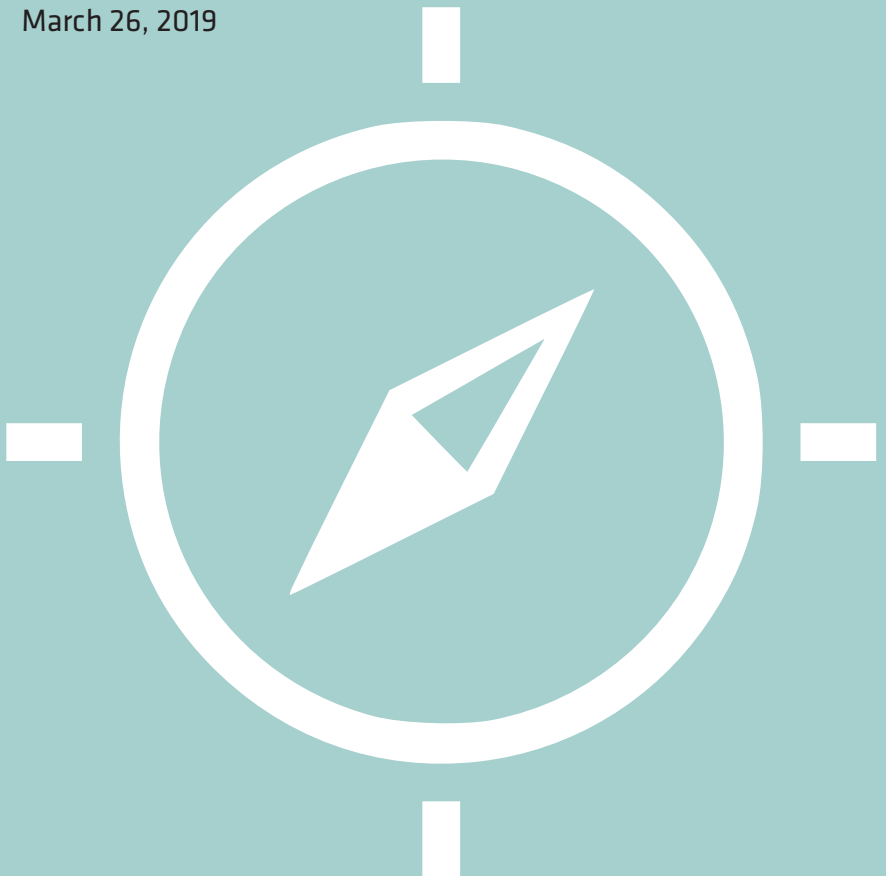




**RED**  
**ELÉCTRICA**  
CORPORACIÓN

# Compliance POLICY

March 26, 2019





## Object

The object of this Policy is to establish the commitment by Red Eléctrica Group ('the Company') for prevention, detection and response to conduct that contravenes the legal obligations and commitments voluntarily assumed by the Company in accordance with the principles and guidelines contained in its Code of Ethics.

This Policy contains the express commitment made by the Company to comply with the criminal legislation applicable to the Company and its rejection of any conduct constituting a criminal offence.

## Scope of application

This Policy is applicable to all employees of the Company in the exercise of their functions and duties and in all the professional areas in which they represent the Company, including the directors and employees of subsidiaries of the Company without any exception whatsoever regardless of their office, responsibilities or geographical location.

## Principles and guidelines

The Company has a global Compliance System made up of a series of interrelated elements that the Company has established to ensure compliance with the obligations and commitments it has voluntarily assumed.

This Policy is a fundamental feature of the above Compliance System, establishing the basic principles and guidelines that have been assumed by the Company in the field of compliance as outlined below:

- To apply the principles of excellence adopted by the Company and incorporate and promote best practices in the field of compliance.
- To act at all times in accordance with the applicable legislation and the commitments voluntarily assumed by the Company.
- To promote a culture of ethical conduct and compliance based on the principle of zero tolerance of unlawful acts and support for ethical conduct in accordance with the principles laid down in the Code of Ethics.
- To develop a global compliance system that embraces all the regulatory areas applicable to the activities and functions of the Company and more specifically the applicable criminal legislation.
- To inform the Company's employees via awareness, training and informative activities established for this purpose regarding the importance of carrying out their functions and



duties in accordance with the applicable legislation and the commitments voluntarily assumed by the Company.

- To promote self-management processes for the actions and decisions of the Company's employees so that they take into account the following four basic premises: (i) the action must be in accordance with the Code of Ethics; (ii) it must be legally valid; (iii) it must be aligned with the strategic objectives of the Company; and (iv) it must be within the scope of authority of the party in question, who accordingly assumes responsibility for the action.
- To ensure that the Company's relations with stakeholders are characterised by ethical, transparent conduct in accordance with the commitments assumed in this respect.
- To cooperate as necessary with judicial, administrative or any other national or international supervisory bodies to ensure compliance with the Company's legal obligations.
- To establish the due diligence measures necessary for adequate selection and monitoring of business partners in relation to compliance.
- To provide the Company's employees and stakeholders with a whistleblowing channel for suspicious or unlawful activity that allows the Company to identify and respond to irregular and/or unlawful situations.
- To raise awareness among the Company's employees of the rules, policies and procedures applicable to their activities and the consequences of their breach.
- To grant independent powers to the supervisory body responsible for supervising the functioning and observance of the Compliance System.

## Objectives of the compliance system

The Company wishes to promote a culture of ethical conduct and compliance entailing observance of the applicable law and the commitments voluntarily assumed by the Company, along with adaptation to best practices in the field of compliance.

The Compliance System includes criteria for action and control mechanisms to prevent breach of the obligations and commitments within the scope of the Company's activities.

The main objectives of the Compliance System are as follows:

- (i) To constitute a control and supervision system to mitigate the risk of breaches by the Company.
- (ii) To provide the entire staff of the Company with the principles and rules to be applied to their activities and the mechanisms necessary for their application.
- (iii) To optimise and improve compliance risk management.
- (iv) To raise awareness among the Company's employees regarding the relevance of the Compliance System and the need to adapt their conduct in keeping with the principles and guidelines contained in the Code of Ethics.



- (v) To formalise the commitment made by the Company to prevent any conduct that contravenes relevant law and the commitments voluntarily assumed by the Company.
- (vi) To inform parties subject to the Compliance System that any breach of its principles and guidelines entails the imposition of disciplinary measures.
- (vii) To establish the appropriate control mechanisms to mitigate the risk of breach by the Company and ensure adequate reaction and correction when breaches are detected.
- (viii) To keep records certifying compliance with the obligations and commitments of the Company.

## Elements of the compliance system

The purpose of the Compliance System is to identify the risk of breach by the Company and prevent those risks from materialising through actions such as prevention, detection and responses to such risks.

The Compliance System establishes a model for organisation, prevention, management and control of the Company's compliance risks consisting of the following elements:

- (i) A Compliance Policy declaring the Company's rejection of any unlawful act and its commitment to principles of ethical conduct and compliance through the adoption of practices that ensure the application of a comprehensive approach by the Company and its employees.
- (ii) Establishment of a supervisory body with independent powers that assumes responsibility for control and supervision of the Compliance System.
- (iii) A compliance map that identifies and evaluates the Company's compliance risks and key internal controls to mitigate such risks.
- (iv) Policies, procedures and controls to mitigate the compliance risks identified. More specifically, these will include financial policies, procedures and controls, which together constitute the Company's financial resource management system to allow prevention of breaches in this area.
- (v) Human, material and financial resources necessary for the appropriate and effective functioning of the Compliance System.
- (vi) A system for control and supervision that allows the Company: a) to monitor the surveillance process; b) to monitor changes in compliance risks; and c) to draft proposals to improve controls or create new controls to reinforce coverage of compliance risks.
- (vii) A whistleblowing channel for suspicious or unlawful activity that allows the Company to identify and respond to irregular and/or unlawful situations.
- (viii) A disciplinary system to be applied in accordance with the Workers Statute, the collective agreement and the internal rules of the Company.
- (ix) Periodic verification of the Criminal Compliance System, with special emphasis in the event that relevant breaches have been detected or changes have been made to the Company, its control structure or the activities it carries out.

The Compliance System is dynamic and undergoes constant supervision, updating and improvement to take into account, among other matters, amendments to the applicable laws,



modifications to the internal structure of the Company or knowledge acquired from practical experience of the application of this System.

## Compliance system governance model

The Board of Directors is responsible for approval of the Compliance Policy and its policies and general strategies and supervision of internal control systems.

The Audit Committee provides support to the Board of Directors regarding compliance with legal provisions and internal regulations among other matters, via the following functions:

- Regular supervision and evaluation of the functioning of the Company's compliance system, notification to the Board of Directors of proposals for improvement as it considers appropriate and review of the annual compliance report in coordination with the rest of the Committees within the scope of their powers.
- Supervision of the Criminal Compliance System and notification to the Board of Directors of proposals to improve the System as it considers appropriate via the Appointments and Remuneration Committee in accordance with its powers. Review of the annual criminal compliance report prepared by the supervisory body responsible for control and supervision of the System prior to its presentation to the Board of Directors.

The role of the Appointments and Remuneration Committee, in relation to the rules and actions in the field of Corporate Governance, is to periodically review the Company's Criminal Compliance System and propose to the Board of Directors any modifications and updates that contribute to its development and continuous improvement, taking into account where applicable the suggestions and proposals made by the Audit Committee and the supervisory body responsible for control and supervision of the System in accordance with the powers that have been attributed to them.

The role of the supervisory body is to design, implement and develop the Company's Compliance System, establishing a second independent line of defence that is duly coordinated with the operational and internal audit departments in order to establish an appropriate internal control system that helps to achieve the Company's strategic objectives.

This **Compliance Policy** was approved by the Board of Directors on 26 March, 2019.