee meeting and made any documents corresponding to the meetings and copies of the meeting minutes available to all directors through the "directors' portal" intranet.

The Audit Committee met fourteen (14) times in 2021, and submitted fourteen reports on the Committee's activities to the Board.

The main tasks carried out by the Committee in 2021 included the following:

3.1 Regarding financial and non-financial information:

- Review of and favourable report on the financial statements for 2020 of the Company and its Consolidated Group and on the external auditor's report. Review of the non-financial information statement.
- Analysis of the draft version of KPMG's report for the Audit Committee in compliance with article 11 of (EU) Regulation No 537/2014 of the European Parliament and article 36 of Law 22/2015 of July 20, 2015 on Account Auditing, which includes the most significant aspects of the audit process and the response to each of them.
- Analysis of the external legal report on tax criteria for the payment of Corporation Tax for 2020.
- Analysis of the quarterly results reports for the year.
- Analysis and approval of the accounting policies and tax criteria adopted to carry out the end of year close.
- Analysis of the Annual Tax Transparency Report for 2020.
- Analysis of the proposed distribution of profit and payment of dividends of Red Eléctrica Corporación, S.A. for 2020 and a favourable report submitted to the Board.
- Analysis of half-yearly and annual financial information for market oversight bodies and issue of a favourable report.
- Analysis of and favourable report submitted to the Board on the monthly economic-financial reports.
- Review and approval of the sections of the Annual Corporate Governance Report for 2020 within the scope of the competencies of the Audit Committee.



- Favourable report submitted to the Board on the proposed renewal of the Annual European Commercial Paper (ECP) Programme and on the update to the ECP Prospectus.
- Analysis of the proposed renewal of the annual EMTNs programme and a favourable report submitted to the Board. Review of and updates to the EMTN Prospectus.
- Analysis of the consolidated financial statements for the first half of 2021 and the external auditor's report on these financial statements.
- Analysis and approval of the schedule for the 2021 financial close.
- Analysis of the proposed distribution of an interim dividend for 2021 and favourable report submitted to the Board.
- Approval of the "Country-by-Country" report that has to be submitted to the Spanish tax authorities for 2020.
- Analysis of reports monitoring the main investment projects.
- Analysis of the report on the returns on international and telecommunications investments.
- Analysis of the Financial Strategy report.
- Analysis and approval of the report on passing resolutions for tax consolidation and distribution of the tax burden of the Red Eléctrica Group.
- Favourable report submitted to the Board on the consolidated budget of the Red Eléctrica Group for 2022.
- Analysis of the performance of the Green Framework and sustainable financing of the Red Eléctrica Group.
- Analysis of the Green Bonds issue carried out by the Red Eléctrica Group on 10 May 2021.
- Analysis, favourable report and submission to the Board for approval of authorisations for arranging guarantees and counter-guarantees.
- Analysis of the process for transferring the registered office of a Red Eléctrica Group company.
- Favourable report to authorise the submission of binding offers to acquire shares in two Brazilian companies.
- Favourable report and submission to the Board for approval of the REINTEL financing proposal.

3.2 Regarding internal control and risk management systems:

- Analysis of the follow-up report on the Activities Plan for the Integrated Risk Management System for 2020, and the Annual Plan for 2021.
- Analysis of the follow-up report on the Annual Activities Plan for the Compliance System for 2020 and the Annual Plan for 2021.
- Analysis of the planning of the annual external audit work and of the review of ICFR by the external auditor.
- Analysis of the Internal Auditor's Report on the Internal Control over Financial Reporting (ICFR) for 2020.
- Analysis of the review of the Risk Map at 31/12/2020, and the current status of and outlook for the main risks.



- Analysis of and favourable report on the Annual Report of the Control and Oversight Body on the Criminal Risk Prevention Programme for 2020.
- Analysis of the report on the review of the current status of high level risks of the Integrated Risk Management System.
- Analysis of Key Risk Indicators (KRIs).
- Information regarding the Integrated Security system of the Red Eléctrica Group.
- Analysis of the update to the hedging policy and exchange rate risk management guidelines for cash flows in dollars in Red Eléctrica Group companies.
- Analysis of and favourable report on the proposed updates to the acceptable level of risk of the Red Eléctrica Group.
- Analysis of the follow-up report on the Criminal and Anti-Bribery Compliance System for the first half of 2021.

3.3 Regarding internal audit services:

- Analysis of the quarterly reports on the internal audits carried out in 2021 and the results of each of these audits, and on compliance with Internal Audit recommendations.
- Analysis of the Annual Report on Internal Audit Activities for 2020.
- Analysis of the Internal Auditor's Report on the Internal Control over Financial Reporting (ICFR) for 2020.
- Analysis of the quarterly reports on compliance with Internal Audit recommendations.
- Approval of the budget, means and resources of the Internal Audit service for 2022.
- Approval of the Annual Internal Audit Plan for 2022.
- Analysis of the external quality assessment report on the Internal Audit function of the Red Eléctrica Group.

3.4 Regarding the external auditors:

- Analysis of the external auditor's reports on the financial statements for 2020 and the preliminary external auditor's report for 2021.
- Analysis and approval of the report on the independence of the external auditor issued by KPMG Auditores, S.L, in accordance with Recommendation no. 6 of the Code of Good Governance for Listed Companies.
- Analysis and approval of the fees of KPMG Auditores for 2021 for audit-related services, and for other services envisaged in 2021, and favourable report on the proposed renewal of KPMG as auditors of the Red Eléctrica Group for a period of one year.
- Analysis of the External Auditor's report on the Group's certified management systems.
- Selection process for the new external auditor of the Red Eléctrica Group as of 2023.



3.5 Regarding compliance with legal provisions and internal regulations

- Analysis of the follow-up report on Internal Regulations.
- Analysis of the report on the annual assessment of compliance with the Internal Code of Conduct in the Securities Market.
- Review of monthly occupational Health and Safety reports.
- Analysis of the Annual Management Report on the Code of Ethics for 2020.
- Analysis of the proposed amendments to the Board Regulations of Red Eléctrica Corporación, S.A.
- Analysis of the proposed amendments to the General Meeting Regulations of Red Eléctrica Corporación, S.A.
- Analysis of the proposed amendments to the Articles of Association of Red Eléctrica Corporación, S.A.
- Favourable report submitted to the Board for approval of the proposed updates to the Compliance Policy and the Integrated Risk Management Policy; and acceptance of the proposed updates to the Sustainability Policy and the Corporate Reputation Policy.
- Favourable report and submission to the Board for approval of the Protocol for Related Party Transactions of Red Eléctrica Corporación, S.A, and the proposed resolution for delegation to the Chief Executive Officer of Red Eléctrica Corporación, S.A.

3.6 Regarding the Company's shareholders:

- Analysis of the resolutions proposed by the Board at the Annual General Meeting on matters within its competence.
- Follow-up on possible initiatives, suggestions and complaints raised by shareholders during the year. In 2021 no initiatives, suggestions or complaints were received from the Company's shareholders.
- Information on the external audit of the management procedures of the Annual General Meeting.

3.7 Other activities:

- Approval of the Activities Report of the Audit Committee for 2020.
- Analysis of the report on the Group's Corporate Insurance Programme in 2021.
- Analysis and favourable report on the proposals for new Tax Lease transactions to be entered into in 2021.
- Analysis and approval of the Annual Healthy Workplace Report for 2020.
- Approval of the Committee's Action Plan for 2022.
- Approval of the schedule of Committee meetings for 2022.
- Appointment of the external auditor for the annual review for 2020 of the accounting separation of the transmission activities of Red Eléctrica de España, S.A.U, the operation of the mainland system and the operation of the non-mainland systems.



- Analysis of the annual report on the measures adopted to ensure adequate independence of the Organic Unit that exercises the function of the Transmission Network Manager and System Operator for 2020.

4. Directors' attendance at meetings

In 2021 the Audit Committee held fourteen (14) meetings, three (3) of which were special meetings, reporting the same number of times to the Board on the Committee's activities. All members attended its meetings either in person or by video-conference. There were no absences or attendance by proxy, and therefore there were a total of 56 attendances in person, for an attendance rate of 100%.

5. Review of the financial statements for 2021

The Audit Committee, at the meeting in which the Activities Report of the Audit Committee for 2021 was approved, proceeded to carry out the following in relation to 2021:

- Review the financial statements for 2021 of the Company and of its Consolidated Group, the External Auditor's Report and the Non-Financial Information Statement.
- Analyse the proposed distribution of profit and payment of dividends for 2021 of Red Eléctrica Corporación, S.A.

The external auditor (KPMG) of the Company and its Group for the year attended the meeting to provide the Committee with the appropriate clarifications and explanations.

The Committee reported favourably on both proposals.

As regards the independence of the external auditor, and taking into account the information provided by the external auditor (KPMG), the Audit Committee did not identify any aspects that may challenge compliance with current regulations in Spain regarding audit activities in terms of auditor's independence and, in particular, the Committee confirms that no aspects of this nature have been identified that could compromise the independence of the external auditor. Consequently, at its meeting held on 18 February 2022, the Committee approved the report on the independence of the external auditor of Red Eléctrica Corporación, S.A. and subsidiaries.

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

On 27 June 2017 the Spanish National Securities Market Commission (CNMV) approved the Technical Guide for Audit Committees of Public Interest Entities (Technical Guide 3/2017), in accordance with sections 21.3 and 21.4 of the consolidated text of the Securities Market Act (*Ley del Mercado de Valores*), approved by Royal Legislative Decree 4/2015, of 23 October.

The purpose of Technical Guide 3/2017 is to provide guidance on the functioning of audit committees and include recommendations for the companies concerned that the CNMV will take into account when carrying out its oversight function.

The Company's ongoing commitment to the application of international best practices regarding corporate governance has allowed it to comply with the recommendations established in Technical Guide 3/2017, as explained in the Company's Annual Corporate Governance Report.



In accordance with the recommendations of Technical Guide 3/2017, the following points are worth mentioning as regards the Company's Audit Committee:

a) The structure, composition and functions of the Appointments and Remuneration Committee are governed by Article 23 of the Articles of Association and are further implemented through Articles 15 and 16 of the Board Regulations, which include, among others, the composition, the requirements for the appointment of members, the rules of its functioning, the responsibilities and functions assigned, the resources at its disposal, the rules governing the relations of the Committee with the Board and the shareholders, the rules governing its communications with the external and internal auditors, the assessments to be performed by the Committee and the reports it is required to issue. For reasons of legal certainty, it is considered to be more appropriate that the regulations governing the functioning of the Audit Committee be set out in the Board Regulations, published on the Company's corporate website, on the website of the CNMV and filed with the Commercial Registry.

b) The Committee's independence is encouraged by the following:

i. It is comprised exclusively of non-executive directors and both the Chair and the majority of its members are independent directors.

ii. The remuneration of the Committee members is in accordance with the principle of moderation and is linked to their responsibility so as to avoid compromising their independence and objectivity.

iii. Furthermore, neither the Chairwoman of the Board nor the Chief Executive Officer participate in the Committee's meetings.

iv. Executives attending Committee meetings do so at the request of the Committee and only attend in relation to items on the agenda that fall within their competence.

c) To ensure the full independence of the External Auditor, the relevant articles of the Articles of Association and of the Board Regulations were brought into line with the reform of the Corporate Enterprises Act governing this matter.

d) Ongoing dialogue is maintained with the various stakeholders related to the Committee's own functions. In addition, diversity of opinion is encouraged within the Committee so that each member may act in accordance with their personal criteria.

e) The Committee members have significant experience in management, financial matters and business.

f) A diverse composition is sought in terms of gender, professional experience, competencies and industry knowledge.

g) The Committee has an Annual Action Plan, meets on a monthly basis and reviews and analyses aspects relating to economic-financial and non-financial information, internal control and risk management systems, compliance with legal provisions and internal regulations, and information on occupational health and safety.

h) The functioning of the Committee is subject to an annual self-assessment process, with external support, as part of the annual self-assessment of the Board.

i) There is a "Welcome Programme" for new Committee members, which is part of the Annual Welcome Plan for new directors, known as the Orientation Programme, which was updated in May 2021.

j) There is an "Annual Activities and Information Programme" for directors, which is updated on an annual basis and implemented throughout the year.



k) The Red Eléctrica Group has various mechanisms to prevent unlawful transactions, money laundering and fraudulent concealment or disposal of assets. These include the Code of Ethics and Conduct, which sets out specific principles and guidelines for conduct related to tax responsibility, the Code of Conduct for Suppliers, the Compliance Policy, the Criminal Compliance System Manual and the "Corruption prevention guide: Zero tolerance", which are available to employees of the Red Eléctrica Group, its suppliers and the various stakeholders through the corporate website.

7. Assessment and conclusions

On the basis of the above, the Audit and Control Committee assessed its composition and functioning during 2021, and considers that:

- The composition of the Committee was in line with the legal and corporate provisions established for this purpose, being made up of members that have the relevant expertise in relation to the Committee's functions, in particular as regards accounting, auditing and/or risk management, for both financial and non-financial risks, and the sector of activity to which the Company belongs, with the majority of Committee members being independent directors.
- The Committee met more frequently than that established in Article 15 of the Board Regulations and whenever it was necessary in view of the issues to be handled.
- All Committee meetings were attended in person by all its members, who had the necessary information in relation to the different items on the Agenda available to them, prior to the meetings, to be able to discuss and take informed decisions. When necessary, the Committee has also consulted external experts for advice.
- Finally, the Committee fulfilled all its functions in accordance with regulations and that included in the Company's Articles of Association and the Board Regulations, and in accordance with the Recommendations of the Code of Good Governance for Listed Companies and Technical Guide 3/2017.

In accordance with the above, it can be concluded that the Audit Committee has complied with the rules set out by Law and in its corporate texts in terms of composition, frequency of meetings, attendance and informed participation of its members, the Audit Committee having dealt with the matters within its competence in 2021.