

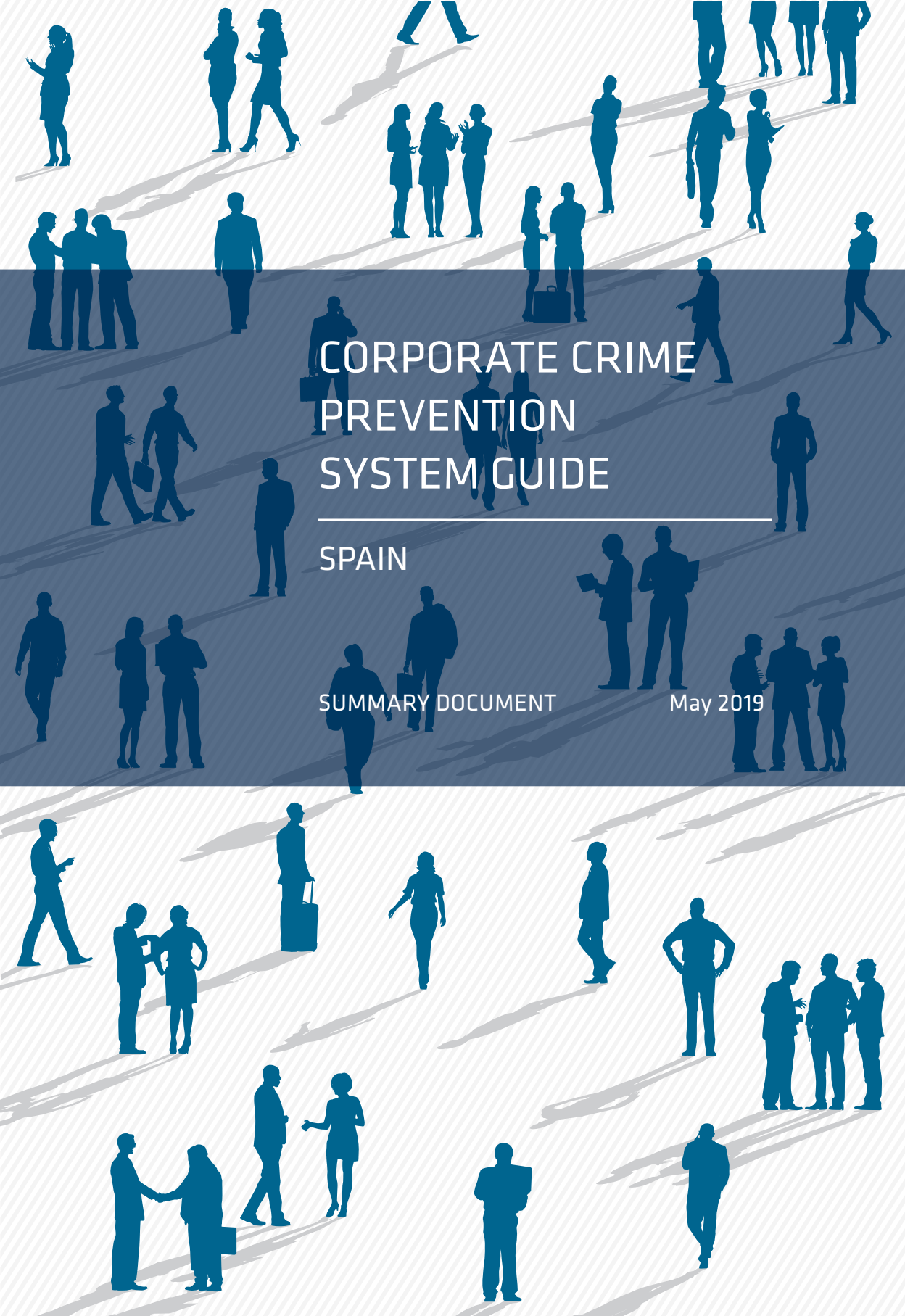
CORPORATE CRIME PREVENTION SYSTEM GUIDE

SPAIN

SUMMARY DOCUMENT

May 2019

GRUPO  **RED**
E L É C T R I C A

The background of the entire page is a repeating pattern of silhouettes of business professionals in various poses: walking, talking, holding briefcases, and standing. The silhouettes are dark blue against a light blue background with a subtle diagonal line pattern.

CORPORATE CRIME PREVENTION SYSTEM GUIDE

SPAIN

SUMMARY DOCUMENT

May 2019

Table of contents

1. Introduction	1
2. Regulatory framework	2
3. Scope of application of the Corporate Crime Prevention System	3
3.1 Scope of the Corporate Crime Prevention System	3
3.2 Persons bound by the Corporate Crime Prevention System: 'Affected Persons'	3
4. Objectives of the Corporate Crime Prevention System	3
5. Elements of the Corporate Crime Prevention System of the Red Eléctrica Group	4
6. Governance Model of the Corporate Crime Prevention System	5
6.1 Board of Directors	5
6.2 Management bodies	6
6.3 Corporate Crime Prevention Committee	7
6.4 Functions of the Corporate Crime Prevention Committee	7
6.5 Composition of the Committee	8
7. Communication of non-compliances and irregularities	9
8. Disciplinary system	10
9. Awareness and training	10
10. Approval of the Guide	11

1. Introduction

The Red Eléctrica Group (hereinafter referred to as 'the Red Eléctrica Group', 'the Company' or 'the Organisation') has a **Corporate Crime Prevention System** in place, which constitutes the model for the prevention, supervision and control of criminal risks of the Red Eléctrica Group.

This Guide (hereinafter referred to as the '**Corporate Crime Prevention System Guide** or the '**Guide**') describes the elements of the Corporate Crime Prevention System of the Red Eléctrica Group for companies whose head offices are registered in Spain.

The Corporate Crime Prevention System is aligned with the ethical and compliance culture established by the Code of Ethics of the Red Eléctrica Group and any additional compliance regulations that contribute to its implementation, monitoring and enforcement.

The Corporate Crime Prevention System is a true and fair view of the commitment of the Red Eléctrica Group and of those responsible hereto for due diligence for the prevention of potential criminal risks within the Organisation.

The Red Eléctrica Group has taken into account not only the corporate criminal liability regulations applicable in Spain¹ when defining and establishing its Corporate Crime Prevention System, but also the main international² regulations and standards in terms of compliance. The Corporate Crime Prevention System focuses purely on the prevention of business conducts that could have criminal liability implications, without the possibility of extending its scope of application to other areas.

The Corporate Crime Prevention System is based on an analysis of the criminal risks that, hypothetically, could arise in the Organisation, and includes existing procedures and controls for the effective prevention and mitigation of such risks.

The Corporate Crime Prevention System is characterised by a decentralised management of the compliance oversight function, with the purpose of adapting it, as closely as possible, to the statutory requirements established by the legislation of the different jurisdictions in which the Red Eléctrica Group carries out its activity and/or in which its facilities are located.

In the drafting of this Guide, the following have been reviewed, analysed or taken into consideration: (i) the activities carried out by the different companies of the Group in Spain; (ii) the policies and other internal regulations and (iii) the stakeholders that may be impacted by the Corporate Crime Prevention System.

This Guide will be updated periodically in order to meet the needs that may arise, in accordance with the structure and activities of the Red Eléctrica Group, and the regulatory requirements that have a criminal liability consideration and that may be applicable.

1. Organic Law 5/2010, of 22 June, and Organic Law 1/2015, of 30 March, both amending Organic Law 10/1995, of 23 November, on the Spanish Criminal Code.

2. Among others, the United Nations Convention against Corruption and its Anti-Corruption Programme on Ethics and Compliance for Businesses, the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions of the Organisation for Economic Cooperation and Development (OECD), the Foreign Corrupt Practices Act (FCPA) of the United States and the Bribery Act of the United Kingdom, and ISO 19600 regarding Compliance Management Systems.

2. Regulatory framework

On 23 December 2010, Organic Law 1/2010, amending the Spanish Criminal Code, came into force, introducing the criminal liability of legal persons for the first time ever in the Spanish legal system. The new wording of this law was subsequently ratified by means of Organic Law 1/2015, which came into force on 1 July 2015, which more precisely defined the criminal liability of legal persons, which was already set out in the 2010 reform.

The criminal liability of a legal person can be derived, solely, from the types of criminal offences provided for in the Criminal Code as susceptible to being committed by the legal person, in those cases in which they were committed for or on behalf of the same and for its direct or indirect benefit, as established in Article 31 bis of the Criminal Code, pursuant to its statement that legal persons will be criminally liable as follows:

- a) For the offences committed for or on behalf of them and for their direct or indirect benefit, by their legal representatives or by those persons who, acting individually or as members of a body of the legal entity, are authorised to take decisions on behalf of the legal person or have organisational or management powers therein.
- b) For the offences committed, in the performance of corporate duties and for and on behalf of them and for their direct or indirect benefit, by those persons, who, being subject to the authority of the persons referred to in the foregoing paragraph, have been able to carry out the offences as a result of the failure of the latter to fulfil their duties of supervision, monitoring and control of the activity of the former, bearing in mind the specific circumstances of the case.

The legal person can be exempted from criminal liability if an effective organisation and management model has been correctly implemented, as established in section four of article 31 bis, which states that: "The legal person shall be exempt from criminal liability if, prior to the perpetration of the offence, they have effectively adopted and implemented an organisational, management and control model suitable to prevent offences of the type committed or to significantly reduce the risk of it being perpetrated".

The reform of Spain's Criminal Code of 2015 introduces the requirements that must be fulfilled by an organisational and management model defined and established by companies for the prevention of corporate crimes (Article 31 bis of the Spanish Criminal Code), namely:

- (i) The establishment by the corporate governance body of an organisational and management model that includes the suitable monitoring and control measures for the prevention of corporate crimes;
- (ii) The creation of a body with independent powers of initiative and control to supervise the correct functioning of, and compliance with, the prevention model implemented;
- (iii) The identification of those business activities in which corporate crimes may be committed and that must be prevented;
- (iv) The implementation of protocols or procedures that clearly identify the training processes that can have a positive influence on the will of the legal person, as well as on the adoption of decision-making process and the execution thereof;
- (v) Implementation of suitable financial management models aimed at preventing the perpetration of offences that must be avoided at all cost;
- (vi) The obligation to report possible risks and non-compliances to the body in charge of monitoring the functioning and oversight of the criminal risk prevention model (whistle-blowing channel);
- (vii) The establishment of a disciplinary system that adequately sanctions any breach or violation of the measures set out in the model, and

- (viii) The periodic verification of the model and its future modification, if deemed necessary, should any of the following events take place: relevant violations of the model are revealed, if changes occur in the organisation or in the control structure, or if there are changes in the activities performed by the legal person.

This Guide highlights the commitment of the Red Eléctrica Group with respect to good governance and effective oversight and monitoring, which, in turn, is required from the governance bodies, the management team and the employees of the Company in order to minimise, as far as possible, the criminal risk that could arise from bad practices or non-compliance with regulations in the execution of their activity.

3. Scope of application of the Corporate Crime Prevention System

3.1 Scope of the Corporate Crime Prevention System

The Corporate Crime Prevention System focuses on the following aspects:

- Analysis of the possible criminal risks that may affect the Red Eléctrica Group.
- Setting up of control protocols and procedures, both generic and specific, necessary to mitigate the Company's criminal risks.

3.2 Persons bound by the Corporate Crime Prevention System: 'Affected Persons'

The Corporate Crime Prevention System is applicable to the members of the Board, the management team and the employees of the Red Eléctrica Group, as well as to persons who may act under the authority of the Organisation (hereinafter, 'Affected Persons').

The Red Eléctrica Group promotes the adoption of measures for the prevention of criminal risks by the organisations and professionals with whom it collaborates, within their scope of application.

4. Objectives of the Corporate Crime Prevention System

The Corporate Crime Prevention System of the Red Eléctrica Group includes the action criteria and the control elements of the Organisation aimed at preventing the perpetration of offences within the Group's scope of activity.

The main objectives of the Corporate Crime Prevention System are:

- (i) Establish a control and supervisory system to mitigate the risk of corporate crimes being committed by the Organisation;

- (ii) Optimise and improve the management of the risks of non-compliance associated with the corporate crime prevention system;
- (iii) Raise awareness among the members of the Red Eléctrica Group regarding the relevance of the Corporate Crime Prevention System and the need for them to adapt their business conduct to the principles and behaviour guidelines of the Code of Ethics;
- (iv) Inform the people bound by the Corporate Crime Prevention System that any violation of the principles and guidelines of the System entails the application of disciplinary measures;
- (v) Formalise the commitment of the Red Eléctrica Group regarding the prevention of any conduct that is contrary to the applicable legislation and to the commitments voluntarily undertaken by the Organisation;
- (vi) Establish adequate control measures to mitigate the Organisation's criminal risk, as well as the actions and/or measures to be put in place in order to react to and correct such risk whenever a non-compliance or breach is detected.

The Red Eléctrica Group has undertaken the commitment to promote a culture of ethics and compliance, which entails respect for the applicable regulations and for the voluntary commitments undertaken, in addition to adapting to best practices in terms of compliance.

5. Elements of the Corporate Crime Prevention System of the Red Eléctrica Group

The Red Eléctrica Group has a Corporate Crime Prevention System that is aligned with the requirements established by the Spanish Criminal Code and best practices regarding the prevention of corporate criminal risks.

The Corporate Crime Prevention System encompasses the Company's model for the organisation, prevention, management and control of corporate criminal risks, and is made up of the following elements:

- (i) A **Corporate Crime Prevention Policy** -integrated into the Red Eléctrica Group's Compliance Policy- which highlights the Organisation's firm rejection of any illegal conduct, and its commitment to ethics and compliance, through the adoption of those practices that lead to trustworthy business conduct by the Organisation and its members.
- (ii) Appointment of a **Corporate Crime Prevention Committee** by the Board of Directors endowed with the independent powers of initiative and control and which has been entrusted with the responsibility of controlling and supervising the functioning of the Corporate Crime Prevention System.
- (iii) A **Corporate Crime Prevention risk map**, which identifies and assesses the Company's Corporate Crime Prevention risks and liabilities, as well as the key internal control mechanisms that help mitigate them.
- (iv) **Policies, procedures and controls** that help mitigate the identified criminal risks. Specifically included are the financial policies, procedures and controls that make up the Company's **financial resources management system**, and that help prevent the commission of crime.
- (v) Adequate **Material, financial and human resources** for a correct and effective functioning of the Corporate Crime Prevention System.

- (vi) A **control and supervision system** that allows the Red Eléctrica Group to: (i) monitor the oversight control processes; (ii) monitor the changes in criminal risks and (iii) draft proposals to improve controls or create new ones to strengthen the overall control of corporate criminal risk.
- (vii) A **whistle-blowing channel** established for the purpose of communicating suspicious acts and alleged non-compliances, which allows the Red Eléctrica Group to be duly informed in a timely manner so that it may take appropriate actions when faced with possible irregular and/or illegal situations.
- (viii) The Company's **disciplinary system**, applicable in accordance with the provisions of the Workers' Statute Act, the collective bargaining agreement and the internal regulations of the Organisation.
- (ix) **Verification** of the Corporate Crime Prevention System on a periodic basis, or when relevant non-compliances/violations of the system are revealed or if changes occur in the organisation or in the control structure, or if there are changes in the activities the organisation carries out.

The Corporate Crime Prevention System seeks to identify, control, and monitor potential corporate criminal risks of the Organisation and prevent them from materialising by implementing actions that encompass the prevention, detection and response to such risks.

The Corporate Crime Prevention System is dynamic in nature and is submitted to a process for its review, updating and continuous improvement, which takes into account, among other things: the changes that take place regarding applicable regulations; modifications to the Company's internal structure, or through the knowledge acquired as a result of the practical experience gained in the application of said System.

6. Governance Model of the Corporate Crime Prevention System

The Red Eléctrica Group has a governance model that it applies to the Corporate Crime Prevention System, that has the full support and commitment of the governing bodies and the management team of the Company. This model ensures that the appropriate duties and responsibilities that ensure effective oversight and monitoring of the functioning of the System are duly assigned.

6.1 Board of Directors

The **Board of Directors** is established as the highest supervisory body of the Red Eléctrica Group and is responsible for the Groups governance and representation.

The Board is empowered with the responsibility to approve the Group's general policies and strategies, in addition to overseeing the internal control systems. The Board of Directors, pursuant to that established in its Regulations, is the body responsible for approving the Compliance Policy of the Red Eléctrica Group, as a clear indication of its commitment to the Organisation's Compliance System.

The **Audit Committee** is the body that, among other responsibilities, provides support to the Board in relation to compliance with legal provisions and internal regulations, through the following competences:

- Regularly supervise and evaluate the functioning of the Corporate Crime Prevention System of the companies of the Group, submit the improvement proposals it deems appropriate to the Board and

supervise the annual report on compliance with the Corporate Crime Prevention System, in coordination with the rest of the Committees within their scope of competences.

- Supervise the Corporate Crime Prevention System and submit to the Board, through the Appointments and Remuneration Committee in accordance with its competences, the proposals for improvement of the System that it deems appropriate.
- Prior to submitting the report to the Board of Directors, this Committee shall oversee the annual report on compliance with the Corporate Crime Prevention System drafted by the System's control and supervisory body.

The **Appointments and Remuneration Committee** has been assigned, in relation to the regulations and actions regarding Corporate Governance matters, the responsibility of:

- Periodically reviewing the Corporate Crime Prevention System of the Company.
- Proposing to the Board of Directors the modifications and updates that contribute to its implementation, enforcement and continuous improvement. These modifications and updates take into account, if appropriate, the suggestions and proposals put forth by the Audit Committee and the System's control and supervisory body, pursuant to their assigned competences.

6.2 Management bodies

The management bodies are responsible for:

- Showing commitment and leadership through the design, development, implementation, maintenance and continuous improvement of the Corporate Crime Prevention System.
- Guaranteeing that the requirements derived from the Corporate Crime Prevention System are incorporated into the Company's policies and procedures.
- Ensuring and safeguarding that the operational objectives and the principles and guidelines of the Corporate Crime Prevention System are aligned.
- Allocating adequate and sufficient resources for the effective implementation and enforcement of the Corporate Crime Prevention System.
- Conveying to the Organisation an unequivocal message about the obligation to comply with the principles and guidelines established in the Corporate Crime Prevention System.
- Fulfilling and ensuring compliance with the obligations derived from the Corporate Crime Prevention System.
- Managing and providing support to all the members of the Organisation in order to achieve the effective implementation of the Corporate Crime Prevention System.
- Promoting the use of the whistle-blowing channel, so that any potential cases of misconduct or unlawful acts that may affect the Organisation can be duly reported.
- Guaranteeing that the members of the Red Eléctrica Group are not subject to any form of retaliation as a result of having communicated, in good faith, any type of non-compliance they are aware of or which they may consider suspicious, or for refusing to participate in any type of criminal activity, even if this entails a loss of business for the Organisation.

6.3 Corporate Crime Prevention Committee

The Board of Directors, as the highest body responsible for the management of the risks of the **Red Eléctrica Group**, in accordance with the applicable regulations and, specifically, with the provisions of article 31 bis of the Spanish Criminal Code, has appointed the **Corporate Crime Prevention Committee** as the specific body responsible for the control of the Corporate Crime Prevention System of the **Red Eléctrica Group**.

The Corporate Crime Prevention Committee is responsible for the supervision and monitoring of the Corporate Crime Prevention System of the Red Eléctrica Group, with the objective that the main criminal risks are identified, managed and made known internally. The Corporate Crime Prevention Committee is responsible for carrying out the functions referred to in Article 31 bis.2.2 of the Spanish Criminal Code³.

The Corporate Crime Prevention Committee has its own independence and autonomy and, through the Audit Committee, reports to the Board of Directors on the activities it carries out, as well as on the adequacy and effectiveness of the Corporate Crime Prevention System.

The Red Eléctrica Group provides the Corporate Crime Prevention Committee with the adequate means and resources necessary to execute its duties and responsibilities.

6.4 Functions of the Corporate Crime Prevention Committee

The main function of the Corporate Crime Prevention Committee is to control and supervise the effectiveness of the Corporate Crime Prevention System.

The specific functions related to the control and supervision of the Corporate Crime Prevention System include the following:

1. Promote a culture of ethics and compliance based on the rejection of all unlawful acts and on the support for the ethical conduct of the members of the Organisation.
2. Ensure the dissemination of the principles and guidelines of the Corporate Crime Prevention System, counting on the collaboration of the areas with applicable competences in this field.
3. Promote the design and implementation of adequate training plans for people bound by the Corporate Crime Prevention System, regarding the obligations and responsibilities entailed by the Company's commitments regarding ethics and compliance, with a periodicity that ensures that knowledge regarding this matter is kept up to date.
4. Process and investigate grievances reported through the channels established for this purpose within the scope of the Corporate Crime Prevention System, without prejudice to the decisions that must be adopted by the bodies or areas of the Company regarding matters that fall within their competences.
5. Oversee and ensure that proportionate disciplinary measures are taken against those who violate the principles and guidelines of the Corporate Crime Prevention System.

3. Article 31 bis.2.2a of the Spanish Criminal Code establishes as one of the requisites required for the legal person to be exempted from criminal liability "... that the supervision of the functioning and compliance with the prevention model implemented has been entrusted to a governance body of the legal person with independent powers of initiative and control or who has legally been entrusted the function of supervising the effectiveness of the internal controls of the legal person".

6. Supervise the functioning of the Corporate Crime Prevention System and propose modifications thereto when relevant violations of its principles and guidelines are revealed, or if changes occur in the organisation, in the control structure or in the activity carried out by the Group which make the modifications necessary.
7. Ensure that people bound by the Corporate Crime Prevention System have access to the necessary resources and means in order to comply with the principles and guidelines thereof.
8. Prepare a report on an annual basis on the monitoring and effectiveness of the Corporate Crime Prevention System, for its submission to the Board of Directors. The report will include and define the actions or improvement activities to be carried out in relation to said System.
9. Inform the Board of Directors and the Management Bodies about the effectiveness of the Corporate Crime Prevention System as and when required or when, due to the relevance of the issue, the Corporate Crime Prevention Committee deems it appropriate.
10. Act as an interlocutor with the judicial authorities and coordinate collaboration with the same, within the scope of the Corporate Crime Prevention System.

6.5 Composition of the Committee

The persons appointed as members of the Corporate Crime Prevention Committee must have the following characteristics:

- Integrity and commitment to comply with regulations.
- Autonomy and independence of criteria.
- Availability and dedication to take on the duties and responsibilities.
- Professionalism, prestige and the necessary competencies.
- Effective communication skills and the ability to influence.

In addition to the ***Ethics Manager and Stakeholders' Ombudsman***, the Corporate Crime Prevention Committee is also made up of representatives from the following areas:

- Audit and Risk Control Management Area.
- Legal Services Management Area.
- Human Resources Management Area.
- Risk Control, Compliance and Quality Department.



The members of the Corporate Crime Prevention Committee will treat the information and documentation to which they have access with the utmost confidentiality, without being able to use it for a different purpose other than for the control and supervision of the Corporate Crime Prevention System and for the investigation of the incidents that may occur within this field.

The members of the Corporate Crime Prevention Committee, in the performance of their duties, may:

- Access the information held by the Red Eléctrica Group.
- Have the support of any company of the Group, and/or area or member of the Organisation.

7. Communication of non-compliances and irregularities

The Red Eléctrica Group has a whistle-blowing channel for the communication of enquiries and for the reporting of possible violations of the internal regulations or current legislation. In this way, any member of the Organisation that has suspicions or evidence regarding any type of crime that may have been committed and that could affect the criminal liability of the Organisation, or of the violation of any of the principles and guidelines of the Corporate Crime Prevention System, must make the Corporate Crime Prevention Committee fully aware of the situation through the whistle-blowing channel. The use of this channel is open to any of the Company's stakeholders.

The Red Eléctrica Group provides access to the whistle-blowing channel via the external and internal corporate websites and furthermore provides an email address as another form of communication.

The Corporate Crime Prevention Committee ensures maximum confidentiality regarding the facts and information to which it has access as a result of receiving a grievance or enquiry, except when it has to be provided to the administrative or judicial authorities in accordance with the provisions of the legislation applicable to that effect.

The Red Eléctrica Group guarantees that no member of the Organisation will be subject to retaliation, discrimination or disciplinary measures when, in good faith they:

- (i) Inform the Company of a possible violation of the corporate regulations regarding ethics and compliance;
- (ii) Inform the Company of possible illegal conduct and/or that may represent the materialisation of a criminal risk, or
- (iii) Collaborate in the investigation or resolution of a grievance.

This guarantee will not be applicable to those who use the whistle-blowing channel acting in bad faith with the intention of spreading false information or harming a third party.

The Corporate Crime Prevention Committee is the body responsible for processing and investigating grievances received within the scope of the Corporate Crime Prevention System through the whistle-blowing channel, as well as responding to enquiries regarding the functioning of the Corporate Crime Prevention System.

8. Disciplinary system

Any person linked to the Red Eléctrica Group has the obligation to respect and comply with the regulations, policies and procedures that are applicable to them when carrying out their duties and responsibilities.

In order to have a disciplinary system that adequately deals with violations of the principles and guidelines of the Corporate Crime Prevention System by implementing appropriate disciplinary measures, the Red Eléctrica Group abides by the Workers' Statute, the applicable collective bargaining agreement and any other labour regulation currently in force in Spain.

The Company guarantees that disciplinary measures regarding non-compliance with applicable regulations will be applied correctly and will be proportionate to the offence committed. In the same way, the Company will also impose disciplinary measures regarding any conduct that prevents or hinders an unlawful act/conduct from being discovered. In addition, it will also impose disciplinary measures on those who fail to adequately report, via internal channels, any non-compliance that they are aware of.

9. Awareness and training

The Red Eléctrica Group encourages the members of the Organisation to be adequately trained on and fully aware of the Company's criminal risks, in order to detect and prevent them and know how to manage them in accordance with the Corporate Crime Prevention System.

The members of the Organisation shall be provided with training that covers the following:

- (i) The Group's Compliance Policy, all aspects of the Corporate Crime Prevention System and the procedures associated with it, and their obligation to comply with the requirements associated with the foregoing;
- (ii) Criminal risk and the resulting damages in the event it should it materialise, and its impact on both the staff and the Organisation;
- (iii) The circumstances in which a criminal risk may materialise in the performance of their activity, as well as to know how to recognise the circumstances that led to it;
- (iv) How they can help prevent and detect criminal risks, preventing their materialisation and recognising the main risk factors;
- (v) Their contribution to the effectiveness of the Corporate Crime Prevention System and the benefits derived from the same, and the benefit of reporting possible offences or violations/non-compliances;
- (vi) The implications and consequences of non-compliance with the principles and guidelines of the Corporate Crime Prevention System.
- (vii) The process to be followed by staff members to make enquiries and report non-compliances regarding the Corporate Crime Prevention System.

The Corporate Crime Prevention Committee is responsible for promoting the adequate dissemination of information regarding the System, as well as promoting awareness-raising and training actions on the relevance and strategic nature of the Corporate Crime Prevention System within the Organisation's culture of ethics and compliance.

The personnel bound by the Corporate Crime Prevention System must confirm, upon receiving the appropriate training, their full knowledge thereof, undertaking to comply with the principles and guidelines of the Corporate Crime Prevention System in the performance of any activity carried out in the interest or benefit of the Red Eléctrica Group.

10. Approval of the Guide

This **Corporate Crime Prevention System Guide** has been approved by the companies of the Red Eléctrica Group in Spain.

The **Corporate Crime Prevention Committee** will propose the necessary modifications to this Corporate Crime Prevention System Guide to the competent governance bodies in order to maintain effective oversight and monitoring, at all times, of the activities of the Company in order to enable criminal risks to be minimised.

The **Corporate Crime Prevention Committee** will develop the procedures that it deems necessary or convenient for the implementation and enforcement of the principles and guidelines of the Corporate Crime Prevention System, and will keep the governance bodies of the Company fully abreast of all developments.