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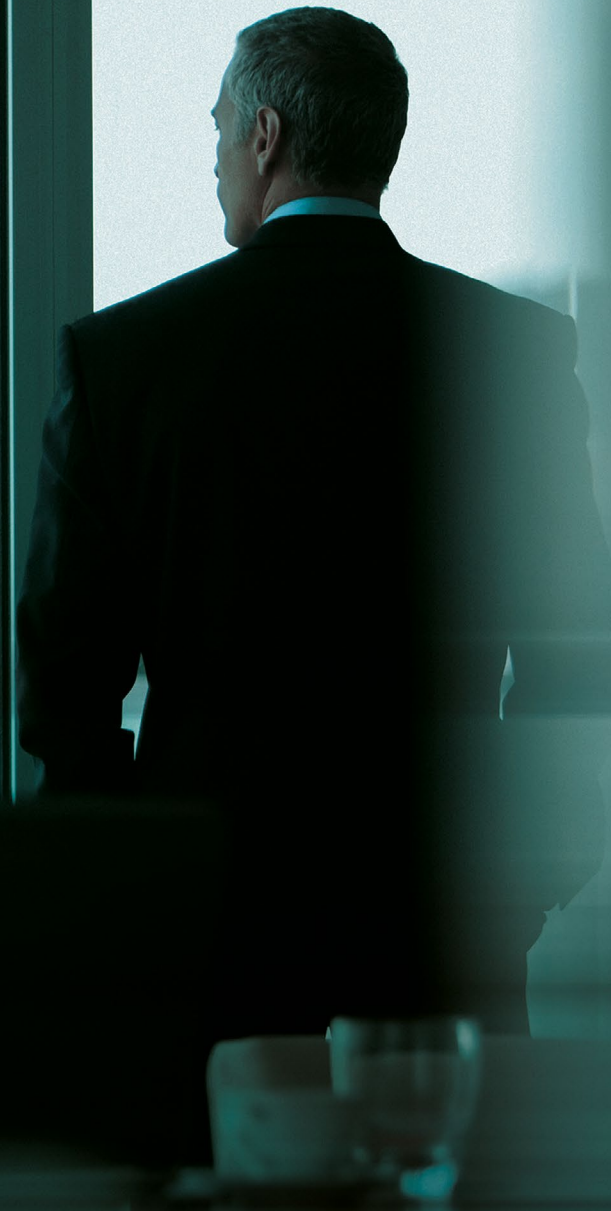
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# LOOKING TO THE FUTURE





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# Looking to the future

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

The statements made in this Section 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 2018 and subsequent years, according to Red Eléctrica's tradition to continue including the best corporate governance practices, in light of the progress made in shareholder requirements and its corporate governance commitment.

During 2017, the Board of Directors used the following basic tools, among others, to analyse corporate governance best practices, with a view to their possible adoption by Red Eléctrica: the annual assessment of the Board with the support of a new outside advisor, an annual schedule of visits to

institutional investors and proxy advisors, the engagement of advisors and specialists in diverse corporate governance matters and an external audit of the processes for managing the General Meeting of Shareholders to help identify possible improvements.

The Company's presence as a member of the world's leading organization in the field of corporate governance, the International Corporate Governance Network [ICGN], has once again helped it to have first-hand knowledge of the key international trends in corporate governance, and their progress, with the possibility of conducting an early analysis and implementation.

In the Company's Corporate Governance Policy, approved by the Board of Directors in November 2014, certain commitments to good corporate governance were undertaken, which have been almost entirely incorporated, or consolidated, by Red Eléctrica by adopting certain principles and practices, summarized in Section I above, which will be periodically supervised over a one-year period to oversee their compliance.



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The following are some of the main issues currently being analysed or due to be discussed by the Board of Directors and its committees:

- Annual review of contingency plans for succession of the Board chairman and of the managing director and supplementing them with succession plans.
- Review and update of the Ethics Code of the Red Eléctrica Group to adapt it to best practices the compliance area and to the structural changes in the Group.
- Approval of the Annual Corporate Governance Report with format and content per recognized international practices and subject to independent external review.
- Commitment of the Board of Directors to sustainability (ESG) as strategy for pursuing the Company and Group's business.
- Move forward in the organizational and governance Model for the Red Eléctrica Group's Compliance System, as well as in the methodology for monitoring and controlling compliance risks.
- Continuous analysis, update and improvement of the corporate governance information published on the corporate website to meet international standards.
- Review and continuous improvement of the Company's engagement with its shareholders and proxy advisors in order to cement a sustainable relationship that will keep the Company's interests aligned with those of its shareholders in the medium and long term, creating mutual trust.
- Promotion of the plan for training, awareness-building and dissemination of the Red Eléctrica Group's compliance culture.
- Monitoring and improvement of 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.
- Development of the new Board of Directors annual self-assessment process with the support of an external consultant, in order to continue improving the functioning of the Board and its committees.
- Consolidation and review of the induction Plan for new directors.
- Review and preparation of a new matrix of Board of Directors powers under international standards.

