



TITLE I

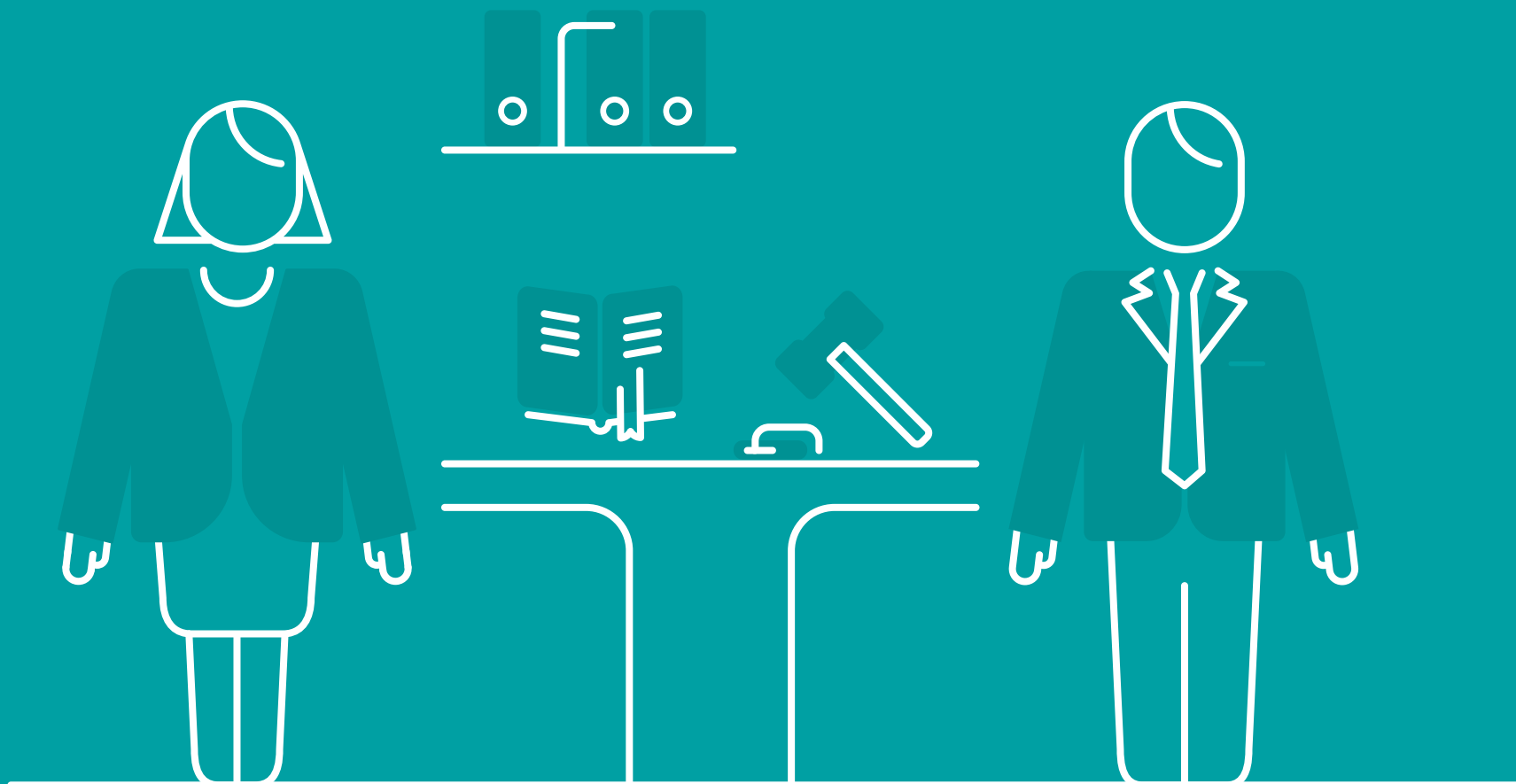
LEGAL FRAMEWORK
APPLICABLE TO
RED ELÉCTRICA


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ANNUAL CORPORATE GOVERNANCE REPORT OF REDELÉCTRICA CORPORACIÓN, S.A. 2016 FINANCIAL YEAR^[1]

CHAPTER I

EXTERNAL FRAMEWORK

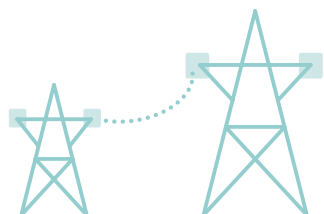
The Board of Directors of RED ELÉCTRICA CORPORACIÓN, S.A. (hereinafter 'Red Eléctrica' or 'the Company'), as the Board of a listed company, complies with the requirements of the laws applicable to listed companies. The minimum content of the Annual Corporate Governance Report is established in Article 540 of the Spanish Companies Act (Ley de Sociedades de Capital, hereinafter 'LSC'), following the reform introduced by Act 31/2014 of 3 December, amending the LSC for the improvement of corporate governance. Under the amended LSC, the Annual Corporate Governance Report must include information on measures adopted to ensure that the Board of Directors includes a sufficient number of female members to maintain a balance between men and women, as well as any measures agreed upon by the Appointments and Remuneration Committee. In addition, the required

information on risk control systems was expanded to include a reference to tax risks. Article 540 LSC provides that the content and structure of the Annual Corporate Governance Report will be determined by the Ministry of Economy and Competitiveness or, if expressly authorized, by the National Securities Market Commission (Comisión Nacional del Mercado de Valores, hereinafter 'CNMV').

Accordingly, on 30 December 2015 the Spanish Official Gazette (BOE) published CNMV Circular 7/2015 of 22 December, amending Circular 5/2013 of 12 June establishing the standard forms for the Annual Corporate Governance Report of public companies, savings banks and other entities that issue securities which are traded on official securities markets, and CNMV Circular 4/2013 of 12 June establishing the standard forms for the annual report on the remuneration of the directors of public companies and the members of the Boards of Directors and Control Committees of savings banks that issue securities which are traded on official securities markets.

CNMV Circular 7/2015 answered the need to amend the standard form for the Annual Corporate Governance Report as a result of the approval of Act 31/2014 of 3 December, amending the LSC for the improvement of corporate governance, and the Code of Good Governance of Listed Companies (Código de Buen Gobierno de las Sociedades Cotizadas, hereinafter 'CBGSC'), approved by resolution of the Board of the CNMV on 18 February 2015.

[1] Unless another date is expressly indicated in this report, the reference date is 31 December 2016.



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The main changes made by CNMV Circular 7/2015 to the standard form for the Annual Corporate Governance Report of public companies were as follows:

- Some sections that referred to old recommendations of the CNMV's Unified Code on Good Governance [Código Unificado de Buen Gobierno] which have become binding rules following the entry into force of Act 31/2014 of 3 December were eliminated.
- Some sections were amended to include the new requirements of Act 31/2014 of 3 December, notably the inclusion of information on the various committees each entity has created [Section C.2], the inclusion of certain information on the Board of Directors assessment process [Section C.1.20 bis] and the inclusion of tax risks [Section E].
- The new recommendations of the CBGSC were included in section G ('Degree of compliance with corporate governance recommendations').

The changes made by CNMV Circular 7/2015 of 22 December are included in the Official Annex to this Annual Corporate Governance Report, which has been completed in accordance with the abovementioned standard form.

At the same time, the legal framework affecting various aspects of the corporate governance of Spanish public companies underwent relevant changes in 2015, particularly as a result of the entry into force of said Act 31/2014 of 3 December, amending the LSC for the improvement of corporate governance. In 2015 and 2016 the Company's basic corporate rules were reviewed so as to adapt them to the new legislation.

The review of the recommendations included in the Unified Code on Good Governance carried out by the Committee of Experts, under the guidance of the CNMV, led to the approval of the CBGSC, which was approved by resolution of the Board of the CNMV on 18 February 2015.

The activity of the Committee of Experts in corporate governance matters consisted of identifying, on the one hand, the legal obligations stated in the recent LSC, as amended by Act 31/2014 of 3 December and, on the other, the voluntary recommendations contained in the CBGSC, which are subject to the 'comply or explain' principle.

The CBGSC is made up of 64 recommendations, divided into three large blocks, relating to general aspects [Recommendations 1 to 5], the Shareholders' General Meeting [Recommendations 6 to 11] and the Board of Directors [Recommendations 12 to 64].



In Section G of the Official Annex to this Annual Corporate Governance Report, the Company must report on its compliance with the recommendations of the new CBGSC.

Act 22/2015 of 20 July [the Audit Act] amends Article 529 *quaterdecies* LSC, relating to the Audit Committee, as follows:

- i. The members of the Audit Committee are required to have pertinent technical knowledge of the sector to which the audited entity belongs.
- ii. The committee's minimum functions include the following:
 - a) Report, in particular, on the result of the audit, explaining how the audit has contributed to the integrity of the financial information and the role the committee has played in the audit process.
 - b) Present timely recommendations and proposals to the governing body on: [i] the Company's internal control, internal audit and risk management systems and [ii] how to safeguard the integrity of the statutory financial reporting process.

c) Be responsible for the external auditor selection process, in accordance with Article 16.2, 16.3 and 16.5 and Article 17.5 of Regulation [EU] No 537/2014 of 16 April.

d) Obtain the necessary information from the external auditor, when required, for authorization of the provision of services other than those prohibited under Articles 5.4 and 6.2.b) of Regulation [EU] No 537/2014 of 16 April and section 3 of Chapter IV of Title I of Act 22/2015.

Most of the amendments introduced by Act 22/2015 of 20 July came into effect on 17 June 2016 and affected Articles 15 and 16 of the current Board of Directors Regulations, which have been amended, among other things, to bring them into line with the abovementioned act.



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CHAPTER II

INTERNAL FRAMEWORK

The internal corporate rules governing Red Eléctrica are continuously amended in order to continue to adopt corporate governance best practices and ensure greater information transparency for the Company's shareholders. At present, the Company is governed, in corporate governance matters, by the corporate rules and procedures listed below, which, on a voluntary basis, go beyond the requirements of applicable law.

At 31 December 2016, these internal corporate regulations consisted of:

- > The Bylaws.
- > The Shareholders' General Meeting Regulations.
- > The Board of Directors Regulations.
- > The Succession Plan for the Company's Board Chairman.
- > The Internal Code of Conduct in the Securities Market.
- > The Code of Ethics.
- > The Corporate Governance Policy.
- > The Criteria for communication with shareholders, institutional investors and proxy advisors.
- > The Procedure for proxies, voting and distance information at the Shareholders' General Meeting [relating to the 2016 Shareholders' Annual General Meeting]
- > The Operating Rules of the Shareholder E-Forum [relating to the 2016 Annual General Meeting].

Bylaws

The Company's Bylaws are constantly being adapted, so as to align them not only with legislation but also with best practices and principles in the corporate governance area, and have been repeatedly amended by the Company's Shareholders' Annual General Meeting.

The most recent amendments to the Bylaws, approved in financial years 2015 and 2016, were as follows:

- > The Shareholders' Annual General Meeting held on 15 April 2015 approved an amendment to the Bylaws to adapt them to the legislative reforms introduced by Act 31/2014 of 3 December, amending the LSC for the improvement of corporate governance. Specifically, the following articles were amended: 11 'Shareholders' General Meeting', 12 'Types of Shareholders' General Meeting', 13 'Notice of Shareholders' General Meeting', 15 'Right of information and attendance at Shareholders' General Meetings', 17 'Constitution of the presiding committee, manner of deliberation', 20 'The Board of Directors', 21 'Functioning of the Board of Directors', 22 'Board committees and delegation of authority', 23 'The Audit Committee', 24 'The Corporate Responsibility and Governance Committee', 25 'The Company's Board Chairman', 25 *bis* 'The Lead Independent director' and 26 'The Secretary of the Board'.



- The Shareholders' Annual General Meeting of the Company held on 15 April 2016 resolved on a share split that increased the number of the Company's shares, reducing their par value from two euros to fifty euro cents per share, and consequently resolved to amend section 1 of Article 5 of the Bylaws.

The Shareholders' General Meeting Regulations

The Shareholders' General Meeting Regulations were initially approved by the Shareholders' Meeting of 17 July 2003 and have been amended on numerous occasions.

These regulations are the rules that protect shareholders of Red Eléctrica, in keeping in line with best practices in the corporate governance area, and include all the new means of shareholder protection and participation, with a view to recognising, promoting and strengthening shareholder rights at the Company to the greatest extent possible.

The latest amendments to these Regulations, aimed at adapting them to the legislative reforms introduced by Act 31/2014 of 3 December and other amendments of style or order designed to give greater clarity to the text of the Shareholders' General Meeting Regulations, were approved by the Shareholders' Annual General Meeting held on 15 April 2015. Specifically, the following articles were amended: 3 ['Competencies of the Shareholders' General Meeting'], 5 ['Notice of Shareholders' General Meeting'], 6 ['Shareholder's rights'],

7 ['Shareholder's right to participate'], 8 ['Shareholder's right of information'], 10 ['Proxies'] and 15 ['Constitution, deliberation and adoption of resolutions'].

The Board of Directors Regulations

As indicated in Article 22 of the Bylaws, the main purpose of the Board of Directors Regulations is to establish the basic rules for the organisation and functioning of the Board of Directors and its committees, the rules of conduct for its members and the system of supervision and control of the Board of Directors and its committees, with a view to ensuring the highest standards of professionalism and efficacy of their actions. This is achieved by encouraging the active participation of directors and placing the interests of the Company and its shareholders above the directors' own personal interests, while upholding the law, the Bylaws and corporate governance principles.

The latest amendments to the Board Regulations were approved at the Board of Directors meeting held on 20 March 2016. The purpose of these amendments was to update the content of the regulations in the light of certain legislative reforms that have recently affected the rules governing public companies, in line with the reforms of the Bylaws and the Shareholders' General Meeting Regulations approved by the Shareholders' Annual General Meeting of 15 April 2015; make certain adaptations to best practices, especially international best practices, in corporate governance; make improvements to the organisation and functioning of the Board of Directors and its committees; and adapt the regulations to the current organisation of the Red Eléctrica Group. Specifically, the main objective of the reform was to adapt the regulations to the provisions of Act 31/2014 of 3 December, amending the LSC for the improvement of corporate governance, and the new CBGSC, which was



approved by the CNMV on 24 February 2015. The initiative for the reform came from the Appointments and Remuneration Committee, which is one of the bodies with the power to initiate reforms under Article 3 of the current regulations. The committee prepared the appropriate proposal, together with the Memorandum setting out the grounds for the proposal provided for in the abovementioned article.

The main purposes of the amendments were to:

- Adapt the functions of the Board of Directors [broadening the reserved functions] and the two Board committees [Audit Committee and Appointments and Remuneration Committee] to the latest reforms of the LSC and to the CBGSC, while also including organisational and functional improvements.
- Add a specific article [Article 11] to regulate the functions and responsibilities of the Managing director separately from those of the Chairman of the Board of Directors [Article 9], whose roles and responsibilities have also been changed as the Chairman no longer has executive authority, following completion of the separation of the positions of Chairman and Managing director at the Shareholders' Annual General Meeting held on 15 April 2016.
- Adapt the functions of the Lead Independent director [Article 10, formerly Article 9 bis] to the LSC and the CBGSC and strengthen those functions by incorporating the function of coordinating the preparation of the Succession Plan for the Managing director and, where applicable, for the Managing director and maintaining contacts with investors

and shareholders in order to form an opinion as to their concerns in relation to corporate governance.

- Strengthen the independence of the external auditor by adapting the regulations to the LSC and the CBGSC; give the Audit Committee the task of receiving from the external auditor each year a statement to the effect that they have no criminal convictions [Article 16.3 c); and include the obligation of the external auditor of the Company and, where applicable, the Group to tender their resignation to the Board of Directors and, if the Board so decides, to resign if a court finds them guilty on a criminal charge [Article 42.5).

Succession Plan for the Company's Board Chairman

At the Shareholders' Meeting held on 27 October 2011, following an increasingly widespread international corporate governance practice, the Board of Directors approved a Succession Plan for the Company's Board Chairman, who at that time still had executive functions. The reason for adopting this practice was to minimise the impact that the handover from one Chairman to another could have on the organisation and establish a model profile for candidates, so as to ensure business continuity and minimise the risks or adverse effects when a new Chairman was appointed, until the new one had fully settled into the role. The Plan established a succession procedure, which was split into several phases, with different functions being assigned to the managing bodies involved – all this with a view to creating an environment in which the appointment of a new Chairman could be carried out in an orderly and efficient manner, without adversely affecting the Company's activities.



This plan was applied for the first time in 2012, when Mr. Luis Atienza Serna stepped down as Chairman and Managing director of the Company, in favour of Mr. José Folgado Blanco, who had already been sitting on the Board of Directors as an independent director since 2008. The new Chairman's independent judgement, knowledge of the Company and its industry, prior experience, leadership qualities and capacity for dialogue with the energy regulator greatly facilitated the handover.

Given that the Succession Plan was approved in 2011, that there were major changes in the Company and its organisation in 2015 and 2016, following the separation of the positions of Chairman of the Board and Managing director, and that the Board of Directors Regulations were adapted to the new situation in December 2016, the Succession Plan is also being reviewed, with the support of an international outside consultant. The purpose of this Succession Plan review is, first, to keep the plan fully up to date and aligned with the Company's Corporate Governance Policy, the reforms of the LSC and the new wording of the Board of Directors Regulations and, in particular, to adapt it to the new situation, where the Chairman of the Board of Directors has no executive functions; and, second, to prepare a new specific succession plan for the Managing director, following the completion of the separation of the two positions approved at the Shareholders' Annual General Meeting held in April 2016.

The Internal Code of Conduct in the Securities Market

The Company approved its first Internal Code of Conduct in the Securities Market on 7 February 1994 and has updated it on various occasions since then. The current code was approved by the Board of Directors on 25 June 2009. At a meeting held on 30 June 2011 the Board of Directors approved an update to the code in order to adapt it to the new corporate structure of the Group and reflect the change of name of what used to be known as the Corporate Responsibility and Governance Committee. At its meeting on 26 July 2012, the Board of Directors approved a further change to the Internal Code of Conduct in the Securities Market in order to expressly set out certain periods prior to the presentation of the Group's results during which certain persons with access to information about those results are prohibited from trading in the Company's securities. Finally, on 24 June 2014, the Board of Directors approved another update to the code to adjust it to best practices in treasury stock matters, with particular emphasis on the CNMV's recommendations issued in July 2013 regarding volume, pricing and trading time.

The Code is currently being reviewed in order to adapt it to the latest changes to laws and regulations and, in particular, to Regulation EU No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, which, among other things, introduces a new definition of 'person closely associated' and new obligations for listed companies.



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Various amendments are expected to be made to the Spanish legislation affected by the abovementioned EU regulation, which will have to be taken into account in updating the Company's Internal Code of Conduct in the Securities Market.

The Code of Ethics

The purpose of the Company's Code of Ethics is to provide an ethics guide for the people who work in Red Eléctrica Group companies, specifying the values and commitments that must govern their activity in their company.

Many of these values and commitments have accompanied Red Eléctrica since 1987, when it published its first shared value system, under the title 'Basic principles of action'. In 2007, Red Eléctrica's ethical commitment was reinforced with the approval of the 'Code of Ethics and Corporate Values', the implementation of the ethical consultation and reporting channel and the creation of the Ethics Officer role.

The current version of the Red Eléctrica Group's Code of Ethics was approved by the Board of Directors of the Group's parent company on 28 May 2013, responding to the demands of stakeholders and the recommendations of advocacy bodies.

The Code of Ethics is binding on all the people in the Group, who are understood to include employees, the Board of Directors and senior managers, in the exercise of their functions and responsibilities. It is a regulatory instrument for establishing, in general terms, the rules of conduct and

guidelines in regard to the values embodied in the Code of Ethics in the different professional spheres in which the employees of the Red Eléctrica Group are active. It is intended to serve as a general guide for making decisions in line with the abovementioned values in certain situations in which the professionals of the Red Eléctrica Group may find themselves.

It applies to Group companies, that is to say, subsidiaries, regardless of their geographical location or the countries in which they happen to be carrying out their activities, providing professional services or engaging in any other activity related to the Group.

The Annual Code of Ethics Report for 2015, which is published on the corporate website, describes the events that occurred during the year in relation to the corporate ethics management system: the functioning of the ethical consultation and reporting channel; awareness-building actions; recognitions obtained; and measures to be followed through. The report for 2016 is in preparation and will likewise be published on the corporate website, once it has been approved.



The Ethics Officer

To ensure that the Ethics Code is known and applied and is complied with, Red Eléctrica appointed Rafael García de Diego, General Secretary and secretary to the Board of Directors, as Ethics Officer and stakeholder ombudsman.

The responsibilities of the Ethics Officer are as follows:

- Respond to inquiries and advise all stakeholders on any doubts regarding the values and commitments set forth in the Code of Ethics.
- Investigate complaints by examining and inquiring into the conduct of the employees or organisational units concerned.
- Prepare action plans to resolve complaints and submit them to the Chairman of the Red Eléctrica Group for approval, or to the Chairman of the Audit Committee if the complaint concerns a member of the Management Committee.
- Keep an up-to-date record of activity [inquiries, complaints, actions taken and notifications to interested parties].
- Keep claimants informed of the status and resolution of their inquiry or complaint, when so requested.
- Prepare a final report reviewing the system and proposing improvements to the complaints management system.
- Keep the identity of the claimant confidential at all times, unless legally obliged to disclose it.
- Perform the functions of the position with independence, rigour and equanimity.

Ethical channel

To encourage application of the Ethics Code, the Red Eléctrica Group has established an inquiries and complaints management procedure. This procedure, which has been computerised and audited, ensures the confidentiality of reporting persons.

An ethical channel is available on the corporate website through which users can submit inquiries, report wrongdoing and make suggestions to the Ethics Officer.

Red Eléctrica also has another channel for receiving reports of non-compliance, complaints, inquiries and ethical suggestions, namely, the 'Dígame' telephone hotline, which is available to external stakeholders, who may be unaware of the channel mentioned earlier. This service refers inquiries to the Ethics Officer, preserving confidentiality.

The management of the inquiries and reports received by the Ethics Officer through the ethics channel [system for recording, processing, resolving and communicating information] has recently been improved, with the implementation of a computer application that has been valued positively in internal and external audit reports on corporate social responsibility and good governance.

The Compliance System

During 2016 a new Compliance System was implemented, in fulfilment of the commitment [stated as a rule of conduct in the Ethics Code] to have an effective legal compliance control system, based on the values of reliability and responsibility.



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The new Compliance System is aligned with best practices in this field, so as to ensure that the organisation properly respects the obligations established and undertakings given and so develops a culture in which compliance risks are managed proactively.

The steps taken in this field in 2016 include the preparation of a preliminary compliance map and the preparation of preliminary criteria for reporting and relations between the Compliance Unit and the Company's functional areas and governing bodies.

Also, continuing the ethics management awareness plan that has been in effect since 2013, a plan to build awareness and understanding of the Compliance System was started in the last quarter of 2016 and will continue in 2017.

Awareness and training are key factors in developing a culture of compliance within the organisation. Participation in the awareness-building actions and compliance training is mandatory for all persons concerned in the organisation. The content of these actions must be adapted to the needs and responsibilities of the functional areas and other affected areas of the Red Eléctrica Group.

The Compliance Unit is responsible for creating an enterprise-wide awareness and understanding of the importance and strategic role of the Red Eléctrica Group's Compliance System within the organisation's corporate culture.

Integrity and transparency

The Code of Ethics and the related inquiries and complaints management system, which also includes the fight against corruption, is an effective mechanism for the detection and treatment of possible cases of corruption and fraud. The governing bodies, senior managers and employees of Red Eléctrica must accept the content of the Ethics Code and suppliers must accept the Code of Conduct for suppliers.

One of the rules to be followed by Red Eléctrica Group employees in the exercise of their functions and responsibilities, in all the professional spheres in which they represent the Company, is that of establishing irreproachable commercial relationships. The commitments assumed in this respect mean that all forms of corruption, bribery or facilitating payments are prohibited, whether active or passive, by act or omission, or through the creation or maintenance of discriminatory or irregular situations.

In order to put Red Eléctrica's commitment to prevent any practice related to corruption, bribery or facilitating payments into effect, on 22 December 2015 the parent company's Board of Directors approved the 'Guide for the prevention of corruption: zero tolerance', as a key element of the Red Eléctrica Group's integrity model. This initiative was included in the Company's 2015 Corporate Responsibility Programme. Its goal is to provide guidance on the prevention of corruption for all Red Eléctrica Group professionals, setting out the commitments and action criteria that must govern their professional activity in that respect within the Group. Its purpose is to give the members of the Red Eléctrica Group an analysis of the circumstances and risks they face in relation to corruption and to build awareness of the criteria and instruments the Company has at its disposal for eradicating those risks.



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Ethical management indicators

Red Eléctrica achieved a leading position in the Code of Ethics/ Compliance/ Corruption and bribery section of the 2016 Dow Jones Sustainability Index. For the second year running it was awarded the highest score (100 out of 100 points) in that section, 28 points above the average for the companies in its industry that are included in the index, having also reached the highest percentile [100] in the assessment.

It was included for the first time in the Euronext-Vigeo sustainability indices (Eurozone 120, Europe 120, Global 120), which select the companies that show outstanding performance in areas such as environmental protection, ethics and contribution to the economic and social development of the communities in which they operate.

Red Eléctrica also continues to be included in business ethics indices such as the Ethibel Sustainability Index (ESI) Excellence Europe (for the second year running) and Ethibel Excellence (since it was first included in 2009).

Lastly, Red Eléctrica received recognition in 2015 in the EXTEL – IRRI study on socially responsible investment, prepared directly by the analyst community and socially responsible investors from around the world, who placed Red Eléctrica among the nine companies in the world that best address the issues of good governance and sustainability in carrying out their activities.

Actions in progress

The following ethical management issues are currently in progress or under consideration:

- Adaptation of the Ethics Code to the steps taken to prevent compliance risks.
- New actions to build awareness of the Company's ethical management and integrity model, having regard to the results of the awareness-building plan completed in 2016 and the improvements made to the Company's integrity model.
- Review of the Company's system of ethical management indicators to improve management monitoring by the Company's internal and external stakeholders.
- Possibility of implementing some kind of recognition for behaviours, within the Company, that are particularly relevant and aligned with the Company's ethical values.
- Reinforcement of awareness-building initiatives and measures to adapt the ethical management system in each of the Red Eléctrica Group's subsidiaries.
- Forging of new alliances with the organisation's stakeholders to promote ethical business management.




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The Corporate Governance Policy

The Board of Directors, at its meeting held on 25 November 2014, approved the Company's Corporate Governance Policy. The policy establishes that it is based on the corporate values, which govern the Company's relationship with the different stakeholders and help to achieve the Company's strategies and sustainably maximise its value. These values are reflected in the principles governing the Group's Corporate Governance Policy. The policy describes, in summary form, the catalogue of principles evidencing not only the Company's compliance with applicable regulations but also its alignment with national and international recommendations and trends in corporate governance matters, which the Company has adopted voluntarily since it was listed on the stock market in 1999. These principles have been adopted with a view to making them part of the organisation, continuously updated and enlarged; they constitute the corporate governance culture of Red Eléctrica. The Corporate Governance Policy is intended to align the interests of the Company with those of its shareholders and other stakeholders by protecting and fostering a value that is shared by all, a value that incorporates economic, social, environmental and good governance criteria, thereby contributing not only to the Company's sustainability, solvency and good reputation amongst its shareholders and other stakeholders but also reinforcing trust, stability, progress and the social and economic development of society.

Title II below provides a detailed description of the principles and practices that make up the Company's Corporate Governance Policy. This policy is available on the corporate website [www.ree.es], under Corporate Governance, 'Our Commitment'.

The Criteria for communication with shareholders, institutional investors and proxy advisors

At its meeting on 25 October 2016, at the proposal of the Appointments and Remuneration Committee, the Board of Directors approved the Criteria for communication with shareholders, institutional investors and proxy advisors.

This document contains the policy on communication with the abovementioned stakeholders and is intended to fulfil the Board of Directors' undertaking to comply with Recommendation no. 4 of the Code of Good Governance of Listed Companies. It sets out the principles and guidelines for communication with the abovementioned stakeholders, so as to enable them to exercise their rights, protect their interests and promote engagement with them through open, transparent and sustainable dialogue. The Board of Directors is responsible for reviewing and approving any amendments to the criteria and also for monitoring compliance.

The Criteria for communication with shareholders, institutional investors and proxy advisors are published on the Company's website [www.ree.es], in the 'Our Commitment' subsection of the Corporate Governance section.



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The procedure for remote voting and proxy appointment and the provision of information by electronic means at the General Meeting

At its meeting on 23 February 2016, the Board of Directors approved the rules on remote voting, proxy appointment and exercise of the right of information by electronic means for the Shareholders' Annual General Meeting held on 15 April 2016.

At that Shareholders' General Meeting a total of 280 shareholders, holding 59,022 shares, exercised their right to vote or appoint a proxy electronically, which means that 6.6% of the 4,226 shareholders present at the meeting in person or by proxy took part by electronic means.

Operating Rules of the Shareholder E-Forum

The Operating Rules of the Shareholder E-Forum were approved by the Board of Directors at its meeting on 23 February 2016 for the Shareholders' Annual General Meeting held on 15 April 2016 on the same terms and conditions as were approved by the Board of Directors in previous years.

The Shareholder E-Forum deployed by Red Eléctrica on its website [www.ree.es] on the occasion of its Shareholders' General Meetings lives up to the requirement established in Article 539.2 of the revised text of the LSC, approved by Royal Legislative Decree 1/2010 of 2 July (which was not amended by Act 31/2014 of 3 December, amending the LSC for the improvement of corporate governance).

The Shareholder E-Forum is intended to facilitate communication between the Company's shareholders (individual shareholders, be they natural or legal persons, and any voluntary shareholder associations) on the occasion of the Shareholders' General Meetings. Shareholders can communicate with one another by posting on the Forum and giving their contact details, in accordance with the law.

