

TITLE IV

FUTURE PLANS OF
RED ELÉCTRICA IN
MATTERS OF CORPORATE
GOVERNANCE





In the Annual Corporate Governance Report for this financial year, as in previous years, a section is dedicated to Red Eléctrica's future plans in matters of corporate governance, due to the relevance it has for current shareholders and potential investors, as well as third parties interested in the future of Red Eléctrica.

The statements made in this Title IV do not, per se, constitute any commitment or formal obligation for the Company, enforceable by third parties; they are merely possible steps and measures to be taken in 2017 and subsequent years, following Red Eléctrica's custom of continually adopting the best corporate governance practices, in response to changes in shareholders' requirements and its own commitment to corporate governance.

During 2016, the Board of Directors used the following basic tools, among others, to analyse corporate governance best practices, with a view to their adoption by Red Eléctrica: an annual self-assessment of the Board, which for several years has been carried out with the support of external advisors; annual planning of corporate governance improvements, driven by the Appointments and Remuneration Committee, with advice from specialised consultants; an annual schedule of visits to institutional investors and proxy advisors; an external audit of the processes for managing the Shareholders' General Meeting to help identify possible improvements; and an analysis of the new Code of Good Governance of Listed Companies, which helped to identify certain improvement opportunities for 2016 and following years.

Membership of the International Corporate Governance Network (ICGN), the world's leading organisation in the field of corporate governance, once again provided the Company with first-hand knowledge of the most relevant international trends and new developments in corporate governance, allowing it to carry out an early analysis and implementation.

In the Corporate Governance Policy that was approved by the Board of Directors in November 2014, the Company assumed certain commitments to good corporate governance which it will have to gradually put into effect, or consolidate, by adopting certain principles and practices (summarised in Title II above), which will be monitored periodically over the year to ensure compliance.

Issues currently being analysed, or due to be discussed, by the Board of Directors and its committees include the need to:

- Review and develop the Company's commitments to its shareholders, so as to build a lasting relationship that will keep the Company's interests aligned with those of its shareholders in the medium and long term, creating mutual trust.



- Review and update the Succession Plan for the Chairman of the Board of Directors and prepare a specific new Succession Plan for the Managing director, following the completion of the separation of the two positions approved at the Annual General Meeting held in April 2016 and the assignment of new functions to each position.
- Develop the Board of Directors annual self-assessment process with the support of a new external consultant, in order to improve the functioning of the Board and its committees.
- Put the new Board of Directors Regulations into effect, following the amendments and improvements introduced by the Board in December 2016.
- Strengthen the internal control and risk management functions in certain areas of the Company's activity and improve the quality of publicly available information on risk management.
- Implement the Company's new regulatory compliance system and the plan to build awareness and understanding of that system.
- Adapt the Code of Ethics to the steps taken to prevent compliance risks.
- Continuously analyse, update and improve the corporate governance information published on the corporate website to meet international standards.
- Monitor and improve the process by which the annual corporate information for shareholders and other stakeholders is prepared and published, based on the principles of quality, clarity, integrity and simplicity of information.