



INTERVIEW WITH THE CHAIRMAN



INTRODUCTION: RED ELÉCTRICA GROUP



01 REGULATORY FRAMEWORK AND CORPORATE GOVERNANCE POLICY AS THE EXPRESSION OF CORPORATE GOVERNANCE STRATEGY



02 COMMITMENT TO DIALOGUE WITH AND PARTICIPATION OF SHAREHOLDERS AND OTHER STAKEHOLDERS



03 THE BOARD OF DIRECTORS AS THE BODY RESPONSIBLE FOR CONTROL AND SUPERVISION



04 BALANCE OF POWER IN THE BOARD OF DIRECTORS



05 ASSESSMENT AND REMUNERATION POLICY



06 APPLICATION OF THE INTEGRATED COMPLIANCE, RISK MANAGEMENT AND CONTROL SYSTEM



07 LOOKING TO THE FUTURE



OFFICIAL ANNEX

02

COMMITMENT TO DIALOGUE WITH AND PARTICIPATION OF SHAREHOLDERS AND OTHER STAKEHOLDERS





INTERVIEW
WITH THE
CHAIRMAN



INTRODUCTION:
RED ELÉCTRICA
GROUP



01
REGULATORY
FRAMEWORK
AND CORPORATE
GOVERNANCE POLICY
AS THE EXPRESSION
OF CORPORATE
GOVERNANCE STRATEGY



02
COMMITMENT TO
DIALOGUE WITH AND
PARTICIPATION OF
SHAREHOLDERS AND
OTHER STAKEHOLDERS



03
THE BOARD OF
DIRECTORS AS THE
BODY RESPONSIBLE
FOR CONTROL AND
SUPERVISION



04
BALANCE OF POWER
IN THE BOARD OF
DIRECTORS



05
ASSESSMENT AND
REMUNERATION
POLICY



06
APPLICATION
OF THE INTEGRATED
COMPLIANCE, RISK
MANAGEMENT AND
CONTROL SYSTEM



07
LOOKING TO
THE FUTURE



OFFICIAL ANNEX

Commitment to dialogue with and participation of shareholders and other stakeholders

Over the last few years, Red Eléctrica has significantly progressed in transparency and good governance matters. Good governance allows stakeholders to have regular, timely access to relevant, sufficient and reliable information on the Company's governance rules and practices and the results obtained.

Accordingly, besides making timely disclosures to the market during 2017 through regular publication of information about its financial results and through relations with institutional investors, Red Eléctrica has included all the relevant information and notices on its corporate website, which is

the basic tool the Company uses to communicate with its shareholders. Leaving to one side the legal and regulatory requirements regarding the corporate website, which are explained elsewhere in this report, it is worth emphasising the importance Red Eléctrica gives to continuously adapting and developing the corporate governance content of its website, which it intends to constantly expand and update.

For that reason, in 2013 it opted to create a specific section on corporate governance at the top level of the home page menu. Since then, it has been continuously improving and adapting the corporate website as a channel for communication,

dialogue and engagement with shareholders, in accordance with its Corporate Governance Policy. This continues to be a priority each year, as explained in Section 7 of this report ["Future plans of Red Eléctrica in corporate governance matters"].

2016 was a particularly important year as regards disclosure and information transparency through the corporate website in relation to the Company's corporate governance. The most noteworthy

improvements to the information contained on the corporate website are as follows:

- i. Publication of a highly visual, user-friendly and interactive section for exploring the history of the Company's corporate governance since it went public in 1999.
- ii. Publication of the "Criteria for communication with shareholders, institutional investors and proxy advisors", which sets out the principles and guidelines for the Company's communication with these stakeholders.



INTERVIEW WITH THE CHAIRMAN



INTRODUCTION: RED ELÉCTRICA GROUP



01 REGULATORY FRAMEWORK AND CORPORATE GOVERNANCE POLICY AS THE EXPRESSION OF CORPORATE GOVERNANCE STRATEGY



02 COMMITMENT TO DIALOGUE WITH AND PARTICIPATION OF SHAREHOLDERS AND OTHER STAKEHOLDERS



03 THE BOARD OF DIRECTORS AS THE BODY RESPONSIBLE FOR CONTROL AND SUPERVISION



04 BALANCE OF POWER IN THE BOARD OF DIRECTORS



05 ASSESSMENT AND REMUNERATION POLICY



06 APPLICATION OF THE INTEGRATED COMPLIANCE, RISK MANAGEMENT AND CONTROL SYSTEM



07 LOOKING TO THE FUTURE



OFFICIAL ANNEX

This continuous improvement process continued in 2017, the most noteworthy milestone being the review of the “Ethics and transparency” section. That section has been renamed “Ethics and compliance” and now includes information on the Company’s new regulatory compliance system, the compliance risk assessment methodology and the importance of awareness-building and training as key factors for developing a culture of compliance within the organisation.

The Company remarks that, in 2013, it became a member of the International Corporate Governance Network, a worldwide corporate governance body that brings together international institutional investors, large corporations, regulators, academics, proxy advisors and other corporate governance specialists.

The Company conducts its relations with shareholders and institutional investors at a generic level, not individually or specifically

with any one of them. Under no circumstances does the Company provide institutional shareholders with information that is liable to place them in a privileged or advantageous position with respect to other shareholders; the Company merely provides public information in a rational and ordered manner.

The Company usually organizes road shows, presented by the Company’s top-level managers, in the most relevant financial markets in Spain and abroad in which there is a larger presence of institutional investors, in order to provide information on its activities and business development, trying to approach this specific group of investors in this way.

In light of the high percentage of foreign institutional shareholders (close to 70%), in January and February of the years 2017 and 2018, as in previous years, the Company launched a programme of contact network and visits to investors and proxy advisors in order to gather relevant and updated information as well as to directly explain the Company’s practices and actions in corporate

governance matters. The aim of this initiative is to consolidate adequate mechanisms for regular, symmetric exchange of information with national and foreign institutional investors and the most prominent proxy advisors, thereby adjusting to the latest international standards in corporate governance.

The communication criteria with shareholders, institutional investors and proxy advisors approved by the Board of Directors on 25 October 2016 set out the policy as well as the principles and guidelines for communicating with said stakeholders, with the aim of ensuring that they are able to exercise their rights, protecting their interests and promoting engagement with shareholders through open, transparent and sustainable dialogue.

Best practices in 2017 focused on dialogue and engagement with shareholders

- Update and continuous improvement, under international standards, of the corporate governance-related information contained on the corporate website.
- Participation in national and international corporate governance forums, working groups and initiatives [International Corporate Governance Network, Institute of Directors, Spanish Issuers Association, etc.].
- Road shows with foreign shareholders and proxy advisors on business and corporate governance.
- Receipt of international external advice in corporate governance matters.
- Board assessment with the support of a new international external consultant.



INTERVIEW WITH THE CHAIRMAN



INTRODUCTION: RED ELÉCTRICA GROUP



01 REGULATORY FRAMEWORK AND CORPORATE GOVERNANCE POLICY AS THE EXPRESSION OF CORPORATE GOVERNANCE STRATEGY



02 COMMITMENT TO DIALOGUE WITH AND PARTICIPATION OF SHAREHOLDERS AND OTHER STAKEHOLDERS



03 THE BOARD OF DIRECTORS AS THE BODY RESPONSIBLE FOR CONTROL AND SUPERVISION



04 BALANCE OF POWER IN THE BOARD OF DIRECTORS



05 ASSESSMENT AND REMUNERATION POLICY



06 APPLICATION OF THE INTEGRATED COMPLIANCE, RISK MANAGEMENT AND CONTROL SYSTEM



07 LOOKING TO THE FUTURE



OFFICIAL ANNEX

2.1 Ownership structure

The 20% of the Company's shares are held by the state holding company Sociedad Estatal de Participaciones Industriales (SEPI) and the remaining 80% are free float, although, as it will be explained below, any other shareholder can hold more than a 5% of the share capital.

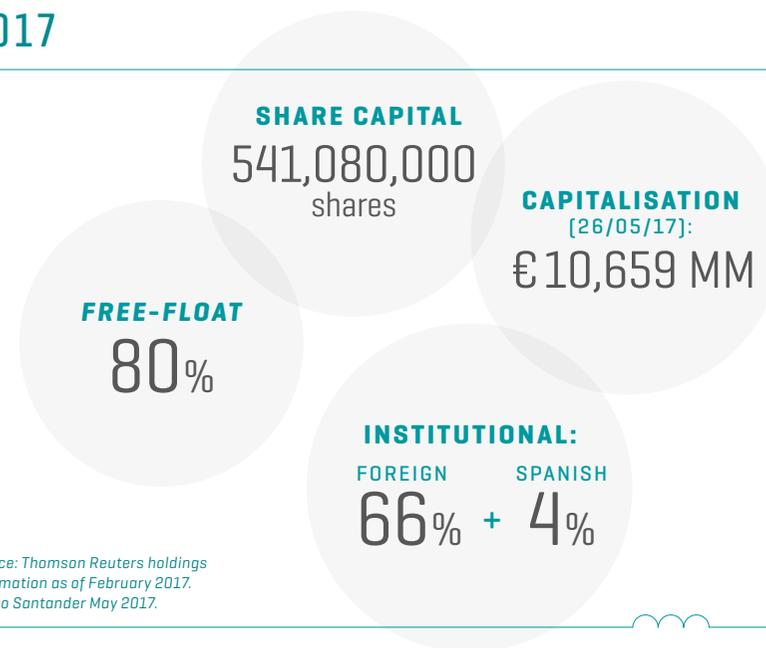
The free float includes a high percentage of foreign shareholders, especially institutional investors, which according to the latest information [April 2017] held almost 66% of the share capital [out of which around 50% of it is located in the United Kingdom and the USA].

That is why the Board of Directors gives such importance to the international corporate governance practices and recommendations required by its shareholders.

Ownership structure %



2017



Source: Thomson Reuters holdings information as of February 2017. Banco Santander May 2017.



INTERVIEW
WITH THE
CHAIRMAN



INTRODUCTION:
RED ELÉCTRICA
GROUP



01
REGULATORY
FRAMEWORK
AND CORPORATE
GOVERNANCE POLICY
AS THE EXPRESSION
OF CORPORATE
GOVERNANCE STRATEGY



02
COMMITMENT TO
DIALOGUE WITH AND
PARTICIPATION OF
SHAREHOLDERS AND
OTHER STAKEHOLDERS



03
THE BOARD OF
DIRECTORS AS THE
BODY RESPONSIBLE
FOR CONTROL AND
SUPERVISION



04
BALANCE OF POWER
IN THE BOARD OF
DIRECTORS



05
ASSESSMENT AND
REMUNERATION
POLICY



06
APPLICATION
OF THE INTEGRATED
COMPLIANCE, RISK
MANAGEMENT AND
CONTROL SYSTEM



07
LOOKING TO
THE FUTURE



OFFICIAL ANNEX

2.2

Powers of the General Meeting of Shareholders

The General Meeting of

Shareholders, duly called and legally constituted, represents all the shareholders and exercises the functions assigned to it within the Company.

Its resolutions, adopted pursuant to the General Meeting of Shareholders Regulations and the By-laws, are binding on all shareholders, without prejudice to their legal right to separation. The General Meeting of Shareholders has the power to adopt all resolutions specific to its status as the Company's sovereign body.

Some powers of the general meeting of shareholders

The General Meeting of Shareholders is responsible, among other things, for:

- Approving the Company's individual and consolidated financial statements, its management by the Board of Directors and the proposed allocation of profits.
- Appointing and removing directors, ratifying, as necessary, their appointment by co-optation, and appointing and reappointing the auditors.
- Approving the withdrawal or limitation of preferential subscription or assumption rights.
- Approving the directors' remuneration policy in accordance with the law.
- Approving the acquisition, disposal or transfer of core assets to another company. An asset is presumed to be a core asset when the amount of the transaction exceeds 25 per cent of the value of the assets shown in the latest approved balance sheet.
- Resolve on capital increases or decreases, transformations, mergers, splits, comprehensive transfers of assets and liabilities and transfers of the registered office to another country.
- Approval of the liquidation of the Company and the liquidation balance sheet, as well as any transactions whose effect is equivalent to that

of the liquidation of the Company.

- The transfer to subsidiaries of core activities previously carried out by the Company itself, even though the Company retains full ownership of the activities.

The General Meeting of Shareholders may also give instructions to the administration body or subject the decisions or resolutions of that body on certain management matters to authorisation by the General Meeting of Shareholders, as provided by the LSC.



- INTERVIEW WITH THE CHAIRMAN



- INTRODUCTION: RED ELÉCTRICA GROUP



01 REGULATORY FRAMEWORK AND CORPORATE GOVERNANCE POLICY AS THE EXPRESSION OF CORPORATE GOVERNANCE STRATEGY



02 COMMITMENT TO DIALOGUE WITH AND PARTICIPATION OF SHAREHOLDERS AND OTHER STAKEHOLDERS



03 THE BOARD OF DIRECTORS AS THE BODY RESPONSIBLE FOR CONTROL AND SUPERVISION



04 BALANCE OF POWER IN THE BOARD OF DIRECTORS



05 ASSESSMENT AND REMUNERATION POLICY



06 APPLICATION OF THE INTEGRATED COMPLIANCE, RISK MANAGEMENT AND CONTROL SYSTEM



07 LOOKING TO THE FUTURE



- OFFICIAL ANNEX

The rules on the organisation and functioning of the General Meeting of Shareholders are contained in Articles 11 to 18 of the By-laws as well as in the General Meeting of Shareholders Regulations. Those regulations may be consulted on the corporate website at the following links:

[Bylaws](#)

[General Meeting of Shareholders Regulations](#)

The powers of the Annual General Meeting of Shareholders include the power to appoint the members of the Board of Directors. The Annual General Meeting of Shareholders held on 31 March 2017:

- Re-elected Ms. María José García Beato as an independent director.
- Ratified and appointed Mr. Arsenio Fernández de Mesa y Díaz del Río as an independent director.
- Appointed Mr. Alberto Carbajo Josa as an independent director.

The resolutions adopted by the Annual General Meeting of Shareholders held on 31 March 2017 were reported to the CNMV as a Relevant Event, with registry

number 250228, and have been published on the Company's website since the day of the General Meeting of Shareholders, both in English and Spanish languages.

Those resolutions may be consulted on the website of the CNMV and on the Company's website at the following links:

[Relevant Event reported to CNMV on resolutions adopted by 2017 Annual General Meeting of Shareholders](#)

[Full text of resolutions adopted by 2017 Annual General Meeting of Shareholders](#)





INTERVIEW
WITH THE
CHAIRMAN



INTRODUCTION:
RED ELÉCTRICA
GROUP



01
REGULATORY
FRAMEWORK
AND CORPORATE
GOVERNANCE POLICY
AS THE EXPRESSION
OF CORPORATE
GOVERNANCE STRATEGY



02
COMMITMENT TO
DIALOGUE WITH AND
PARTICIPATION OF
SHAREHOLDERS AND
OTHER STAKEHOLDERS



03
THE BOARD OF
DIRECTORS AS THE
BODY RESPONSIBLE
FOR CONTROL AND
SUPERVISION



04
BALANCE OF POWER
IN THE BOARD OF
DIRECTORS



05
ASSESSMENT AND
REMUNERATION
POLICY



06
APPLICATION
OF THE INTEGRATED
COMPLIANCE, RISK
MANAGEMENT AND
CONTROL SYSTEM



07
LOOKING TO
THE FUTURE



OFFICIAL ANNEX

2.3 Right of information

For some time now, resolution proposals have been published in full, in Spanish and in English, together with the call of the General Meeting of Shareholders, with all the relevant information for shareholders being posted on the Company website, which is designed to make it easier for shareholders to exercise their right of information. The Company's website is a suitable mechanism for communicating with shareholders and investors, as it is the mean to publish, among other things, the following information:

- The quorum requirement and the result of the voting casts on each of the resolutions approved by previous General Meetings of Shareholders.
- Information relating to the right of attendance and procedures for granting proxies for General Meetings of Shareholders, in accordance with the provisions of the By-laws and the General Meeting of Shareholders Regulations.
- Information on electronic voting and proxies.
- Information on issuances of securities.
- Information on the ratings granted to the Company by credit rating agencies.
- Increased information about the Company's shareholders, with greater detail on significant holdings, treasury stock and shareholder agreements.

Act 25/2011, of 1 August, introduced a number of changes relating to the website content of listed companies, in particular, regarding the information that must be published on the website when calling a General Meeting of Shareholders. Despite the fact that most of this information was already published on the Company's website, the Annual General Meeting of Shareholders held on 19 April 2012 approved an amendment to the relevant article of the General Meeting of Shareholders Regulations to incorporate the content required under said Act.

That General Meeting of Shareholders ratified the creation of the Company's corporate website at the domain "www.ree.es", for the purposes of Article 11 bis of the revised LSC.

Order ECC/461/2013 of 20 March (which is currently in force, as it was not repealed with the approval of the latest amendments to the LSC), which determines the content and structure of the Annual Corporate Governance Report, the annual remuneration report and other reporting documents of listed companies, describes the relevant information to be included on the websites of listed companies; however, the current corporate



INTERVIEW WITH THE CHAIRMAN



INTRODUCTION: RED ELÉCTRICA GROUP



01 REGULATORY FRAMEWORK AND CORPORATE GOVERNANCE POLICY AS THE EXPRESSION OF CORPORATE GOVERNANCE STRATEGY



02 COMMITMENT TO DIALOGUE WITH AND PARTICIPATION OF SHAREHOLDERS AND OTHER STAKEHOLDERS



03 THE BOARD OF DIRECTORS AS THE BODY RESPONSIBLE FOR CONTROL AND SUPERVISION



04 BALANCE OF POWER IN THE BOARD OF DIRECTORS



05 ASSESSMENT AND REMUNERATION POLICY



06 APPLICATION OF THE INTEGRATED COMPLIANCE, RISK MANAGEMENT AND CONTROL SYSTEM



07 LOOKING TO THE FUTURE



OFFICIAL ANNEX

website not only contains all the information specified in that Order but has been further expanded and improved in 2013, 2014, 2015, 2016 and 2017.

The quality of shareholder information was improved with the voluntary creation of the “Corporate Governance” section in 2013.

Additionally, the following actions conducted by Red Eléctrica to make it easier for shareholders to exercise their right of information at General Meetings of Shareholders have to be remarked:

- Call notices are always published more than one month in advance, which is the established statutory period.
- All documentation submitted for approval by the General Meeting of Shareholders and especially the financial statements and the Annual Corporate Governance Report, are made available to all shareholders at the corporate headquarters, on the website and at the Shareholder Information Office.

- An entire section of the General Meeting of Shareholders' agenda is devoted to reporting on the principal characteristics of the Annual Corporate Governance Report.

- The annual reports on the activities of the Audit Committee and the Appointments and Remuneration Committee are made available to all shareholders in the Annual Corporate Governance Report and are published on the corporate website.

- A Shareholder Bulletin is published quarterly, containing the main news regarding the Company.

- The chairman of the Audit Committee is available to all shareholders during General Meetings of Shareholders to deal with any matters falling within his competence that may arise being the shareholders notified accordingly during the General Meeting of Shareholders.

- The points on the agenda of General Meetings of Shareholders are explained in much detail as possible.

- Separate voting on each point is permitted, including remote voting, with a view to giving shareholders full decision-making, freedom and independence regarding each point to be voted.

- The Shareholder Information Office specifically deals with requests made by company shareholders. Shareholders may also submit questions in writing about the information available to the public or reported to the competent authorities and make inquiries through the Shareholder Information Office.

- In 2017, the Annual Report on Related-Party Transactions, the Annual Corporate Responsibility Report (which has been published for several years already) and the Report on the Independence of the External Auditor were published on the corporate website in time for the Annual General Meeting of Shareholders, all this in accordance with Recommendation No. 6 of the CBGSC.

- For several years now, an independent consultant (Deloitte) has conducted an audit of the Annual General Meeting of Shareholders management

processes; with a view to improving, the protection of shareholder rights in General Meetings of Shareholders. The auditor's reports are published on the website from the date of the General Meeting of Shareholders. Since the 2014 Annual General Meeting of Shareholders, shareholders have been offered the possibility of requesting a certificate confirming their vote, verified by the external auditor of the General Meeting. At the Annual General Meeting of Shareholders held in March 2017, the General Meeting management processes were audited once again and shareholders were offered the possibility of requesting a certificate confirming their vote, verified by the external auditor.



INTERVIEW
WITH THE
CHAIRMAN



INTRODUCTION:
RED ELÉCTRICA
GROUP



01
REGULATORY
FRAMEWORK
AND CORPORATE
GOVERNANCE POLICY
AS THE EXPRESSION
OF CORPORATE
GOVERNANCE STRATEGY



02
COMMITMENT TO
DIALOGUE WITH AND
PARTICIPATION OF
SHAREHOLDERS AND
OTHER STAKEHOLDERS



03
THE BOARD OF
DIRECTORS AS THE
BODY RESPONSIBLE
FOR CONTROL AND
SUPERVISION



04
BALANCE OF POWER
IN THE BOARD OF
DIRECTORS



05
ASSESSMENT AND
REMUNERATION
POLICY



06
APPLICATION
OF THE INTEGRATED
COMPLIANCE, RISK
MANAGEMENT AND
CONTROL SYSTEM



07
LOOKING TO
THE FUTURE



OFFICIAL ANNEX

2.4 Right of attendance

The limits on the share capital stakes in the Company are established in Additional Provision 23 of Act 54/1997 of 27 November and remain in force, as expressly provided by the Single Repealing Provision of Act 24/2013 of 26 December on the Electricity Sector. Those limits are as follows:

- Any natural or legal person may hold shares in the Company, provided the sum of their direct and indirect holdings of the Company's shares does not exceed 5% of the Company's share capital and they do not hold more than 3% of the voting rights. Those shares may not be pooled for any purpose whatsoever.

- Parties that engage in activities in the electricity industry, and any individuals or legal entities that directly or indirectly hold more than 5% of the capital of such parties, may not exercise more than 1% of the voting rights in the parent company.

- The special regime for SEPI is maintained, whereby SEPI must always hold at least ten percent (10%) of the Company's share capital.

These legal provisions concerning the general and special shareholding regime are incorporated in Articles 5 and 14 and the sole additional provision of the Company's By-laws and also in Article 6.3 of the General Meeting of Shareholders Regulations.

Shareholders may attend the General Meeting of Shareholders as long as they are up to date in the payment of capital calls and provide evidence of their share ownership in the form of a certificate made out in their name in the accounting register of book entries five days before the meeting is due to be held.

To this effect, Article 15 of the By-laws and Article 10 of the General Meeting of Shareholders Regulations provide that shareholders with the right to attend may be represented at the General Meeting of Shareholders by any other person, in accordance with LSC. The condition that the proxy must be in favour of a company shareholder has been withdrawn, following the approval of the adaptation of its content to Act 25/2011, of 1 August, at the General Meeting of Shareholders held on 19 April 2012.



INTERVIEW WITH THE CHAIRMAN



INTRODUCTION: RED ELÉCTRICA GROUP



01 REGULATORY FRAMEWORK AND CORPORATE GOVERNANCE POLICY AS THE EXPRESSION OF CORPORATE GOVERNANCE STRATEGY



02 COMMITMENT TO DIALOGUE WITH AND PARTICIPATION OF SHAREHOLDERS AND OTHER STAKEHOLDERS



03 THE BOARD OF DIRECTORS AS THE BODY RESPONSIBLE FOR CONTROL AND SUPERVISION



04 BALANCE OF POWER IN THE BOARD OF DIRECTORS



05 ASSESSMENT AND REMUNERATION POLICY



06 APPLICATION OF THE INTEGRATED COMPLIANCE, RISK MANAGEMENT AND CONTROL SYSTEM



07 LOOKING TO THE FUTURE



OFFICIAL ANNEX

There is any By-law restriction requiring a minimum number of shares to be held in order to attend the General Meeting of Shareholders (the “one share, one vote” principle applies).

Directors and senior managers are required to attend General Meetings of Shareholders.

As a general rule and in order for General Meeting proceedings and resolutions to reach the widest audience, General Meetings of Shareholders are open to the media and the proceedings are broadcast in audio and video format, with a sign language interpreter and an English interpreter.





- INTERVIEW
WITH THE
CHAIRMAN



- INTRODUCTION:
RED ELÉCTRICA
GROUP



01
REGULATORY
FRAMEWORK
AND CORPORATE
GOVERNANCE POLICY
AS THE EXPRESSION
OF CORPORATE
GOVERNANCE STRATEGY



02
COMMITMENT TO
DIALOGUE WITH AND
PARTICIPATION OF
SHAREHOLDERS AND
OTHER STAKEHOLDERS



03
THE BOARD OF
DIRECTORS AS THE
BODY RESPONSIBLE
FOR CONTROL AND
SUPERVISION



04
BALANCE OF POWER
IN THE BOARD OF
DIRECTORS



05
ASSESSMENT AND
REMUNERATION
POLICY



06
APPLICATION
OF THE INTEGRATED
COMPLIANCE, RISK
MANAGEMENT AND
CONTROL SYSTEM



07
LOOKING TO
THE FUTURE



- OFFICIAL ANNEX

2.5 Right of participation

Red Eléctrica pays special attention to the right of information and to facilitating the greatest possible shareholder participation in General Meetings of Shareholders.

Thanks to these mechanisms, a total of 5,000 shareholders voted [742 in person and 4,258 by proxy] at the 2017 Annual General Meeting of Shareholders (AGM). This means that 12.5% of

the Company's approximately 40,000 shareholders took part in the AGM. Of those shareholders, 382 voted or appointed a proxy electronically, which is equivalent to 8% of the shareholders that took part in the General Meeting. The average percentage of votes in favour of the proposed resolutions submitted to the 2017 AGM was 92.3%. This percentage includes all the resolutions, including those concerning directors' remuneration, in which SEPI abstains, as it has done for many years, following a rule it has adopted in all the listed companies in which it does

not have a controlling interest. If the resolutions on directors' remuneration are excluded, the average percentage of vote in favour would be 99.15%.

Key mechanisms for fostering the right of participation

- **Electronic voting system** in place at General Meetings of Shareholders since 2005.
- **Corporate website section** providing complete information for General Meetings of Shareholders.
- **Live webcasts** of General Meetings of Shareholders, with an English interpreter and a Spanish sign language interpreter.
- **Online forum** for shareholders.
- Information in **social media**.
- **Shareholder and investor information office**.



INTERVIEW
WITH THE
CHAIRMAN



INTRODUCTION:
RED ELÉCTRICA
GROUP



01
REGULATORY
FRAMEWORK
AND CORPORATE
GOVERNANCE POLICY
AS THE EXPRESSION
OF CORPORATE
GOVERNANCE STRATEGY



02
COMMITMENT TO
DIALOGUE WITH AND
PARTICIPATION OF
SHAREHOLDERS AND
OTHER STAKEHOLDERS



03
THE BOARD OF
DIRECTORS AS THE
BODY RESPONSIBLE
FOR CONTROL AND
SUPERVISION



04
BALANCE OF POWER
IN THE BOARD OF
DIRECTORS



05
ASSESSMENT AND
REMUNERATION
POLICY



06
APPLICATION
OF THE INTEGRATED
COMPLIANCE, RISK
MANAGEMENT AND
CONTROL SYSTEM



07
LOOKING TO
THE FUTURE



OFFICIAL ANNEX

2.6 Relations with other stakeholders

Red Eléctrica Group considers its stakeholders to be the groups that are affected by the Company's services or activities and the groups whose opinions and decisions influence the Company's performance or affect its reputation.

The Company's stakeholder management model was designed and implemented in 2004 and revised in 2012. It consists of a set of management, monitoring, assessment and disclosure systems, which are designed to ensure that any material, economic, social and environmental impacts of Red Eléctrica's activities and services on its stakeholders are properly managed.

Red Eléctrica Group's stakeholder management model incorporates the requirements of relevant

In 2017, Red Eléctrica achieved the highest score [100 out of 100] in the Dow Jones Sustainability Index, which assesses the Company's stakeholder engagement and performance.

standards and benchmarks, such as AA1000, IQNet SR10, ISO26000 and the Global Reporting Initiative.

MAIN ACTIONS IN 2017

During 2017, **the inventory of the Group's stakeholders was updated**. This update was executed with the collaboration of representatives of internal and external stakeholders, through in-depth interviews in which they gave their visions, among other matters, regarding the Company's stakeholder management.

The main change is the addition of a new category of stakeholders called "innovation agents". These are entities and professionals which Red Eléctrica Group works with in order to develop new models, services and products, taking innovation in a broad sense as a key factor.

Other actions taken within the framework of the stakeholder management system include the project on "Stakeholder management model for transmission network investment projects", which, apart from

analysing the current situation, includes a proposal to systematise and improve the model, applying existing best practices and bringing the model into line with the recommendations of the ISO 21500 standard.

For more information see: [REE Group stakeholders](#)