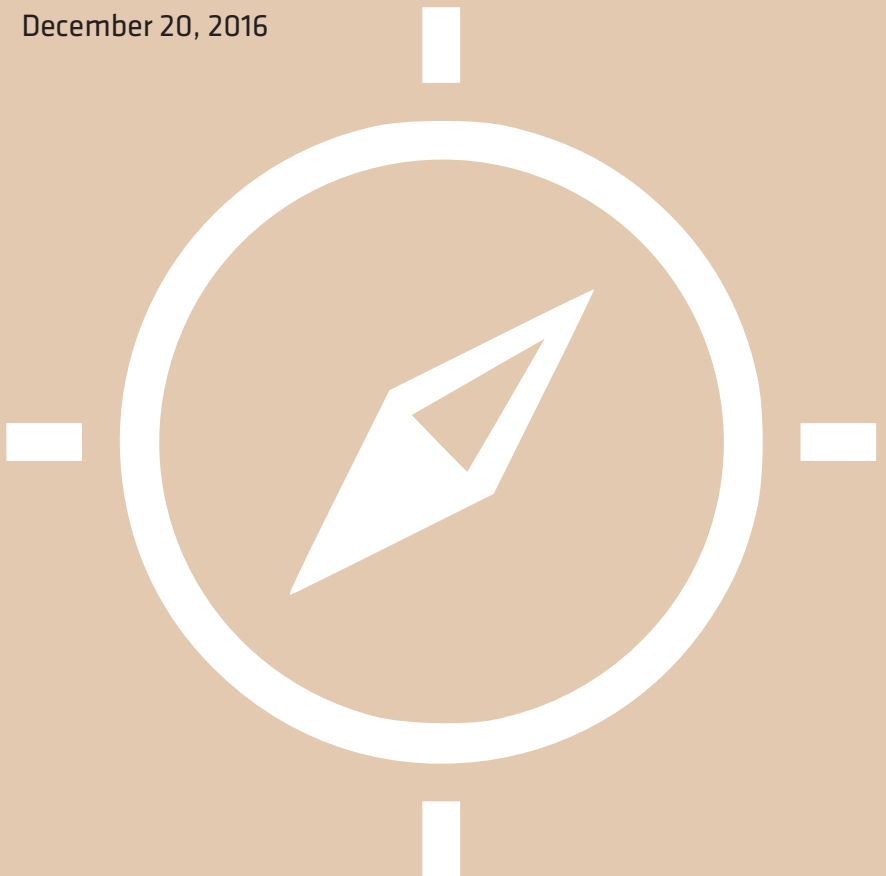




RED
ELÉCTRICA
CORPORACIÓN

Comprehensive Risk Management POLICY

December 20, 2016





Purpose

Establish the principles and guidelines to ensure that risks, which could affect the strategies and objectives of the Red Eléctrica Group, are systematically identified, analysed, assessed, managed and monitored with uniform criteria and within the established risk limits. These principles and guidelines shall lead to the fulfilment of the strategies and objectives of the Red Eléctrica Group.

Scope of aplicability

The Red Eléctrica Group.

Essential principles and guidelines

- Apply the principles of excellence adopted by the Company and incorporate and promote best practices in the field of comprehensive risk management.
- Ensure that risks that may affect the strategies and objectives of the Group are constantly identified, analysed, assessed, managed and controlled.
- Ensure that mitigation actions are carried out on those risks whose value exceeds levels considered acceptable, taking into account their degree of manageability, to bring them in line where possible with the acceptable level. Any risk of an acceptable level shall be monitored and actions taken to maintain it at that level.
- Ensure that risk management is proactive, incorporating controls into the design process that help mitigate risks, implementing contingency plans and establishing coverage for such risks where possible.
- In general, risk management should be performed following coherence criteria between the importance of the risk and the cost and means necessary to reduce it. However, for activities that affect the electricity system, the impact the risks may have on it shall also be considered.
- Ensure that the bodies responsible for controlling risks (Management Committee, Audit Committee and Board of Directors) are duly informed of the situation of the risks.

Criteria regarding acceptable risk level

Acceptable risk level for individual risks

As a general criterion of the risk management model, all risks that threaten the achievement of the strategies and objectives of the Red Eléctrica Group shall achieve a low



Risks regarding business diversification

- Assessment of risks which may significantly affect the evolution of the telecommunications and foreign business: regulatory, economic cycle, competition, evolution of the sector, technological evolution, country evolution, etc.
- The management of these risks shall correspond to each of the companies that form the Group, such companies will have the necessary help from the corporate units that can support their management.

Risk management information and control systems

Suitable information and control systems shall be provided for comprehensive risk management to ensure compliance with this policy, and its application will be determined in the corresponding general procedure.

This **Comprehensive Risk Management Policy** was approved by the Board of Directors on 20 December, 2016.