



RED ELÉCTRICA
CORPORACIÓN

Internal Code of Conduct
on the Securities Market



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Introduction¹

Red Eléctrica de España, S.A. (currently known as Red Eléctrica Corporación, S.A. (the “Company”) approved its first Internal Code of Conduct for matters relating to the Securities Markets at the meeting of the Board of Directors held on February 7, 1994.

Law 44/2002 on Measures Reforming the Financial System established the obligation on listed companies to approve an Internal Code of Conduct on the Securities Market in line with the new regulations on insider information, material information and treasury stock, and to communicate it to the National Securities Market Commission (“CNMV”), together with a commitment to keep the Code of Conduct up to date at all times. In compliance with the Law, on July 22, 2003, the Company’s Board of Directors approved an Internal Code of Conduct on the Securities Market, superseding the previous Code, and sent the appropriate communications to the CNMV and affected parties.

Royal Decree 1333/2005, of November 11, 2005, implementing the Securities Market Law with respect to market abuse was subsequently approved, and directly affected the regulation of insider and material information, the practices that may be considered market abuse, and the obligation on directors and executives of listed companies to communicate their shareholdings in such companies to the CNMV. In compliance with the applicable legislation, the Board of Directors approved a new Internal Code of Conduct on the Securities Market at its meeting of July 20, 2006.

Subsequently to its approval, the following have been enacted: (i) Law 17/2007, of July 4, 2007, amending Electricity Industry Law 54/1997, of November 27, 1997; (ii) Law 6/2007, of April 12, 2007, reforming Securities Market Law 24/1988, of July 28, 1988, to amend the rules on tender offers and transparency of issuers; (iii) Royal Decree 1362/2007, of October 19, 2007, implementing Securities Market Law 24/1988, of July 28, 1988, in relation to the transparency requirements concerning information on issuers whose securities are admitted to trading on an official secondary market or on another regulated market of the European Union; (iv) Law 47/2007, of December 19, 2007, amending Securities Market Law 24/1988, of July 28, 1988; and (v) Law 3/2009, of April 3, 2009, on Structural Modifications to Commercial Companies.

As a consequence of the application of Law 17/2007, the Company completed a corporate restructuring process on July 1, 2008, making it necessary to review the Code of Conduct currently in force.

In light of the above, and taking into account the experience gained in the application of the Code of Conduct and the commitment to keeping the Code of Conduct constantly up to date, the Company’s Board of Directors, at its meeting of June 25, 2009, approved the current version of the Internal Code of Conduct on the Securities Market.

¹Approved by the Board of Directors on June 25, 2009, and updated on June 30, 2011 (Articles 13.1c, 15 and Schedule I).



Chapter I. Definitions

Article 1.-

Set forth below are the definitions of the terms contained in this Internal Code of Conduct on the Securities Market for the sole purposes of its proper interpretation and compliance. The following definitions shall be capitalized in the text of this Code, as they appear below:

Significant Shareholders

Shareholders that directly or indirectly exercise or may exercise control or a significant influence over the financial and operating decisions of the Company pursuant to the legislation in force from time to time.

Directors

Members of the Board of Directors of the Company and of the corresponding managing body of the Subsidiaries. The Secretary and Deputy Secretary of the Board of Directors of the Company and, as the case may be, of the Subsidiaries are excluded from this definition.

External Advisors

Individuals or legal entities, and in the latter case, their employees and executives, who provide advisory or consulting services or the like to Red Eléctrica in relation to a Material Transaction and who have access to Insider Information.

Treasury Stock

Shares in the capital stock of the Company that are owned by the Company.

Conflict of Interest

Any actual or reasonably potential situation of conflict between the interests of Red Eléctrica and of the Obligated Party/Temporarily Obligated Party:

- i) by reason of the party's personal assets, family ties or for any other reason; and*
- ii) that may also perceptibly affect the volume and/or price of the Securities.*

Board Members

Members of the Board of Directors of the Company. The Secretary and the Deputy Secretary of the Board of Directors of the Company are excluded from this definition.

Executives

Any person in charge at a senior level who habitually has access to Insider Information directly or indirectly relating to the Company and who, in addition, has authority to make management decisions that affect the future development and business prospects of the Company and/or of the Red Eléctrica Group. For the purposes of the application of this Code of Conduct and notwithstanding their legal relationship of employment, the Executive Chairman of the Company and the Directors-General of the Company and of Red Eléctrica de España, S.A. (Sole-Shareholder Company) shall be considered Executives.



Subsidiaries

The companies forming an integral part of the Company's Group and listed in Schedule I.

Periodic Information

The Company's Annual Financial Report, Half-Yearly Financial Report and Interim Management Statement, which contains the quarterly information.

Insider Information

Specific information that directly or indirectly refers to the Securities or to the Affected Securities, as such terms are defined in the Code of Conduct, which has not been made public and which, were it to be or had it been made public, could appreciably have or have had an influence on their price on an organized secondary market.

"Specific information" is any information that indicates a series of circumstances that exist or may reasonably be expected to exist or an event that has occurred or may reasonably be expected to occur where such information is sufficiently specific to allow conclusions to possibly be drawn on the potential effect of such circumstances or events on the price of the Securities or of the Affected Securities.

Information that "could appreciably have or have had an influence" on the price of the Securities or of the Affected Securities is any information that could be used by a reasonable investor as part of the basis for his investment decisions.

Material Event and Information

Any information and event knowledge of which may reasonably affect an investor's decision to acquire or transfer the Securities or, as the case may be, the Affected Securities and, therefore, may perceptibly influence their price on a secondary market.

Transactions

Any acquisitions and/or disposals of the Securities or of any rights attaching to them.

Oversight Body

The Directorate-General of Administration and Finance.

Related Parties

Refers exclusively to the Company and includes:

- i) any companies that control, are controlled, or under the same control as, the Company (common control);*
- ii) any companies that, notwithstanding the preceding scenario, exercise a significant influence over the financial and operating decisions of the Company or over which the Company itself exercises significant influence, on the terms established by the legislation in force;*
- iii) any individuals that directly or indirectly possess (including their close family in the latter case) any interest in the voting rights of the Company that enables them to exercise a significant influence over the Company, on the terms established by the legislation in force;*



- iv) *any individuals with authority and responsibility for planning, management and control of the activities of the Company, and who are understood to be Board Members, Executives and the close family members of both, or persons acting in concert with them, on the terms established by the legislation in force;*
- v) *any companies over which the individuals indicated in paragraphs iii) and iv) above may exercise a significant influence, on the terms established by the legislation in force;*
- vi) *any companies that share any board member or executive with the Company, where such board member or executive exercises a significant influence over the financial and operating policies of both companies;*
- vii) *any other cases established in the legislation in force.*

Special Prohibition Periods

Phases for the study, preparation or negotiation of a Material Transaction in which those participating in the Material Transaction are not permitted to perform Transactions involving the Securities or the Affected Securities, since Insider Information is deemed to exist.

Related Persons

This term refers exclusively to Obligated Parties/Temporarily Obligated Parties and includes

- i) *their spouse or spousal equivalent, unless the Transaction solely affects the private assets of their spouse or spousal equivalent and is performed without the involvement of the Obligated Party/Temporarily Obligated Party;*
- ii) *their minor children under their natural guardianship, or children of legal age that live with and are dependent economically on the Obligated Party/Temporarily Obligated Party;*
- iii) *any relatives that live with the Obligated Party/Temporarily Obligated Party or are under its charge at least one year prior to the Transaction;*
- iv) *any companies or legal entities in which the Obligated Party/Temporarily Obligated Party holds an executive office or is tasked with their management or which have been formed for the benefit of the Obligated Party/Temporarily Obligated Party, or which have economic interests equivalent to the Obligated Party's/Temporarily Obligated Party's interests or which it effectively controls on the terms established in the Securities Market Law; and*
- v) *any interposed persons or persons with whom the Obligated Party/Temporarily Obligated Party acts in concert.*

Code of Conduct

The Company's Internal Code of Conduct on the Securities Market.

Person Responsible for the Material Transaction

Each coordinator, together with the Oversight Body, during each Special Prohibition Period, responsible at Red Eléctrica for channeling communications with Temporarily Obligated Parties and for ensuring compliance with the obligations established by the Code of Conduct during such period.



Company

Red Eléctrica Corporación, S.A.

Obligated Parties

All those included among the parties to which the Code of Conduct applies, as provided for in Article 2 below.

Temporarily Obligated Parties

All those included among the parties to which the Code of Conduct applies during a Special Prohibition Period.

Material Transaction

Any transaction that may appreciably influence the price of the Affected Securities, pursuant to the provisions of the securities market legislation.

This definition may include any events, situations or acts comparable to a Material Transaction, that may appreciably influence the price of the Affected Securities, in the opinion of the Oversight Body.

Securities

Any fixed-income and equity securities issued or secured by the Company and/or Group Companies, that are listed on domestic and/or foreign stock exchanges, as well as any financial instruments or derivatives of which they are the underlying asset or which are linked to their price or performance.

Affected Securities

The Securities together with certain securities issued by third companies identified in each case by the Oversight Body, which are affected by certain Insider Information.

Chapter II. Scope of application

Article 2.- Parties to which the Code applies

2.1 The Code of Conduct shall apply to the persons included in the categories listed below, who shall be considered Obligated Parties:

1. The Company and the Subsidiaries, in all matters directly affecting them.
2. The Board Members, the Secretary and the Deputy Secretary of the Board of Directors of the Company.
3. The Executives, as such term is defined in Chapter I.
4. The Directors, the Secretary and, as the case may be, the Deputy Secretary of the Board of Directors of the Subsidiaries.
5. Any persons whose habitual functions are related to the securities markets and are expressly designated by the Oversight Body.
6. Any persons, including the External Advisors, who have access to Insider Information on the Company as a result of the study or negotiation of a Material Transaction of the Company and who are expressly designated by the Oversight Body (Temporarily Obligated Parties).



7. Any person not falling within the above groups and who is expressly designated by the Oversight Body.

2.2 The Oversight Body shall keep up to date a List of Obligated Parties, which it shall periodically review, and it shall notify Obligated Parties in writing of their inclusion (attaching a copy of the Code of Conduct to such notification) or exclusion from the List, of their obligations and prohibitions, as well as of the infringements and penalties deriving from breach of the Code of Conduct.

Obligated Parties must duly complete, sign and return the declaration of knowledge and acceptance contained in Schedule II to the Code of Conduct.

The Oversight Body shall periodically review the list of Subsidiaries in Schedule I to the Code of Conduct.

Article 3.- Matters to which the Code applies

The Code of Conduct applies to the Securities and to the Affected Securities, on the term and conditions contained in the Code of Conduct.

The Oversight Body shall keep up to date a list of the Securities and, as the case may be, of the Affected Securities.

Chapter III. Transactions involving Securities. Register

Article 4.-

4.1 Transactions involving Securities that are performed by Obligated Parties or by Related Persons are generally permitted and the Company considers that the stable investment made by them in the Securities will reinforce interest and confidence in Red Eléctrica's business and, accordingly, the long-term value of the Company's shares.

All the foregoing is without prejudice to mandatory compliance, at all times, by the Obligated Parties with the applicable securities market legislation, in particular, the legislation relating to the use of Insider and Material Information.

4.2 Transactions involving Securities that are performed by Obligated Parties or by Related Persons shall be notified by them to the Oversight Body within three (3) business days from their formalization; such notice shall contain information on: i) the nature of the Transaction; ii) the date and market on which it was performed; iii) the unit price and volume of the Transaction; iv) the proportion of voting rights attributed to the Securities in their possession following the Transaction; and, as the case may be, v) the particulars of the Related Person with whom the Transaction was formalized.

In the specific case of Transactions performed with financial instruments or derivatives the underlying assets of which are Company shares, the notice shall include: i) the type of option acquired or transferred; ii) the instrument pursuant to which the options are acquired and, in the event of disposal, the instrument pursuant to which the transferred options are held; iii) a description of the underlying asset of the option, specifying both the initial value of the shares and the exercise price; iv) the period for exercise of the option; v) any transfer rules applicable; vi) any premium paid; vii) the number of options acquired or disposed



of and the options held by the Board Member or Executive following the acquisition or disposal; and viii) an estimate of the number of shares and the number of voting rights that would result from the exercise of the options by the Board Member or Executive.

In the case of Board Members, the obligation to notify the Oversight Body of the proportion of voting rights attributed to the Securities in their possession shall also apply at the time of acceptance of their appointment and vacation of office and, in the case of their appointment, time in the period for notification shall run from the trading day following the date of acceptance.

The Oversight Body shall send, on behalf of the Obligated Party, the corresponding formal communication to the CNMV, where required under the legislation in force.

- 4.3 Obligated Parties that have executed an agreement with a financial institution for the stable management of their securities portfolio shall not be obliged to send the communication referred to in the preceding Subarticle, where the Transactions involving Securities have been ordered exclusively by that institution without any involvement whatsoever of the Obligated Party; notwithstanding the foregoing, Obligated Parties shall be obliged to:
- a) notify the Oversight Body of the existence of the securities portfolio management agreement and provide full particulars of it;
 - b) order the financial institution to keep the information on any Transactions involving Securities it may have formalized under such agreement at the disposal of the Oversight Body, in case it may require such information.
- 4.4 No Transactions involving the Affected Securities may be performed during the study or negotiation phases of a Material Transaction once the commencement of a Special Prohibition Period has been declared.
- 4.5 The Oversight Body must keep up to date a register of Transactions involving Securities performed by Obligated Parties, and, as the case may be, the information on the management of their securities portfolio referred to in Subarticle 4.3. Access to the register shall be restricted.

Chapter IV. Insider Information

Article 5.-

5.1 Rules of conduct

Obligated Parties that have Insider Information shall strictly comply with the provisions of the Securities Market Law, of its implementing legislation and of the Code of Conduct, and, in particular, must refrain from engaging, for their own account or for the account of another (including the Company), directly or through Related Persons, in the following conduct:

- a) preparing or performing any Transaction involving the Affected Securities to which the Insider Information refers. With respect to the Company, Transactions the existence of which constitutes, in itself, Insider Information and, in general, any other Transactions deriving from an agreement



executed by the Obligated Parties prior to having access to the Insider Information, shall be excluded from this obligation;

b) disclosing such Insider Information to third parties, except in the course of their work, profession or office;

c) recommending to third parties that they perform Transactions involving Affected Securities or facilitate their performance by other third parties.

Any Obligated Parties that have reasonable doubts regarding the nature of the information that they are going to use must consult the Oversight Body, which shall determine, as soon as possible, whether or not it is Insider Information, except in the case of Directors, who shall do so through the Office of the Secretary of the Board of Directors.

Obligated Parties that have Insider Information must safeguard it, without prejudice to their duty to disclose it to, and collaborate with, the competent authorities on the terms established in the legislation in force, adopting such measures as they see fit to prevent such Insider Information from being used in an abusive or unfair manner and, where they detect that it has been used in an abusive or unfair manner, they shall take the necessary measures as soon as possible to endeavor to correct the effects of such misuse.

The obligations established in this Subarticle shall cease to exist as soon as the Insider Information no longer has the nature of Insider Information, following its disclosure by the Company to the markets by way of a communication of a Material Event using the legally established means.

5.2 Special Prohibition Periods. Recording and treatment of Insider Information.

5.2.1 Persons responsible for the study, preparation or negotiation of a potential Material Transaction must notify it to the Oversight Body, on a case-by-case basis, as soon as any of such activities are to begin, by any means that allow the information to remain confidential; if the Oversight Body concludes that the potential Material Transaction analyzed contains Insider Information, it shall comply with the responsibilities set forth below:

5.2.2 The Company, through the Oversight Body, shall:

- a) declare the commencement and end of a Special Prohibition Period and shall designate a Person Responsible for the Material Transaction within the organization, according to the matter in question;
- b) draw up a list of Temporarily Obligated Parties during this period, which shall be the sole persons having access to the Insider information in question, and to whom it shall notify their obligations and prohibitions during such period, as well as the infringements and penalties for misuse of the Information, requiring that they sign a declaration of compliance and confidentiality; the end of the Special Prohibition Period shall be individually notified to each Temporarily Obligated Party;
- c) create a documentary record for each Material Transaction containing the particulars of the Temporarily Obligated Parties during the study, preparation or negotiation phase of the Material Transaction and the



date on which each Temporarily Obligated Party signs the declaration of compliance and confidentiality;

- d) monitor, through the organizational unit responsible for Treasury Stock, variations in the price and traded volume of the Affected Securities on the stock exchanges, and any news which may be broadcast or printed by professional financial media and the media in general and which may affect the Affected Securities.

Where an abnormal variation is detected in the volumes and/or prices of the Affected Securities and there are reasonable indications that it may be as a result of the premature, partial or distorted disclosure of the Insider Information on the Material Transaction, the Oversight Body shall immediately communicate a Material Event, giving clear and precise information on the Material Transaction, without prejudice to its right to request the CNMV not to publish it, pursuant to the legislation in force, if it considers that it could harm the legitimate interests of the Company.

5.2.3 All of the obligations and duties established in Article 5.1 above for Obligated Parties that have Insider Information shall apply to Temporarily Obligated Parties during a Special Prohibition Period.

5.2.4 With a view to controlling access to Insider Information, the Oversight Body shall establish such security measures as it may consider reasonable for access to, and safekeeping, storage, reproduction and distribution of, Insider Information during a Special Prohibition Period and shall notify them to the Person Responsible for the Material Transaction, who shall be charged with conveying them to all of the Temporarily Obligated Parties and with supervising their proper implementation; access to Insider Information by any persons other than Obligated Parties/Temporarily Obligated Parties shall be denied.

In general, the Person Responsible for the Material Transaction shall ensure compliance with the responsibilities of the Company during a Special Prohibition Period and shall also be responsible for monitoring and supervising compliance with the obligations and duties of the Temporarily Obligated Parties during such period.

The Person Responsible for the Material Transaction must provide the Oversight Body with reports and documents relating to each Material Transaction whenever it requests them.

5.3 Records

The Oversight Body shall keep up to date the corresponding documentary records on Obligated Parties/Temporarily Obligated Parties with access to Insider Information and shall adopt adequate security measures to ensure access to such records is restricted.

The records must contain at least the identities of the Obligated Parties/Temporarily Obligated Parties, the reason why they are included on the list, and the dates on which the list was created and updated.

The records must be updated in the following cases:



- a) where there is a change in the reasons why the Obligated Party/Temporarily Obligated Party appears in the record;
- b) where a new Obligated Party/Temporarily Obligated Party is added or where an existing Party is removed as it no longer has access to Insider Information.

The Company shall notify the Obligated Parties/Temporarily Obligated Parties of their inclusion in the corresponding records and of any other aspects that must be notified pursuant to the personal data protection law in force from time to time.

Chapter V. Material Information

Article 6.- Rules on action and communication to the markets

6.1 The Company shall immediately disclose all Material Information, formally communicating it to the CNMV prior to its disclosure by any other means and as soon as it becomes aware of the event, as the decision is adopted, or as the agreement or contract with third parties is signed.

If possible, the communication to the CNMV shall be sent while the market is closed to prevent distortions in the price and traded volume of the Securities. The Company shall then post the exact content of the Material Event communicated to the CNMV on its website and keep it so posted for such period as may be established by regulations or at the discretion of the CNMV.

Where there is a significant change in the Material Information communicated to the market, it must be disclosed immediately in the same way.

- 6.2 The content of the communication shall be true, clear, complete and, as the case may be, shall include quantified information, so that it does not mislead or deceive any third party.
- 6.3 Obligated Parties/Temporarily Obligated Parties shall not provide the Material Information to analysts, shareholders, investors or corporate media prior to its general disclosure to the markets through the CNMV.
- 6.4 Any acts of study, preparation or negotiation prior to the adoption of decisions deemed to be Material, pursuant to the provisions of the legislation in force from time to time, shall be excluded from this duty of disclosure, provided that confidentiality remains duly safeguarded.
- 6.5 The Company may not combine, in such a way as to deceive, the disclosure of Material Information with the marketing of its activities.

Chapter VI. Conflicts of Interest. Register

Article 7.-

7.1 Rules of conduct

Obligated Parties/Temporarily Obligated Parties must generally endeavor to avoid situations of direct Conflict of Interest or conflicts of interest concerning Related Persons and must notify the Oversight Body of any situations of Conflict



of Interest that may reasonably arise within fifteen (15) days from such situations coming to their attention, so that the Oversight Body may adopt the appropriate decisions in advance

In the case of Directors, they shall notify the situations described in the preceding paragraph through the Office of the Secretary of the Board of Directors.

Obligated Parties/Temporarily Obligated Parties must keep up to date the information on notified Conflicts of Interest reporting all changes as and when they occur.

7.2 Other Board Member responsibilities and communications

Without prejudice to the obligations established in the preceding Subarticle, as regards Conflicts of Interest, Board Members must comply with the conditions and requirements contained in the Corporate Bylaws and in the Board Regulations, and, in general, with all such conditions and requirements as may derive from the corporate/commercial legislation applicable to corporations.

7.3 Register

The Oversight Body shall keep up to date an itemized Register of the Conflict-of-Interest situations notified by the various Obligated Parties/Temporarily Obligated Parties, and shall adopt adequate security measures for its safekeeping and storage, and, in any event, access to the register shall be restricted.

Chapter VII. Parties Related to the Company. Register

Article 8.-

8.1 Communications

8.1.1 The Company shall include in the Periodic Information that it officially sends to the CNMV quantified information on the transactions performed by the Company with Related Parties, indicating the type and nature of the transactions performed and of the Related Parties involved, except in the cases provided for in Article 8.1.3 below.

8.1.2 Moreover, in relation to these transactions, itemized information must be provided where transactions are significant in terms of amount or are material to a proper understanding of the Company's Periodic Information, on the terms established in the legislation in force from time to time.

8.1.3 Exceptions

The Company need not provide information on transactions:

- a) between companies in its consolidated group, where such transactions have been eliminated in the process of preparing the consolidated financial statements and they are within the ordinary course of business at such companies; or
- b) when they are within the ordinary course of the Company's business, they are performed under normal market conditions and are of scant relevance to the Company, such transactions being understood to be those on which information is not required in order to give a true and fair view of the net worth, financial position and results of the Company.



8.2 Register

The Oversight Body shall keep up to date a register of transactions with Related Parties, which must be communicated to the CNMV, and must gather from such Related Parties the information required by the legislation in force from time to time, on the terms and conditions and within the periods necessary for proper compliance with that legislation.

The Oversight Body shall adopt all such measures as it sees fit for the orderly safekeeping and storage of the information contained on the register, access to which, notwithstanding its disclosure to the CNMV, shall be restricted.

Chapter VIII. Rules on the free determination of prices

Article 9.-

9.1 In general, the Company and Obligated Parties/Temporarily Obligated Parties must refrain from preparing or engaging in practices that distort the free determination of the prices of the Securities/Affected Securities, such practices being deemed to be:

- a) Transactions or orders that:
 - give or may give false or misleading signals with respect to the supply of, demand for, or price of the Securities/Affected Securities;
 - secure, by a person, or persons acting in concert, the price of the Securities/Affected Securities at an abnormal or artificial level, unless the person that performed the transactions or issued the orders establishes that his reasons for so doing are legitimate and such reasons are in keeping with accepted market practices on the regulated market concerned;
 - employ fictitious devices or any other form of deception or contrivance.
- b) The disclosure of information through the media, including the Internet, or by any other means, that gives, or is likely to give, false or misleading signals as to the Securities/Affected Securities or their issuer, including the dissemination of rumors and false or misleading news, where the person who made the dissemination knew, or ought to have known, that the information was false or misleading.

9.2 In particular, practices that distort the free determination of the prices shall be deemed to include:

- a) conduct by a person, or persons acting in concert, to secure a dominant position over the supply of or demand for the Securities/Affected Securities, which has the effect of fixing, directly or indirectly, purchase or sale prices or creating other unfair trading conditions;
- b) the buying or selling of the Securities/Affected Securities at the close of the market with the effect of misleading investors acting on the basis of closing prices;



- c) taking advantage of access to the traditional or electronic media by voicing an opinion about the Securities/Affected Securities or about the Company or, as the case may be, about another issuer of the Affected Securities, after having lawfully or unlawfully taken positions on them and having profited as a result from the impact of the opinion voiced on their price, without having simultaneously disclosed that Conflict of Interest;
 - d) Any other practices established by the legislation in force from time to time.
- 9.3 In relation to the signals to be taken into account in order to deem that a practice distorting the free determination of prices exists, or that an accepted market practice exists, the provisions of the applicable legislation in force shall be taken into account in all cases, as shall the positions adopted and the circulars published by the CNMV.

Chapter IX. Treasury Stock

Article 10.-

- 10.1 Transactions involving Treasury Stock shall always be performed on the legally envisaged terms and within the context of the authorization established by the Shareholders' Meeting.
- 10.2 Pursuant to the scope of the authorization granted by the Shareholders' Meeting, the Board of Directors is responsible for determining specific plans for the acquisition or disposal of Treasury Stock. These plans shall be disclosed to the CNMV as Material Events where required under the legislation in force from time to time.
- 10.3 Independently of the specific plans referred to in the preceding Subarticle, the Company may perform Transactions involving Treasury Stock, respecting the limits and provisions established in the law and in the Corporate Bylaws.
- 10.4 The Company shall make the performance of transactions involving Treasury Stock and Treasury Stock-linked financial instruments subject to measures to prevent its investment or divestment decisions from being affected by knowledge of Insider Information.
- 10.5 The Company shall serve the relevant formal notice on the CNMV of the percentage holdings in its capital stock, pursuant to the provisions of the legislation in force.
- 10.6 The Company's Board of Directors shall designate the organizational unit responsible for Transactions involving Treasury Stock and such unit shall comply with the legislation applicable to the free determination of prices in the performance of its functions. The organizational unit shall keep up to date a register of Transactions involving Treasury Stock and shall be responsible for giving the official notices required by the legislation in force from time to time in relation to Transactions performed involving Treasury Stock. The information contained on the register shall be considered confidential and access to the register shall be restricted, and the organizational unit responsible for Transactions involving Treasury Stock must adopt such measures as it deems



sufficient to ensure the limited use and proper safekeeping of the information contained on the register.

- 10.7 The Company shall procure, through the organizational unit responsible for Transactions involving treasury stock, that Transactions involving treasury stock are performed on the principal market and within normal trading hours.
- 10.8 In the week prior to registration at the CNMV of the Periodic Information required by law or whenever it may reasonably be foreseen that a Material Event will be publicly disclosed during such period, the Company shall endeavor to limit the Transactions involving Treasury Stock and, in any case, shall ensure that such Transactions do not entail the use of Insider Information.
- 10.9 The Oversight Body shall report on a quarterly basis to the Audit Committee on the Transactions involving Treasury Stock performed each month, and the Committee must report to the Board of Directors.
- 10.10 The rules established in this Article shall not apply to the following Transactions involving Treasury Stock:
- i) transactions performed on the Spanish Unified Computerized Trading System (SIBE) using the special block trading system;
 - ii) transactions that constitute special stock market transactions;
 - iii) transactions that relate to the hedging of stock market index-based derivatives arranged with collective investment vehicles;
 - iv) transactions resulting from arbitrage with futures and options on stock market indexes.

Chapter X. Units responsible

Article 11.- The Oversight Body

- 11.1 For the purposes of this Code of Conduct, the Oversight Body is the Directorate-General of Administration and Finance, which may request the collaboration of the Office of the Secretary of the Board of Directors for any legal issues resulting from the application or interpretation of the Code of Conduct.

In addition to the specific responsibilities established in this Code of Conduct, the Oversight Body has been entrusted with the general functions of ascertaining, registering, disseminating and monitoring compliance with the obligations and duties established in the Code of Conduct. In order to perform such functions, it shall have such means and resources as it deems necessary, and may delegate the material performance of such obligations.

- 11.2 The Oversight Body shall have the necessary powers to perform the functions entrusted to it under this Code of Conduct and shall be obliged to report periodically to the Audit Committee on the level of compliance with the Code of Conduct and on any incidents that occur.



11.3 The Oversight Body shall send a communication at least once a year to Obligated Parties with a view to having them confirm the validity of, or, as the case may be, update the information contained on each one of the registers established in the Code of Conduct, with the exception of those relating to the Special Prohibition Periods, since they refer to a limited time period.

11.4 The Oversight Body shall promote awareness of the Code of Conduct among Obligated Parties/Temporarily Obligated Parties, organizing informative sessions and, in general, adopting the appropriate measures to ensure optimum knowledge and comprehension of this Code of Conduct.

Article 12.- Functions of the Office of the Secretary of the Board of Directors

The Office of the Secretary of the Board of Directors shall be responsible, within the scope of this Code of Conduct, for communications between the Directors and the Oversight Body, which must channel all communications and notices addressed to Directors through such Office.

Article 13.- Functions of the Audit Committee

13.1 The Committee shall have the following responsibilities, within the scope of this Code of Conduct:

- a) supervision of compliance with the Code of Conduct and of the performance of the functions of the Oversight Body, of the Person Responsible for the Material Transaction, and of the Office of the Secretary of the Board of Directors contemplated in this Code of Conduct;
- b) internal resolution of any questions and disputes raised by Obligated Parties/Temporarily Obligated Parties and submitted to it by the Oversight Body;
- c) annual evaluation of compliance with this Code of Conduct and, as the case may be, adoption of appropriate measures for its optimum implementation and improvement; in this connection, it is also responsible for proposing to the Corporate Responsibility and Governance Committee, for referral to the Board of Directors, any amendments to the Code of Conduct it deems necessary in light of the Board's commitment to update it constantly, and adopt the best corporate governance practices in the area, and of the applicable legislation.

Chapter XI. Compliance with securities market legislation. Breaches of the Code of Conduct

Article 14.-

14.1 Compliance with the obligations, duties and responsibilities contained in this Code of Conduct does not release Obligated Parties/Temporarily Obligated Parties or the Company from the duty to observe the other obligations established in the securities market legislation applicable to them.



14.2 Breach of the provisions of this Code of Conduct shall be considered an employment-related breach, in the case of Obligated Parties/Temporarily Obligated Parties subject to an employment relationship with Red Eléctrica Corporación and/or the companies in its Group, the severity of which shall be determined in the procedure followed in accordance with the provisions in force and the relevant legislation shall apply in all other cases.

Where Board Members, the Secretary or the Deputy Secretary of the Board are in breach, the provisions of the Board Regulations shall apply.

The foregoing shall be deemed to be without prejudice to any penalties under securities market legislation or under any legislation on civil, administrative or criminal liability which may be sought against the party in breach in each case.

Chapter XII. Approval and amendments

Article 15.-

This Code of Conduct and any amendments to it must be approved by the Company's Board of Directors at the proposal of the Audit Committee and the Corporate Responsibility and Governance Committee, pursuant to the provisions of Article 13 above.

It shall be disclosed to the markets by way of the communication of a Material Event to the CNMV, which shall be immediately posted on the Company's website.

Chapter XIII. Validity

Article 16.-

- 16.1 The Code of Conduct shall apply to the Company as from June 25, 2009, the date of its approval by the Board of Directors.
- 16.2 The Code of Conduct shall apply to Obligated Parties/Temporarily Obligated Parties as from the date on which they are formally notified and they receive a copy of it. Obligated Parties/Temporarily Obligated Parties must acknowledge receipt of the Code of Conduct by signing and returning to the Oversight Body their individual declaration of knowledge and acceptance attached as Schedule II to the Code of Conduct.



Schedule I. Subsidiaries

- RED ELÉCTRICA DE ESPAÑA, S.A. SOLE-SHAREHOLDER COMPANY
- *RED ELÉCTRICA INTERNACIONAL, S.A., SOLE-SHAREHOLDER COMPANY*
- *RED ELÉCTRICA DE ESPAÑA FINANCE, B.V.*
- *RED ELÉCTRICA FINANCIACIONES, S.A. UNIPERSONAL*
- *REDCOR REASEGUROS, S.A.*

In addition to the companies referred to above, this Schedule I shall include all such companies of which Red Eléctrica Corporación, S.A. is the sole shareholder.



Schedule II. Declaration of knowledge and acceptance of the Internal Code of Conduct on the Securities Market

To the Oversight Body: the Directorate-General of Administration and Finance

I declare that I have received a copy of the Internal Code of Conduct on the Securities Market of Red Eléctrica Corporación, S.A., that I have read it in full, and that I accept the obligation to comply with all of its terms and conditions insofar as they apply to me.

In, on 2.....

Signed:*[Full name and signature]*