

2018



C O M M I T T E D  
T O  
I N T E L L I G E N T  
E N E R G Y

# T A B L E O F C O N T E N T S



**ABOUT THIS REPORT**

page 2



**LETTER FROM THE CHAIRMAN**  
-  
**LETTER FROM THE CHIEF EXECUTIVE OFFICER**

page 4



**KEY PERFORMANCE INDICATORS**

page 8



## 1 THE RED ELÉCTRICA GROUP

The Company  
-  
Activities of the Red Eléctrica Group

page 9



## 2 STRATEGY

Macro-economic and energy environment  
-  
Strategic plan

page 17



## 3 COMMITMENT TO SUSTAINABILITY

The 2030 Sustainability Commitment of the Red Eléctrica Group  
-  
Stakeholder management model  
-  
Leadership in sustainability  
-  
Sustainable Development Goals (SDGs)  
-  
Materiality analysis

page 27



## 4 ANTICIPATING CHANGE AND TAKING ACTION

Trends:  
Risks and opportunities  
-  
Risk management  
-  
Comprehensive corporate security  
-  
Innovation  
-  
Transformation of the Red Eléctrica Group

page 50



## 5 DECARBONISATION OF THE ECONOMY

Climate change and energy transition  
-  
Sustainable grid development  
-  
Integration of renewables  
-  
Smart grids and demand-side management  
-  
Reduction of the carbon footprint

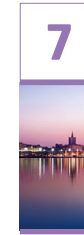
page 90



## 6 RESPONSIBLE VALUE CHAIN

Corporate governance  
-  
Ethics and compliance  
-  
Financial results and economic soundness  
-  
Employees  
-  
Responsible environmental management  
-  
Supply chain  
-  
Customer orientation

page 135



## 7 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT

Contribution of the activity  
-  
Socio-economic development of the territory  
-  
Conservation of natural capital  
-  
Relationship with the socio-economic environment

page 270



## 8 ANNEXES

GRI context index  
-  
Annual Executive Report on the management of the Code of Ethics in 2018  
-  
External Verification/audit Report  
-  
Independent Assurance Report of Greenhouse Gas Emissions Inventory

page 301



TO GET DETAILED INFORMATION click on the symbol and access additional information about the Company that may be of interest to you.

# ABOUT THIS REPORT

*This report focuses mainly on those issues identified as relevant in the materiality analysis carried out by the Company in 2016.*

## SUSTAINABILITY CONTEXT

This Sustainability Report provides transparent, reliable and balanced information on those matters identified as the most relevant for Red Eléctrica and its stakeholders in the field of sustainability in 2018. / [102-50](#)

Red Eléctrica has published the 16<sup>th</sup> Edition of this report, and since 2003 it has been prepared according to the Global Reporting Initiative (GRI) Guidelines for the drafting of sustainability reports in its different versions. / [102-51](#) / [102-52](#)

In addition to the information required by the GRI Standards, the additional information applicable and required in the Electric Utilities sector supplement in its G4 version is included. With this, Red Eléctrica considers that the Sustainability Report for 2018 has been prepared in accordance with the **GRI Standards: Comprehensive option.** / [102-54](#)

This report responds to **Recommendation 55 of the Good Governance Code of listed companies** of the National Securities Market Commission (CNMV).

In addition, this report fulfils Red Eléctrica's commitment to provide information on the Company's compliance and progress regarding the implementation of the **Ten Principles of the United Nations Global Compact**, as well as its contribution to the **Sustainable Development Goals (SDGs)**.

This report also includes aspects defined by the **International Integrated Reporting Council (IIRC)** for the drafting of comprehensive reports, with the aim of continuing to offer our various stakeholders more complete information on the Company's ability to create value.

The content of this report is supplemented with the following information, corresponding to 2018, and which is made available to the public by Red Eléctrica:

- Corporate Governance Report and the Consolidated Annual Accounts Report of the Red Eléctrica Group, which include the management report of the Group's business activities.
- Wide range of content on the corporate website [www.ree.es/en](http://www.ree.es/en)

## MATERIALITY AND STAKEHOLDER PARTICIPATION

[102-44](#) / [102-49](#)

According to the GRI Standards, this report focuses mainly on those issues identified as relevant in the materiality analysis carried out by the Company in 2016, the drafting process and results of which are shown in the 'Commitment to Sustainability' chapter of this report.

## COVERAGE

102-10 / 102-45 / 102-46 / 102-48

This report contains relevant information on the management approach, actions and results of the Group's main activity: the electricity business in Spain through Red Eléctrica de España, S.A.U. (REE), which represents 93% of the consolidated revenues of the Group. However, it should be noted that the information contained in this report regarding the 2030 Sustainability Commitment, as well as the policies, comprehensive risk management, information on corporate governance, the integrity model, consolidated economic and financial data, certain employment indicators, as well as the tax contribution apply to all companies that make up the Red Eléctrica Group. The structure of the companies of the Red Eléctrica Group is detailed in the Annual Consolidated Accounts Report and in this report under section 5.1. 'The Company'.

In order to assess the evolution of Red Eléctrica's performance over time, the report provides data from previous years. Regarding previous reports, no relevant information has been reformulated, although it is possible that data has been updated or that the calculation formula for a specific indicator has changed, in which case the changes are indicated in the corresponding section.

Also, during the period covered by this report there have been no significant changes in the size and structure of the Company.

*This Sustainability Report provides transparent, reliable and balanced information on those matters identified as the most relevant for the Company and its stakeholders in the field of sustainability.*

## VERIFICATION

102-56

To verify the reliability of information, Red Eléctrica has submitted this report to external verification by Ernst & Young with a limited level of assurance. As a result of the verification process, an Independent Review Report is drafted which includes the objectives and scope of the process as well as the verification procedures used, and the conclusions reached. This report is included in the Annexe section of this document.

## ENQUIRIES

102-53

Red Eléctrica welcomes opinion on this report. Please send us your comments and suggestions through the various channels available through the **Dígame Service**:

- Corporate website [www.ree.es/en/digame-attention-centre](http://www.ree.es/en/digame-attention-centre)
- E-mail: [digame@ree.es](mailto:digame@ree.es)
- Tel.: +34 917 286 215



**THIS REPORT  
RESPONDS TO  
RECOMMENDATION**

•  
55 of the Good Governance Code of listed companies of the National Securities Market Commission [CNMV].





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# LETTER FROM THE CHAIRMAN

102-14

Jordi Sevilla  
*Chairman of the Red Eléctrica Group*



EQUAL OPPORTUNITIES

67

%

of the new appointments for managerial positions were filled by women

One of the greatest challenges facing humanity is that of combating climate change. Halting global warming requires urgent action worldwide to reconcile economic growth with the reduction of polluting emissions and this will only be possible through the transition to a decarbonised energy model.

To a large extent, the road to decarbonisation involves the electrification of the economy, a vector that will enable emissions to be reduced, more renewables to be integrated and energy efficiency to be improved. To achieve this, the transformation of the electricity sector towards a more dynamic and flexible model will be crucial, where the combination of non-manageable renewable energies, distributed generation and self-consumption will play an increasingly important role, placing consumers at the heart of the energy transition. Therefore, it will be key to contribute to helping them take on a more active role and optimise their decisions through innovative solutions associated with smart grids and digital transformation.

Within this context, Red Eléctrica needs to play a leading role in the energy transition of our country. This will require us to take on enormous challenges as transmission agent and operator of the electricity system that we will need to face through innovation.

As a result of the strategic nature of the Sustainability Commitment of the Red Eléctrica Group, in 2018 the Sustainability

Committee was created within the Board of Directors and its aim is to strengthen a proactive attitude for the integration of sustainability into the decision-making process of the organisation.

Red Eléctrica has strategies in place regarding innovation and digital transformation that act as levers for growth and efficiency. The objective is to incorporate tools and new ways of working that enable a cultural change and promote transformation in the management of the Company and in the way it carries out its business.

An essential element to advance in this aspect is to promote a quality working environment based on ethical business conduct, respect, diversity and equality. To materialise this commitment, the Company approved the Comprehensive Diversity Plan in 2018, which addresses such important issues as gender equality and equal employment opportunities, the promotion of women into positions of responsibility and equal pay between men and women.

Proof of this is the significant progress that the Company is making in these areas, as reflected in the progressive increase in women in the workforce and in managerial positions in recent years. In 2018, 67% of the new appointments for managerial positions were filled by women. Similarly, noteworthy is the increase in the representation of women on the Board of Directors, which currently

***Red Eléctrica needs to play a leading role in the energy transition. This will require us to take on enormous challenges as transmission agent and operator of the electricity system that we will need to face through innovation.***

stands at 41.7%, one of the highest among the IBEX 35 companies. The Red Eléctrica Group is aware that its long-term sustainability depends on delivering a service that provides value to society and generates a positive impact. For this reason, the Company fosters the development of social innovation projects, that promote sustainability, transformation and collaboration, with the aim of providing innovative solutions with a positive and ongoing social impact nationwide.

This contribution is complemented, throughout the life cycle of the facilities, with a commitment to act with the utmost care and respect for the environment in the execution of the Company's activities, as well as through the promotion of actions for the protection of biodiversity, via the implementation of various initiatives aimed at improving conservation or the promotion of projects in collaboration with government administrations, NGOs and other stakeholder groups.

Furthermore, the Company actively works to contribute to achieving the Sustainable

Development Goals (SDGs) and to strengthen its commitment in this field. Therefore, during 2018, a process was carried out for prioritising those SDGs on which the Red Eléctrica Group has the greatest impact, according to the countries and sectors of activity in which it operates, and which match those SDGs of medium and high relevance for the Company.

All these actions showcase the Company's outstanding performance in terms of sustainability and position the Red Eléctrica Group as the only company in its sector that has maintained its continued presence, for the last four years, in the Dow Jones Sustainability World and Dow Jones Sustainability Europe Indexes.

Lastly, it should be noted that Red Eléctrica is voluntarily adhering to various initiatives that strengthen its commitment to sustainability, noteworthy among which is the Spanish Global Compact Network in support of the 10 principles of the United Nations on human rights, labour, the environment and anti-corruption.

# LETTER FROM THE CEO

102-14

Juan Lasala  
Chief Executive Officer



## INVESTMENT IN NEW INFRA-STRUCTURE

to bolster the transmission grid totalled

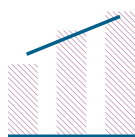
**378**  
M€

In order to successfully fulfil the role that Red Eléctrica must play in the energy transition, it will not only be essential to increase the flexibility of the electricity system in order to guarantee its safe and secure operation, but it will also be imperative that we invest in innovation for the design of new system management tools. Furthermore, it will be necessary to invest heavily in the transmission grid, making it smart, more reliable and modern, and with greater capacity for energy exchanges with neighbouring systems.

The Company's firm stance on this aspect is set out in its Action Plan regarding the fight against climate change, which, in addition to committing to achieve ambitious targets for reducing the carbon footprint in the 2030 horizon, includes various courses of action to contribute to a zero-emission energy model. During 2018, we continued to make progress in this aspect.

Investment in new infrastructure to bolster the transmission grid totalled 378 million euros. Similarly, we have worked on strengthening international interconnections, especially with France, through the design and development of the submarine link project across the Bay of Biscay, to progress towards achieving the energy targets, set by the EU, for an interconnection capacity of 15% by 2030.

**The Company has achieved sound results and has significantly strengthened its main solvency ratios, maintaining a clear orientation towards operational efficiency and the constant generation of value.**



STABLE GROWTH

profit for the period in 2018 rose to

704.6

M €

5.2% up on 2017

Furthermore, we have continued to maximise the integration of renewables into the electricity system in a safe manner, which has led to the fact that 40% of the peninsular demand was covered with renewable generation. At the same time, we have worked on promoting initiatives aimed at the development of smart grids, energy efficiency and electric mobility, as well as on the development of energy storage tools that, in addition to improving security of supply in isolated systems, will enable a greater amount of renewable energy to be integrated into the system.

Focusing on international business, the Red Eléctrica Group has continued to expand its business by having been awarded new electricity infrastructure projects abroad. In relation to this, the Company has strengthened its position in the north of Chile, by having been awarded a new project undertaken by Redenor 2, one of our

subsidiaries in Chile. Also, noteworthy is the acquisition of Redelnor in Peru, the company responsible for the development of infrastructures in the north of the country. With the incorporation of these new projects, the Red Eléctrica Group will manage 1,729 km of line in Chile and 1,686 km in Peru.

In the telecommunications business, the subsidiary, REINTEL, has continued to consolidate its position as the reference telecommunications infrastructure operator in Spain, through the management and commercial operation of the largest dark fibre optic network in the country.

For yet another year, the Red Eléctrica Group has shown stable growth. The Company has achieved sound results and has significantly strengthened its main solvency ratios, maintaining a clear orientation towards operational efficiency and the constant generation of value.

In 2018, the profit for the period rose to €704.6 million, 5.2% up on 2017. With regard to shareholder return in the form of dividends, this grew 7% year-on-year, in line with that set out in the 2014-2019 Strategic Plan.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# KEY PERFORMANCE INDICATORS

102-7 / 102-8



## BUSINESS

44,069  
KM

Line circuit

33,978  
KM

Optical fibre

98.13  
%

Availability of the peninsular transmission grid

40.1  
%

Integration of renewables of electricity generation



## FINANCIAL

1,948.5  
M€

Revenue

1,539.7  
M€

EBITDA

704.6  
M€

Net profit

0.9831  
€/SHARE

Distribution of dividends



## GOOD GOVERNANCE

60.4  
%

Attendance at the General Shareholders' Meeting

12  
BOARD MEMBERS

Reduced Board of Directors

58.3  
%

Independent Board members

41.7  
%

Women on the Board



## EMPLOYEES

1,799  
PEOPLE

Group workforce

24  
%

Women in the workforce of the Group

72  
HOURS

Training per employee

3.08

Accident frequency rate



## ENVIRONMENTAL

39,272  
tCO<sub>2</sub> eq.

Direct emissions (Scope 1)

843  
ha  
recovered

(Red Eléctrica Forest 2009-2018)

376  
KM

Line marked with bird-saving devices in critical priority areas

23.5  
M€

Environmental management expenditure



## SOCIAL

99  
%

Purchases from suppliers within the European Union

743  
M€

Total tax contribution

7  
M€

Investment in the community

228  
M€

Contribution from investment in transmission grid projects (Contribution to GDP)





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# 1

# THE RED ELÉCTRICA GROUP

**The Red Eléctrica Group has established itself as a global operator of strategic electricity and telecommunications infrastructure, both in Spain and abroad.**



- ABOUT  
THIS  
REPORT



- LETTER FROM  
THE CHAIRMAN  
LETTER FROM  
THE CHIEF  
EXECUTIVE  
OFFICER



- KEY PERFORMANCE  
INDICATORS



01  
THE RED  
ELÉCTRICA GROUP



02  
STRATEGY



03  
COMMITMENT  
TO  
SUSTAINABILITY



04  
ANTICIPATING  
CHANGE AND  
TAKING ACTION



05  
DECARBONISATION  
OF THE ECONOMY



06  
RESPONSIBLE  
VALUE CHAIN



07  
CONTRIBUTION TO  
SOCIAL, ECONOMIC  
AND ENVIRONMENTAL  
DEVELOPMENT



- ANNEXES

# THE COMPANY

*The main activity of the Group (the electricity business in Spain) is carried out by Red Eléctrica de España, which performs the functions of transmission agent and operator of the Spanish electricity system (TSO).*



WORKFORCE  
**1,799**  
PEOPLE

make up the  
current workforce  
of the Red  
Eléctrica Group

In 1985, Red Eléctrica de España, S.A. was set up as the first company in the world dedicated exclusively to the transmission of electricity and the operation of the Spanish electricity system.

In 2008, in order to strengthen the transparency and separation of regulated activities (transmission and operation of the electricity system in Spain) from the rest of the business activities, a change was made in the Company's corporate structure with the creation of **Red Eléctrica Corporación**, as the parent company of the Group.

The main activity of the Group (the electricity business in Spain) is carried out by **Red Eléctrica de España**, which performs the functions of transmission agent and operator of the Spanish electricity system (TSO).

The Group's international business is focused on the construction, maintenance and operation of electricity transmission infrastructure abroad. This activity, initiated in 1999, and with a current presence in Peru and Chile, is managed through the companies integrated into **Red Eléctrica Internacional**.

In recent years, there has been a significant boost in the diversification activities of the Red Eléctrica Group, with the definitive consolidation of the telecommunications activity through the creation of **REINTEL** for the maintenance and commercial operation

of the surplus dark fibre optic network and the setting up of REINCAN for the development of energy storage infrastructure in the Canary Islands.

### Our strengths...



WE HAVE A TEAM

of highly qualified personnel with technical expertise in the management of essential infrastructures



WE ARE A WORLDWIDE REFERENCE

in the safe integration of renewable energy



WE MAINTAIN HIGH

levels of solvency and profitability



WE HAVE

received the highest recognitions internationally in the field of sustainability and good governance

### ...our challenges

1

Maintain excellence in the field of **sustainability** and **good governance**

2

Successfully **face** the **challenges** posed by the new **energy transition** scenario

3

Intensify our commitment to expanding the **business base** not only **internationally** but also in the field of **telecommunications**



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

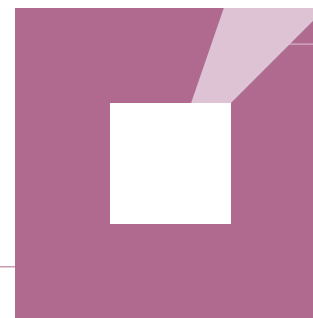
## STRUCTURE OF THE RED ELÉCTRICA GROUP 102-1 / 102-2 / 102-5 / 102-10 / 102-45

R E D / E L É C T R I C A / C O R P O R A C I O N

Electricity activity in Spain

93%

of revenue



Other activities

7%

of revenues

Electricity system operator and transmission agent



Construction of international interconnections Spain-France

50%



International business



REDESUR (Peru)  
TES  
TES 2  
TES 3  
TES 4

RED ELÉCTRICA ANDINA (Peru)

RED ELÉCTRICA CHILE  
TEN (50%)  
REDENOR (70%)  
REDENOR 2

TES: Transmisora Eléctrica del Sur

Telecommunications business



Energy storage in the Canary Islands



Financing and risk reinsurance



Telecommunications systems

Red Eléctrica Sistemas de Telecomunicaciones, S.A.U. (RESTEL)



# ACTIVITIES OF THE RED ELÉCTRICA GROUP

102-2 / 102-4 / 102-6

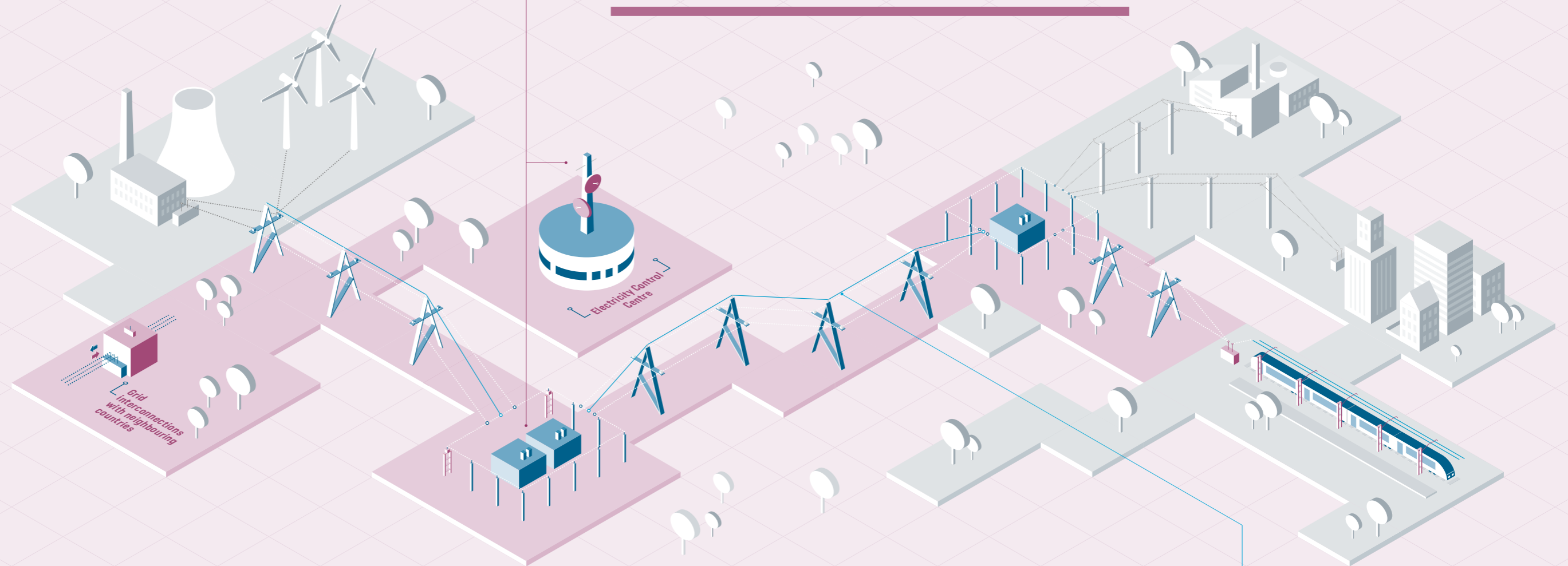
## Electricity business in Spain (RED ELÉCTRICA DE ESPAÑA)

Construction and maintenance of electricity lines and substations of the transmission grid (including international interconnections and links between islands) that connects generation with consumption.

Real-time operation of the Spanish electricity system, guaranteeing the continuity of supply and the safe integration of renewable energy.

**44,000 km**  
OF ELECTRICITY LINE CIRCUIT

**268,000 GWh**  
OF ENERGY MANAGED



## Electricity business abroad (RED ELÉCTRICA INTERNACIONAL)

Construction, maintenance and operation of energy transmission infrastructure in Peru and Chile and the provision of electricity infrastructure maintenance services in Peru.

**2,635 km of infrastructure**  
IN SERVICE IN PERU AND CHILE



## Energy storage infrastructure (REINCAN)

Design and construction of energy storage infrastructure in the Canary Islands that serve as tools for electricity system operation in order to improve the integration of renewables and increase security of supply on the islands.

**200 MW of power in the Chira-Soria**  
PUMPED-STORAGE HYDROELECTRIC POWER STATION IN GRAN CANARIA



## Telecommunications services (REINTEL)

Commercial operation of the surplus dark fibre optic network associated with both the electricity transmission grid and the railway network, as well as shelters and technical spaces for the housing of telecommunications equipment.

**More than 33,000 km**  
OF FIBRE OPTIC NETWORK

- ABOUT THIS REPORT
- LETTER FROM THE CHAIRMAN
- LETTER FROM THE CHIEF EXECUTIVE OFFICER
- KEY PERFORMANCE INDICATORS
- 01 THE RED ELÉCTRICA GROUP
- 02 STRATEGY
- 03 COMMITMENT TO SUSTAINABILITY
- 04 ANTICIPATING CHANGE AND TAKING ACTION
- 05 DECARBONISATION OF THE ECONOMY
- 06 RESPONSIBLE VALUE CHAIN
- 07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT
- ANNEXES





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## ACTIVITY IN SPAIN

### Electricity transmission and system operation

Red Eléctrica de España is the sole transmission agent and operator (TSO) of the Spanish electricity system. The Company has established itself as a key element for society by guaranteeing the security and continuity of the electricity supply, through the operation of the electricity system in real time, keeping the generation and the electricity demand of the country in constant balance.

In turn, Red Eléctrica is responsible for the transmission of electricity in high voltage from the production centres to the points of distribution to end consumers. Therefore, it has the responsibility to develop, expand and maintain the transmission grid, as well as to manage the exchange of energy between external systems through international interconnections.

Furthermore, since 2008 Red Eléctrica has owned 50% of the capital of INELFE, a company incorporated together with the Company's French counterpart, RTE, for the development of electricity interconnections with France.

### Telecommunications

The subsidiary Red Eléctrica Infraestructuras de Telecomunicación (REINTEL) acts as a neutral supplier of telecommunications infrastructure for the main agents of the sector and telecommunications operators

**REINTEL is the neutral provider of reference in Spain regarding telecommunications infrastructure.**

with a presence in Spain, facilitating the coverage of the country's digital divide and enabling competition in this sector. The main activity of REINTEL is the leasing of surplus dark fibre optic network and technical sites and spaces for the housing of telecommunications equipment.

REINTEL operates and manages a fibre optic network that is meshed, robust and redundant, with connection to island systems and also with international access. Following the awarding of the ADIF-AV tender, REINTEL operates more than 33,000 km of cable deployed on the electricity transmission grid as well as on the railway network.

### Energy storage on the Canary Islands

The subsidiary Red Eléctrica Infraestructuras en Canarias (REINCAN), created in 2015, maintains the objective of promoting pumped-storage hydroelectric projects that serve as tools for system operation to improve the guarantee of supply, system security and the integration of non-manageable renewable energy on the Canary Islands.



RED ELÉCTRICA OWNS 50%

of INELFE, a company jointly founded with RTE for the development of electricity interconnections with France



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



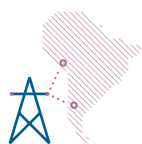
06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



ELECTRICITY LINES

3,415

KM

in Peru and Chile, as a result of the latest acquisitions

THE CHIRA-SORIA PUMPED-STORAGE HYDROELECTRIC POWER STATION

will have a turbine power capacity of 200 MW and a pumping capacity of 220 MW to take advantage of renewable energy.



In this regard, REINCAN has designed Chira-Soria pumped-storage hydroelectric power station on the island of Gran Canaria. This large-scale energy storage system will enable progress to be made towards the achievement of the new Canary Islands energy model, based on the use of cleaner energies thus guaranteeing a secure, efficient and sustainable electricity supply for society.

#### ACTIVITY ABROAD

The Company's international business is focused on the construction, management and operation of transmission grids outside Spain, currently in Peru and Chile. To boost this business, the Company, through Red

Eléctrica Internacional (REI), analyses corporate acquisitions and frequently participates in tenders for concession contracts.

#### Peru

Red Eléctrica Internacional owns 100% of the companies Red Eléctrica Andina (REA), specialised in electricity maintenance of medium and high voltage electricity systems, protection systems and telecommunications systems, as well as technical advisory services for energy projects; and Red Eléctrica del Sur (REDESUR), which manages the transmission of electricity in the southern departments of Peru.

REDESUR is, in turn, the owner of the following subsidiaries that manage the construction, maintenance and operation of electricity infrastructure:

- **Transmisora Eléctrica del Sur** (hereinafter TES): 220 kV Tintaya-Socabaya line and the existing 138 kV Tintaya Nueva-Tintaya line and associated substations.
- **TES 2**: 220 kV Azángaro-Juliaca-Puno line [in June 2018 the commercial operation of the line began].
- **TES 3**: 220 kV Montalvo-Los Héroes line [project currently under construction].
- **TES 4**: 220 kV Tintaya-Azángaro line [project under development, awarded in 2018].



Similarly, in 2018, Red Eléctrica Internacional acquired 100% of REDELNOR, the company with the concession contract for the 220 kV Carhuaquero-Cajamarca Norte-Cáclic-Moyobamba electricity line and the associated substations in the northern zone of Peru.

### Chile

Red Eléctrica Internacional has a 100% shareholding in Red Eléctrica Chile. This company, in turn, has a 50% stake in *Transmisora Eléctrica del Norte* (TEN) after the acquisition made in January 2016. The remaining 50% of TEN is owned by E-CL (belonging to the Engie group), a Chilean company that promoted the first interconnection between the north and central systems of the country.

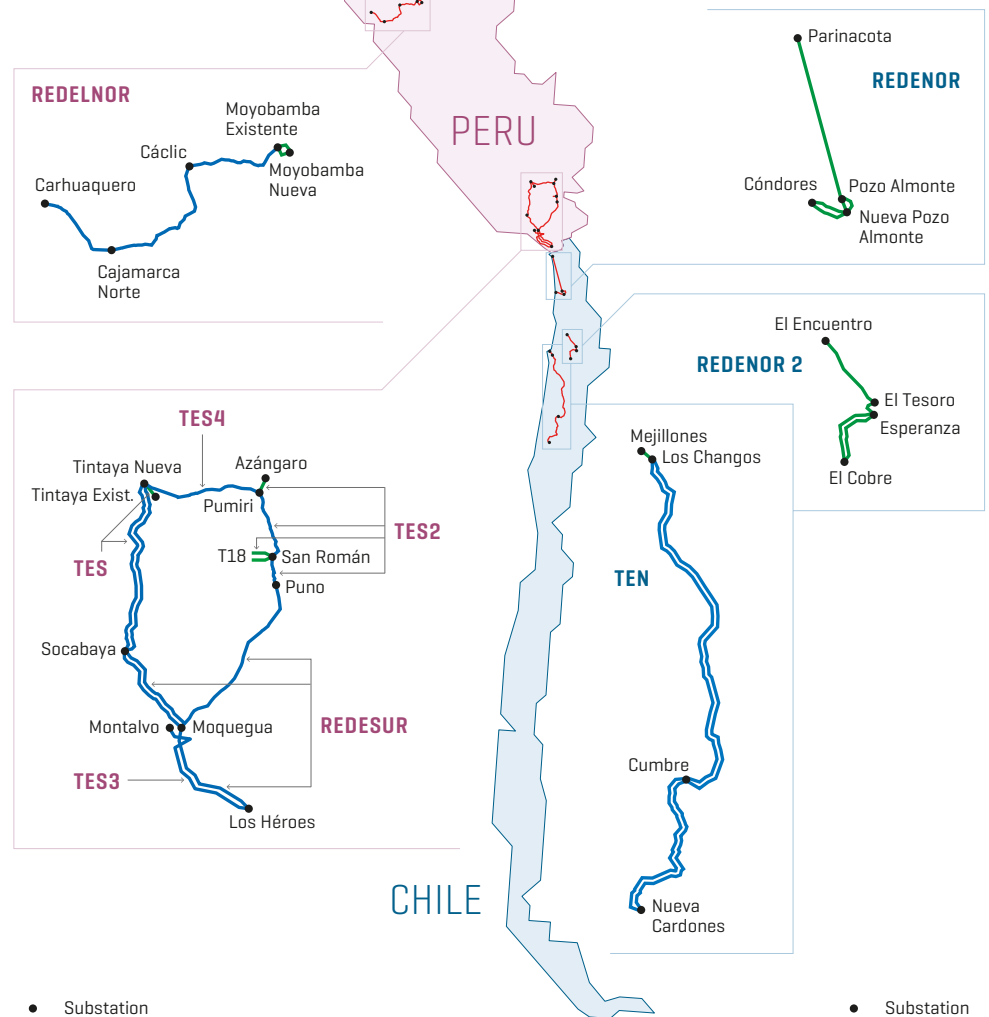
Furthermore, in 2017, Red Eléctrica Chile, through REDENOR, a company created in a 70%-30% consortium with *Cobra Instalaciones y Servicios*, was awarded the contract for the execution and subsequent management and operation of more than 258 kilometres of line in Chile. The project includes the design, financing, construction, operation and maintenance of the first 220 kV line circuit in northern Chile.

In 2018, Red Eléctrica Chile acquired 100% of the share capital of the company REDENOR 2, a company that manages and operates electricity assets/facilities and projects under construction in the Antofagasta region of northern Chile.

### Red Eléctrica Internacional in Peru 1,686 km



### Red Eléctrica Internacional in Chile 1,729 km



● Substation  
— 220 kV line  
— 138 kV line

● Substation  
— 500 kV line  
— 220 kV line

TES: Transmisora Eléctrica del Sur [subsidiary of REDESUR]

- ABOUT THIS REPORT
- LETTER FROM THE CHAIRMAN
- LETTER FROM THE CHIEF EXECUTIVE OFFICER
- KEY PERFORMANCE INDICATORS
- 01 THE RED ELÉCTRICA GROUP
- 02 STRATEGY
- 03 COMMITMENT TO SUSTAINABILITY
- 04 ANTICIPATING CHANGE AND TAKING ACTION
- 05 DECARBONISATION OF THE ECONOMY
- 06 RESPONSIBLE VALUE CHAIN
- 07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT
- ANNEXES

# 2

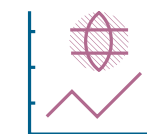
# S T R A T E G Y

**The 2014-2019 Strategic Plan is focused not only on developing the role of Red Eléctrica as TSO in Spain but, also on strengthening efficiency criteria and boosting the expansion of the business base as an alternative form of growth and the creation of value.**



# MACRO-ECONOMIC AND ENERGY ENVIRONMENT

*The strength of the current growth cycle in the world economy has resisted the effect of geopolitical risk factors.*



## WORLD ECONOMY

growth of

**3.7**

%

in 2018  
in line  
with the  
previous  
year

## THE MACROECONOMIC SCENARIO

In 2018, the world economy maintained the good dynamic of the previous year, achieving **growth of 3.7%**, driven for yet another year by the excellent performance of both emerging countries and advanced economies, with special emphasis on the American economy, which grew by 2.9%, 0.7 points more than in 2017.

The soundness of the current growth cycle of the global economy, supported mainly by the widespread expansionary monetary policies aimed at facilitating the exit from the crisis that began in 2009, has resisted the effect of the various geopolitical risk factors that had introduced some uncertainty into the performance of the global economy. Some of these factors occurred in 2017, such as the Brexit, whose negotiation is still ongoing, and others that happened in 2018, such as the trade tension between the United States and China as a result of the implementation of the announced change towards a protectionist economic policy of President Trump's Administration. Moreover, the rise in the price of oil registered in 2018, which placed the average price of Brent at \$ 72/barrel, 33% higher than in 2017, has had a significant impact on world economic growth and, in particular, on the emerging economies, the main users of this raw material.

As for Spain, the preliminary data of the most recent quarterly Gross Domestic





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



Product [GDP] published by the National Institute of Statistics in January 2019 estimates a growth of 2.5% in the Spanish economy in 2018, consolidating the recovery trend which began in 2014, although, as expected, with a more moderate growth rate with respect to the previous 3 years.

During 2018, the Spanish economy has had to cope in an unstable political scenario as a result of the events arising from the secessionist challenge driven by the Generalitat of Catalonia, as well as the complex parliamentary make-up resulting from the 2016 general elections, which finally led to a political changeover in the Government in June 2018. Both

factors have not had a noticeable impact on the growth of economic activity in Spain throughout the year as a whole.

For yet another year, domestic demand has been the driver of growth, contributing 2.9% of the increase in Gross Domestic Product (GDP), offsetting the slight stagnation of the foreign sector, which has led to a decrease of 0.4% in economic activity. The growth in GDP has led to an increase in the creation of net employment, closing 2018 with 566,200 jobs more than in the previous year, representing a 3% growth in employment. This increase has made it possible to reduce the unemployment rate by 2.1 points, which in December 2018 stood at 14.4%, the lowest recorded since 2008, the year prior to the beginning of the crisis.



UNEMPLOYMENT RATE

14.4

%

in December 2018, the lowest rate on record since 2008



NATIONAL DEMAND

2.9

%

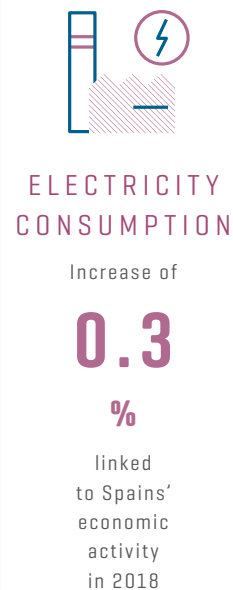
of the increase in GDP, for yet another year, a driver for growth

## 2018 has shown a definite transition process towards a less energy-intensive production model.

After five years of recovery in economic activity, at an average sustained rate of around 3%, which enabled the recovery of almost two and a half million jobs within a complex national and international political environment, the forecasts by the main specialised agencies for the next two years confirm the consolidation of this sustained growth path of the Spanish economy, albeit at a more moderate pace, with rates that would be around 2%. Among the factors that would explain this slowdown in growth are: the forecast that oil prices will remain at and even exceed the reference price of \$70/barrel; the progressive rises in interest rates that some central banks have been applying during 2018, which apparently will be maintained during the next year, and the outlook which indicates a continued stagnation of foreign demand.

### ENERGY SCENARIO

Within the aforementioned favourable context, the consumption of electricity linked to economic activity has grown for the third consecutive year, standing at 0.3% in 2018, after having factored the influence of



### WINTER PACKAGE

In 2018, half of the eight proposals for new legislative provisions have been approved and published.

seasonal and working patterns, a figure that is more than two points below the growth of the economy. This means that as of 2014, the correlation between economic activity and electricity demand has shown five years of sustained reduction, which was much more noticeable in 2018 which evidences a process of gradual transition towards a less energy-intensive production system model. Furthermore, the implementation of energy saving and efficiency measures, coherent with the objectives of the Spanish and European energy policy to achieve a sustainable energy model and to fight against climate change, are greatly contributing to this gradual transition.

Within the framework of this firm commitment to energy targets and the fight against climate change, which in the European Union is specified in the strategic package called 'The Energy Union' and in the new targets set out in the European energy policy targets for 2030, during 2018 progress has been made regarding the debating and administrative processing of the draft legislative package published by the European Commission at the end of 2016 under the generic title of 'Clean energy for all Europeans', informally known as Winter Package.

Thus, in 2018 half of the eight proposals for new legislative provisions that make up the 'Winter Package' have been approved and published after the approval in June of the Energy Performance in Buildings Directive, which were followed in December by the



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT

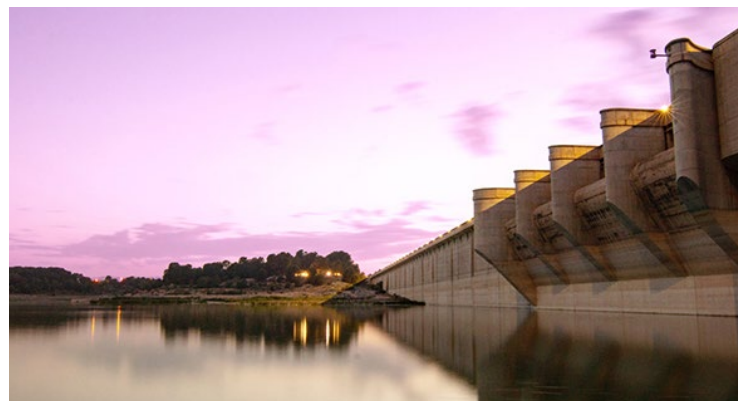


ANNEXES

Renewable Energy Directive, the Energy Efficiency Directive and the Governance Regulation of the Energy Union. In these provisions, some of the objectives of the EU's energy policy for 2030 have been set out, such as ensuring that 32% of the final energy consumption comes from renewable energy, as set by the Renewable Energy Directive, and the goal of reducing energy consumption by 32.5%, established in the Energy Efficiency Directive.

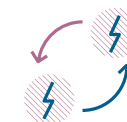
Regarding the remaining four proposals - the Electricity Directive, Electricity Regulation, the ACER Regulation (Agency for the Cooperation of Energy Regulators), and the Risk-Preparedness Regulation - by the end of 2018 the ordinary legislative procedure stage was completed, a process in which the three European Union institutions take part, each starting from their initial standpoint, have agreed on the final text of a new legislative act, which is the final step of its administrative processing. Once the political agreement between the two legislating institutions, the Parliament and the Council has been reached, the European Commission's objective is that these proposals be approved prior to the next European elections, scheduled for May 2019.

During the debating and administrative processing of the 'Winter Package', the European Union has reinforced the need that energy interconnections be considered within



the new EU legislative act, as an element of the configuration of the future European electricity system, that was not expressly dealt with in the initial texts of this new legislative package.

In particular, the Governance Regulation places great importance on international interconnections, expressly establishing the targets regarding the minimum commercial exchange capacity for 2020 and 2030 - 10 and 15%, respectively, of the installed power capacity of each member state, and demanding that the Integrated National Energy and Climate Plans set a strategy, developed in cooperation with neighbouring member states, to progress in the development of interconnections and achieve the targets defined in the Regulation itself and in the European Commission's Communication of November 2017 on the strengthening of European electricity grids.



TARGETS

10 %

minimum electricity exchange capacity for 2020 and

15 %

total installed power capacity of each member state for 2030



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

***Spanish energy regulation, fully compliant with the targets of the European Community's energy policy, was influenced in 2018 by the change of the Spanish government that occurred in the month of June.***

REPORT  
**GROUP OF EXPERTS**

regarding the energy transition. April 2018

In relation to energy interconnections, we must also highlight the 2<sup>nd</sup> Summit for Energy Interconnections Portugal-France-Spain which was held in Lisbon in July 2018, and at which the three leaders of these countries reaffirmed their commitment to the targets of the EU energy policy on interconnections in the 2020 horizon and that of 2030, for which they will have the support of both the European Commission and the European Investment Bank, also present at the Summit and signatories of the joint declaration.

Another noteworthy aspect of the energy regulation in 2018, with a dual impact both at a European and a national level, is the publication in April of the report by the group of experts on energy transition; a transition each member state must comply with within the framework of the strategic package of the 'Energy Union'. In addition to identifying, analysing and evaluating different scenarios consistent with the strategy and Targets of the European energy policy, the report

shows that the electrification of society is a necessity to achieve the EU's targets of reducing emissions and combating change climate, also highlighting that electricity grids should be the backbone of the transition towards a new sustainable and decarbonised energy model.

Spanish energy regulation, fully aligned with the targets of the European Community energy policy, was conditioned in 2018 by the changeover in government that occurred in June, which has led to a re-evaluation of the outgoing government's annual regulatory plan. The most noteworthy provision of the year was Royal Decree-Law 15/2018, of 5 October, on urgent measures for the energy transition and the protection of consumers, which contains a series of immediate actions to ensure that, in the event of the likelihood of high and sustained final prices over time, consumers have information and tools to manage their demand, optimise their consumption and reduce their energy bill. In addition, specific protection mechanisms are provided to vulnerable consumers, with less economic capacity to pay the standing cost associated with the supply of electricity. Various measures are also introduced aiming to promote greater integration of renewable energy and support sustainable mobility and energy efficiency, in order to accelerate the transition towards a decarbonised economy.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# STRATEGIC PLAN

*The strategic plan in force covers the period 2014-2019 and takes into account the economic, energy and regulatory framework.*



## 6 STRATEGIES WITHIN THE STRATEGIC PLAN

have reached a high degree of fulfilment

Red Eléctrica takes into account the economic, energy and regulatory environment in which it carries out its activity when defining its business strategy. The current Strategic Plan covers the period 2014-2019 and establishes three **basic strategies** (which define the actions to be carried out) and three **cross-cutting strategies** (which outline how should be done).

With most of the period contemplated in the Strategic Plan having already elapsed, the six strategies show a high degree of fulfilment. Below, some of the most relevant actions carried out in the period 2014-2018 are presented in each of the strategies, although in the various chapters of this report, the actions carried out in 2018 are outlined in greater detail.





## Essential strategies



### Development of the TSO role

Red Eléctrica, in its capacity as sole transmission agent and operator of the Spanish electricity system, will promote the energy transition. Therefore, the Company's main strategy is based on:

- The development of an increasingly meshed and robust transmission grid that is better interconnected.
- The maximum integration of renewable energy.
- Energy efficiency and innovation.

### Execution of the 2014-2018 Plan

- New regulatory framework that guarantees the stability of the electricity transmission activity and incentivises grid efficiency and availability.
- Approval of the 2015-2020 Electricity Transmission Grid Development Plan.
- Auctions for the provision of the interruptibility service.
- Advancing in interconnections: new interconnection with France through Catalonia, strengthening of the interconnection with Portugal via Puebla de Guzmán and commencement of the project for a new interconnection with France across the Bay of Biscay.
- Majorca-Ibiza interconnection that connects the two electricity systems of the Balearic Islands and strengthens their integration with the peninsula.
- More than 2,150 km of new line circuit and 548 new substation bays in the period 2014-2018.
- Commissioning of the Arkale phase shifter that favours the flow of international exchanges, increasing the electricity exchange capacity with Europe and the security of supply.
- Creation of CECOVEL (Control Centre for the Electric Vehicle) that allows monitoring and control of electricity demand for the charging of electric vehicles.
- Incorporation into CORESO (COoRdination of Electricity System Operators), the coordinating body for regional security, composed of several European TSOs, in order to maintain the security of the European electricity system.
- Participation of Spain, along with 13 other European countries, in the trading of electricity on a continuous basis on the intraday horizon, which represents a fundamental milestone on the road to a single intraday market integrated into the European Union.



### Efficiency

Improvement of efficiency levels in order to mitigate the impact derived from the lower profitability of new investments pursuant to the new remuneration model, generating value through the optimisation of operating margins.

### Execution of the 2014-2018 Plan

- Review of the infrastructure maintenance, renovation and improvement policy in accordance with the new regulatory framework.
- Review of the construction criteria and the definition of a stakeholder management model in investment projects.
- Containment of operating and structural costs.
- Optimisation of financing through the repurchase of bonds, the financing agreement with the EIB and the refinancing of REDESUR.
- Integration and improvement of the planning of transmission grid activities and the supply requirements of materials and services.



### Expansion of the business base

Development of regulated activities, other than those already underway, and non-regulated activities in the field of telecommunications and infrastructure management, as well as the expansion into other geographical areas.

### Execution of the 2014-2018 Plan

- Commercial management and operation of ADIF's dark fibre network and the consolidation of the telecommunications business with the positioning of the Company as a neutral operator of reference in Spain in the management of dark fibre optic networks.
- Acquisition of 50% of Transmisora Eléctrica del Norte (TEN) in Chile and 45% of the shareholding of REDESUR in Peru.
- Awardee of the concession contracts for the Azángaro-Juliaca-Puno, Montalvo-Los Héroes and Tintaya-Azángaro lines in Peru and more than 258 kilometres of line in Chile.
- Acquisition of the company called Centinela Transmisión in Chile.
- Progress in the construction of the Chira-Soria pumped-storage hydroelectric power station in Gran Canaria, which will be an essential infrastructure for the new Canary Islands energy model.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## Cross-cutting strategies

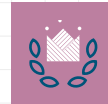


### Innovation

Promote innovation as an integral part of the operational process, boosting technological innovation as a lever for growth that will enable us to respond to the great challenges of the future.

#### Execution of the 2014-2018 Plan

- Some of the most relevant projects have been:
  - Installation of a flywheel in Lanzarote.
  - Installation of a large-scale energy storage battery [ALMACENA project].
  - Implementation of the PRICE project for the deployment of demand-side management measures.
  - Completion of the ESP-Lider project [re-directing of power flows] of the INNPACTO programme.
  - Development of European projects: BEST PATHS [integration of massive amounts of renewable energy] and MIGRATE [improvement of the behaviour of the electricity system with a high penetration of devices based on power electronics].
- Consolidation of innovation alliances with Spanish universities and technology centres.
- Launching of the Grid2030 Innovation Collaboration Programme to promote long-term research through the call for technological initiatives applied to the transmission grid that have a direct impact on the efficiency and sustainability of electricity systems.
- Signing of the first multi-currency syndicated loan in the world carried out using blockchain technology.

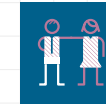


### Excellence

Consolidate ourselves as a sustainable company, through management that is both ethical and committed to stakeholders, maintaining a position of reference in the field of excellence.

#### Execution of the 2014-2018 Plan

- Completion of the process of separation of the executive functions and duties corresponding to the CEO, from those of control and supervision corresponding to the Chairman.
- Approval of the Climate Change Action Plan for the period 2015-2020 and the 2017-2021 Biodiversity Action Plan.
- As proof of the Company's pursuit of excellence and responsibility in the execution of all its activities, Red Eléctrica has obtained numerous recognitions. Noteworthy are the following:
  - Obtaining +700 points in the assessment of the EFQM model.
  - Leading position granted in the Dow Jones Sustainability Index.
  - Recognition for the commitment in the fight against climate change in the annual assessment conducted by the Carbon Disclosure Project
- Commitment to social innovation to promote social and environmental development of the rural territory [Lecrinnova project in Granada].



### People

Commitment to a healthy working environment that favours the organisation of work and the well-being of employees, enabling the Company to optimise resources and foster talent in order to tackle the challenges it faces.

#### Execution of the 2014-2018 Plan

- Design of a comprehensive Talent Management model.
- Definition of the Healthy Workplace model and the publication of the first Healthy Workplace Annual Report.
- Updating and dissemination of the Functions handbook.
- Creation of the Red Eléctrica Campus.
- Launching of the project 'New Ways of Working and Transformation of Workspaces', whose objective is to redesign the Group's workspaces and implement more collaborative and flexible ways of working.

Red Eléctrica is committed to digital transformation as a fundamental element for the deployment of the 2014-2019 Strategic Plan. Advances in information technologies open new doors to improvements in efficiency and the emergence of innovative business models, drive cultural change in companies and place data as one of the fundamental assets of companies.

In this regard, Red Eléctrica is launching important initiatives to promote digital transformation and innovation as levers of growth and efficiency, which as a company, will allow us to address the challenges posed by the energy transition.

## 2018-2022 Strategic Plan, diversified and sustainable growth

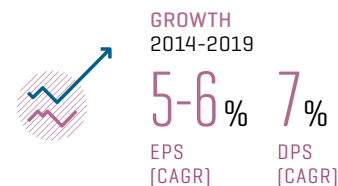
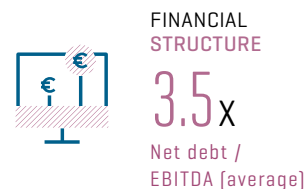
The new Strategic Plan approved in early 2019, is based on 4 pillars: facilitate the energy transition, consolidate the position as an operator of reference regarding telecommunications infrastructure, expand the business abroad and accelerate innovation in Spain.

This roadmap contemplates a business model that seeks the balance between regulated activities and those activities subject to market risk.

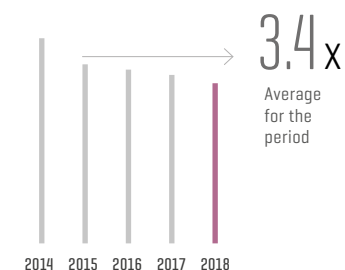
The new Plan responds to the challenges posed by the transformation of the production system model, marked by sustainability and the technological disruption. Electricity, telecommunications and talent are considered today as the new raw materials of economic development and are also the distinguishing features of Red Eléctrica's new strategy.

## 2014 - 2019 / STRATEGIC PLAN / S N A P S H O T

### 2014-2019 TARGETS



### 2014-2018 ACHIEVEMENTS



[1] Calculated using 2013 as the base year.

Legend: b.p.: base points    EPS: Earning Per Share    DPS: Dividend Per Share    CAGR: Compound Annual Growth Rate

-  ABOUT THIS REPORT
-  LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER
-  KEY PERFORMANCE INDICATORS
-  01 THE RED ELÉCTRICA GROUP
-  02 STRATEGY
-  03 COMMITMENT TO SUSTAINABILITY
-  04 ANTICIPATING CHANGE AND TAKING ACTION
-  05 DECARBONISATION OF THE ECONOMY
-  06 RESPONSIBLE VALUE CHAIN
-  07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT
-  ANNEXES

# 3

# C O M M I T M E N T T O S U S T A I N - A B I L I T Y

**The 2030 Sustainability Commitment of the Red Eléctrica Group is based on ten principles and is specified in four sustainability priorities identified as the driving forces that will help the company address the challenges it faces and materialise the existing opportunities.**



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

S	U	S	T	A	I	N	A	B	I	L	I	T	Y
P	R	I	O	R	I	T	I	E	S				

The Red Eléctrica Group has undertaken a commitment to sustainability which is strategic, cross-cutting and with a long-term vision.







ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# THE 2030 SUSTAINABILITY COMMITMENT OF THE RED ELÉCTRICA GROUP

In 2017, the Board of Directors approved the **2030 Sustainability Commitment of the Red Eléctrica Group**. Said commitment is set out on four priorities: anticipating change and taking action; decarbonisation of the economy; responsible value chain, and the contribution to social, economic and environmental development.

With this commitment, the Company addresses its long-term sustainability through a business model capable of responding to the challenges of the future and following the principles set out in the Company's Corporate Responsibility Policy.

The 2030 Sustainability Commitment of the Red Eléctrica Group is based on ten **principles** defined within the Corporate Responsibility Policy and is set out in four **sustainability**

## Sustainability is based on the following principles:



FINANCIAL SUSTAINABILITY



EXCELLENCE AND CORPORATE RESPONSIBILITY



INNOVATION



CORPORATE GOVERNANCE AND ETHICS



TRANSPARENCY



TALENT, DIVERSITY AND EQUALITY



ALLIANCES WITH OUR STAKEHOLDERS



CREATION OF SHARED VALUE



CARE FOR THE NATURAL ENVIRONMENT



RESPECT FOR HUMAN RIGHTS

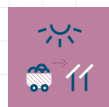


## The sustainability priorities of the Red Eléctrica Group are the following:



### Anticipating change and taking action

Promote a corporate culture of innovation and flexibility that allows us to identify growth opportunities and respond to the challenges of the future, anticipating and adapting both to global trends and to the regulatory environment arising from the new energy model.



### Decarbonisation of the economy

Be a proactive agent in the energy transition towards a zero-emission model, advocating for the electrification of the economy and the efficient integration of renewable energy, through a robust and better interconnected grid, as well as through the development and operation of energy storage systems.



### Responsible value chain

Extend our responsibility commitment to all links in the value chain, ranging from our own people to suppliers and customers, accomplishing this through the creation of alliances and by basing it on our governance and integrity model.



### Contribution to social, economic and environmental development

Contribute to the economic, environmental and social progress of society, through the provision of a key service in a safe and efficient manner. This is achieved by promoting environmental conservation, the quality of life and social well-being of people and involving the community in the execution of our activities, with the goal of generating a perceived mutual benefit.

**priorities** identified as the key drivers to respond to the challenges the Company faces and to bring to fruition the opportunities that exist, in order to occupy a position of reference within the global business context.

The 2030 Sustainability Commitment of the Red Eléctrica Group is deployed through multi-year plans and projects which are programmed on

an annual basis. The **2017-2019 Sustainability Plan** consists of 18 basic courses of action that ensure the responsible management of the business, allow progress to be made regarding the sustainability priorities and make it possible to respond to the expectations of stakeholders. Annually, the Company defines and sets up a **programme** which consists of the most significant sustainability projects carried out by the Group.

The overall degree of fulfilment of the sustainability programme was 86% at the close of 2018. It should be noted that the fulfilment of the most significant sustainability projects and the impact of the programme is defined as a managerial objective that has an effect on the remuneration of the entire workforce.



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

***In 2018, as a consequence of the strategic nature that sustainability has for the Red Eléctrica Group, noteworthy was the recent creation of the Sustainability Committee within the Board of Directors.***

**ORGANISATIONAL STRUCTURE**

The 2030 Sustainability Commitment has the support of the management team of the Red Eléctrica Group, whose message is conveyed to the entire organisation with the aim of generating a proactive attitude that incorporates sustainability into the day-to-day decision-making process.

In this regard, the **Sustainability Steering Committee and the Corporate Sustainability and External Relations Area** reinforce the implication of decision-makers at the highest level within the Company. Similarly, the Company involves all areas of the organisation in the implementation, supervision and monitoring of the 2030 Sustainability Commitment.

**APPROVAL**

**Board of Directors**

**Duties and responsibilities**

- Approve the Corporate Responsibility Policy.

**Sustainability Committee**

- Supervise the Group's sustainability policies.
- Inform, monitor and analyse the actions and proposals regarding sustainability.
- Monitor the strategy and practices of the Group in relation to the 2030 Sustainability Commitment.
- Supervise and evaluate the relationship processes with the various stakeholders.
- Supervise and coordinate the process of reporting information on sustainability.

**MONITORING AND ASSESSMENT**

**Sustainability Steering Committee**

- Propose the Group's Sustainability Principles and Guidelines.
- Guarantee the fulfilment of the targets and goals of the 2030 Sustainability Commitment.
- Ensure the establishment of a management system and promote its efficient implementation.
- Guarantee the analysis and assessment of the requirements of stakeholders within the Company's strategies.
- Promote internal awareness.

**SUPERVISION**

**Corporate Sustainability and External Relations area**

- Advise the Company on matters related to sustainability.
- Define and design the activities and structural elements of the management model.
- Design and monitor plans and programmes.
- Ensure the development and ongoing improvement of management systems, structures, plans and projects regarding sustainability.

**IMPLEMENTATION**

**Organisational areas**

- Carry out their activities and projects in accordance with the principles and guidelines set out in the 2030 Sustainability Commitment, ensuring the participation of all collaborators concerned.
- Participate in the implementation of the management model.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



### MONITORING AND ASSESSMENT

Red Eléctrica regularly assesses its management system through tools that allow the degree of fulfilment of the commitments taken on to be evaluated and the progress made in the defined objectives to be measured. In this regard, the Company carries out periodic monitoring of the Sustainability Indicator Scorecard, revised in 2017, in order to adapt it to the 2030 Sustainability Commitment.

Similarly, Red Eléctrica's corporate responsibility management system is certified according to the international standard **IQNet SR10** (Social Responsibility Management System), whose adequate implementation is assessed annually through external audits. In 2018, the requirements for the renewal of this certification were met.



IN 2018

The overall degree of compliance of the sustainability programme at the year end was

86 %



IN 2018

Red Eléctrica was recognised with the distinction of 'Ambassador of European Excellence' awarded by the *Club Excelencia en Gestión*, which is EFQM's representative in Spain.

Additionally, on a periodic basis, the management system is audited internally.

### THE QUEST FOR EXCELLENCE

Red Eléctrica's commitment to excellence in management represents one of the cross-cutting strategies of the Company's 2014-2019 Strategic Plan. Similarly, the Group has a **Quality and Excellence Policy** that establishes the principles and guidelines of its management.

Since 1999, Red Eléctrica has adopted the **EFQM excellence model** (European Foundation for Quality Management) as a tool to achieve continuous improvement in the Company's management. In order to know the degree of progress in management excellence, the Company conducts external evaluations on a biennial basis. In 2018, Red Eléctrica has maintained the validity of the European Excellence 500+ Seal granted by EFQM, after the external assessment carried out in 2017, in which it obtained a score higher than 700 points. As a result of this evaluation, the Company has launched the **2018-2019 Excellence Plan**, which includes a total of 49 improvement actions.

Furthermore, since 2000, Red Eléctrica has a quality system certified in accordance with standard ISO9001 whose scope encompasses all the processes of the organisation.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

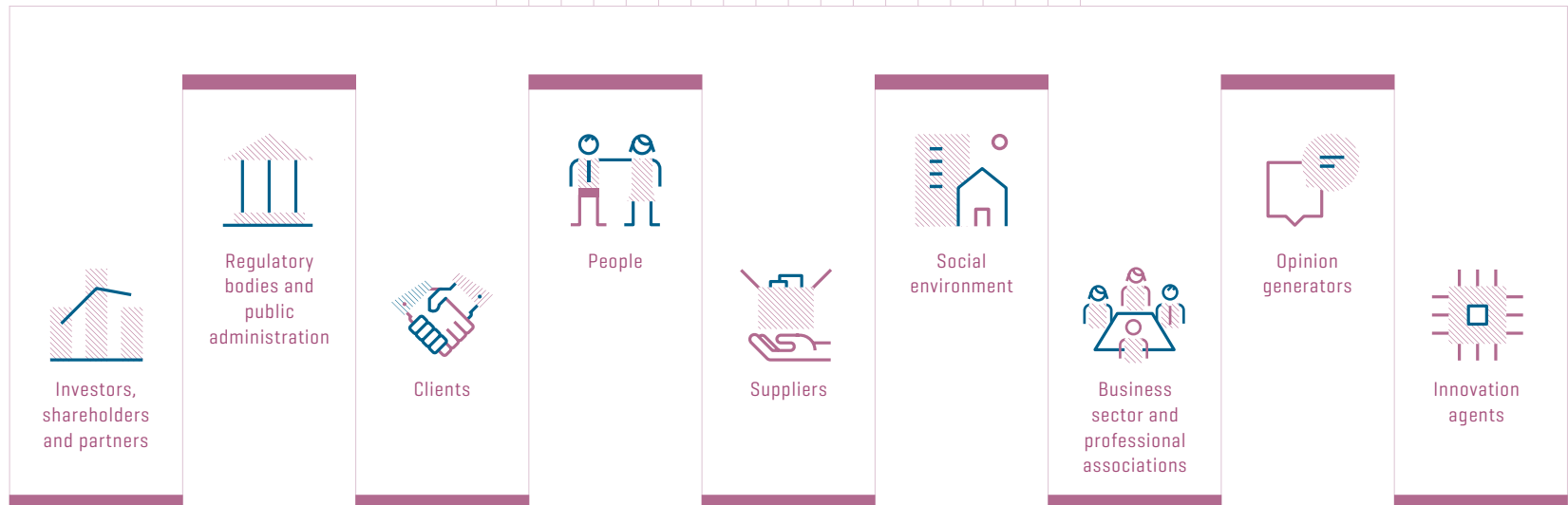
# STAKEHOLDER MANAGEMENT MODEL

102-40 / 102-42

The main objective of the Red Eléctrica Group is to establish a lasting relationship, based on trust, with its stakeholders. This includes all those stakeholder groups impacted by the Company's services or activities, and those groups whose opinions and decisions influence the Company's financial results, or may have an impact on its reputation.

For the third consecutive year, Red Eléctrica has reached the highest score [100 points out of 100] for its excellent performance and its commitment to its stakeholders in the evaluation that determines which companies form part of the Dow Jones Sustainability Index.

## STAKEHOLDER / GROUPS





Red Eléctrica's **stakeholder management model** incorporates the requirements set out in the rules and standards of reference in the field such as the AA1000, IQNet SR10, ISO26000 or the Global Reporting Initiative. This model ensures that relevant economic, social and environmental aspects, associated with Red Eléctrica's activities and services, that may have an impact on its stakeholders are adequately managed, thereby avoiding the risk of not promptly identifying issues that may affect the Company's relationship with its stakeholders.

This model encompasses the following phases:

The stakeholder **identification and mapping phase** which is carried out by analysing the interrelationships of the processes and activities of the Company with its socio-economic environment.

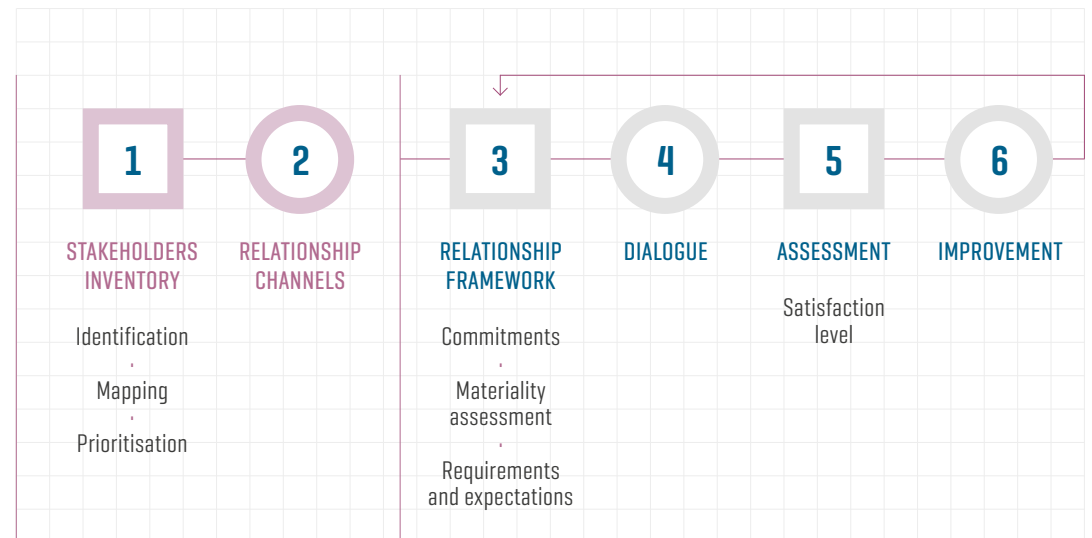
The **prioritisation** phase performed by analysing the influence that each stakeholder group has on the achievement of the Company's strategic objectives and the impact that the Company's activities have on each stakeholder group being considered.

The **relationship framework** helps categorise the type of relationship with each stakeholder group and defines the most appropriate relationship channels.

**Red Eléctrica's stakeholder management model incorporates the requirements set out in the rules and standards of reference in this field.**



S T A K E H O L D E R  
M A N A G E M E N T / M O D E L





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



Additionally, among the actions carried out in 2018 within the framework of the stakeholder management model, two main projects can be highlighted:

- **Stakeholder management model in transmission grid investment projects.** In 2017, the Company launched a stakeholder management model for investment projects in the transmission grid in order to improve efficiency in the implementation of its infrastructure in the territory. The objective is to integrate into the projects a systematic and homogeneous way of managing stakeholders, aligned with the corporate model. In 2018, the Company has applied this system in 12 projects whose stakeholder management is considered a critical factor, identifying 1,041 stakeholders and defining 795 actions

to be carried out. The expectation is to consolidate a methodology applicable to any type of project and adaptable to the singularities of each case.

- **Identification of stakeholders and action plan in the transmission grid planning process.** The Red Eléctrica Group is committed to increasing transparency and providing information to all agents involved in the grid planning process and to society in general. For this reason, the Company has created a working group to improve stakeholder management involved in the process of preparing the new transmission grid planning, promoting bidirectional communication and the disclosure of information to third parties.



MAXIMUM SCORE  
[FOR THE THIRD CONSECUTIVE YEAR]

100  
OUT OF 100

in the  
Dow Jones  
Sustainability  
Index for excellent  
performance  
regarding  
stakeholders



**The Dígame service offers external stakeholders various channels of communication through which it can provide professionalised attention to deal with their requests.**

### DÍGAME SERVICE 102-43 / 102-44

The *Dígame* service has guaranteed, since 2008, the professional management of all external stakeholder enquiries (claims, grievances and requests for information), by making various communication channels available (phone, e-mail and online web form). This service is staffed by personnel from the Juan XXIII Roncalli Foundation, an organisation that facilitates the professional integration of people with some type of disability.

In 2018, a total of 51 grievances were received, 32 of which were initially classified as applicable and at year end, 31 had been recognised as applicable. It should be noted that 81% of them correspond to the category 'facility impact' and, mainly, they have been due to actions attributable to companies subcontracted by Red Eléctrica to undertake electricity line maintenance work. 84% of the applicable grievances are closed, with the rest currently being processed. Of the seven claims that remained open at the close of 2017, only one is still pending closure in 2018.

Similarly, the Company has managed a total of 3,675 enquiries which were received mainly from the following categories 'investors and shareholders and 'social environment'.

#### Applicable grievances managed

##### BY TYPE OF GRIEVANCE

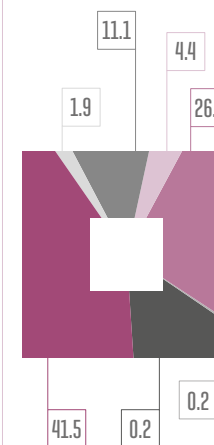
Facility impact	26
Quality and continuity of supply	5
Environmental aspects	1
<b>Total</b>	<b>32</b>

##### BY CLAIMANT STAKEHOLDERS

Social environment	26
Business sector / Professional associations	4
Other	2
<b>Total</b>	<b>32</b>

*Note: A grievance is understood to be a written communication due to dissatisfaction with non-fulfilment of commitments acquired or damage caused by the services provided by Red Eléctrica, or as a consequence of the development of its processes or activities. Only those that truly correspond to the functions and responsibilities of the Company are considered applicable.*

**Enquiries managed (broken down by stakeholder group)**  
*[3,675 enquires]*  
%



- 41.5 INVESTORS AND SHAREHOLDERS
- 1.9 REGULATORY BODIES
- 11.1 CLIENTS
- 0.1 EMPLOYEES
- 4.4 SUPPLIERS
- 26.4 SOCIAL ENVIRONMENT
- 0.2 OPINION GENERATORS
- 14.4 BUSINESS SECTORS



DÍGAME SERVICE

**3,675**  
**ENQUIRIES**  
**MANAGED**

*Note: An enquiry is understood as any request not classified as a grievance.*

*In 2018, satisfaction surveys were conducted on external stakeholders, such as financial institutions, suppliers, customers and local councils, and on internal stakeholder groups, such as those focused on physical activity and health.*

**SATISFACTION SURVEYS**  
102-43 / 102-44

The Company carries out a programme of satisfaction surveys, as a tool for dialogue, to ensure knowledge of stakeholder requirements, evaluate performance and identify the actions that must be taken to align relationships of the Red Eléctrica

**Global indicators of the stakeholder perception surveys**

	2014	2015	2016	2017	2018
Overall satisfaction level	8.2	8.4	8.2	8.3	8.4
Satisfaction level of the quality of services	7.7	7.9	8.0	8.0	8.2
Corporate image and reputation	8.4	8.6	8.6	8.6	8.6
Ethical business conduct	8.1	8.3	8.4	8.3	8.4
Management of corporate responsibility	7.7	7.6	7.7	7.6	7.8
Periodic dissemination of information	7.9	8.0	8.0	8.0	8.2



OVERALL SATISFACTION  
**8.4**  
OUT OF 10

Result of all stakeholder groups

Group with best practices and thus ensure ongoing improvement.

Stakeholder satisfaction surveys allow the Company to perform a quantitative and qualitative analysis of the demands and needs of the stakeholders. These surveys are conducted periodically, generally every two years, by an external consultant to guarantee the confidentiality and validity of the process.

The assessment and analysis of the needs obtained from the satisfaction surveys entails to the drafting of an improvement action plan and the subsequent monitoring of the fulfilment of such actions. The results of the surveys and the action plans are communicated to the stakeholder group concerned along with the degree of accomplishment of the same.

In 2018, the Company carried out surveys in the following stakeholders: investors and financial and sustainability analysts, financial entities, minority shareholders, suppliers of goods and services, customers and local councils. Internally, the following surveys were conducted: physical activity and health, calculation of the carbon footprint, working climate action plan and those aimed at assessing the management of IT services and computer applications. The **overall satisfaction** of all the stakeholders analysed in 2018 was **8.4 out of 10**.

OUR / COMMITMENTS  
TO / STAKEHOLDERS 102-40

STAKEHOLDER GROUP

MAIN COMMITMENTS

MAIN COMMUNICATION CHANNELS

1. Investors, shareholders and business partners



- Institutional investors.
- Minority shareholders.
- Proxy advisors.
- Business partners.
- Financial entities.

- Creating value.
- Good governance and risk control.
- Fluid and transparent dialogue.

- Shareholders' office.
- E-mail for shareholders/investors.
- Shareholders' Electronic Forum/Web page.
- Road Shows and meetings.
- Satisfaction surveys.
- Corporate reports.

2. Regulatory bodies and the public administration



- Regulatory bodies and the competent Public Administration.
- Other Administrative authorities and public entities.

- Security, quality and continuity of supply and services provided.
- Independence and transparency.
- Effective solutions to challenges.

- Periodic work meetings.
- Institutional meetings.
- Periodic information.
- Handling of requests for information.

3. Clients



- Regulatory bodies and the Public Administration.
- Market agents and others.
- Private customer [free market].

- Fulfilment of Transmission Grid planning.
- Leadership and innovation.
- Efficient management.
- Dialogue, impartiality and transparency.

- Public Web and Market Agent's Web.
- SIMEL website.
- Periodic technical publications.
- Client helpdesk telephone numbers.
- Specific e-mail addresses.
- 'Digame' Service.
- Satisfaction surveys.
- Technical committees and working groups.
- Communication forums.

4. People



- Professionals of the Red Eléctrica Group.
- Workers / Employee representatives.
- Interns and Temporary Employment Agency employees.

- Stable employment and equal opportunity.
- The work-life balance.
- Professional development and recognition.
- Ensuring occupational health and safety.
- Freedom of association and dialogue with management.
- Ethical and responsible business conduct.

- Whistle-blowing channel and an enquiry channel regarding the Code of Ethics.
- Corporate portal miRED 2.0.
- Employee self-service site.
- Employee helpdesk telephone number.
- Working climate survey and services satisfaction survey.
- Induction and integration programme and communication plan.
- Work, social and leisure communities.
- Bulletin boards and information screens.
- Social representation committees/panels.
- Performance evaluation interview.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# OUR / COMMITMENTS TO / STAKEHOLDERS

## STAKEHOLDER GROUP

## MAIN COMMITMENTS

## MAIN COMMUNICATION CHANNELS

### 5. Suppliers



- Suppliers of goods and services.
- Technological research and development centres.

- Compliance with contractual obligations.
- Ethics and transparency.
- Collaboration to generate mutual benefits.

- Channel for enquiries and grievances regarding the Supplier Code of Conduct.
- Specific supplier attention channel, ASA (Procurement attention and support centre).
- Specific area on the corporate website.
- Associations and working groups.
- Meetings and training days.
- Satisfaction surveys.
- Tenders published via DOUE and the BOE.
- Informative bulletin regarding construction.

### 6. Social environment



- Local councils.
- Social agents and associations.
- NGOs and Foundations.
- Environmental groups.
- Landowners.
- Consumer associations and the end consumer.
- Educational entities.
- Society as a whole.

- Transparency regarding actions carried out and their impact.
- Territorial planning and community involvement.
- Safety and security of facilities and of the electricity supply.
- Ethical business practices.
- Protection of the natural environment.

- 'Dígame' Service.
- Satisfaction surveys.
- Attention channel on grid planning and development processes.
- Periodic meetings.
- Dissemination of information on the electricity system.
- Corporate reports.
- Informative brochures.
- Visits to facilities.
- Statistics of the electricity system.
- Social networks.

### 7. Opinion generators



- Financial analysts
- Rating agencies
- Sustainability analysts
- The Media.

- Information transparency.
- Efficiency in the management of enquiries and requests.

- E-mail and Corporate website.
- Road Shows and meetings.
- Satisfaction surveys.
- Reports, press releases, training days, social networks, etc.
- Corporate reports.

# OUR / COMMITMENTS TO / STAKEHOLDERS

## STAKEHOLDER GROUP

## MAIN COMMITMENTS

## MAIN COMMUNICATION CHANNELS

### 8. Business sectors and professional associations



- Associations of the sector.
- Professional and business entities and associations.
- Companies of the sector.
- Companies of the competition.

- Fluid, transparent and close-knit dialogue.
- Exchange of best practices.

- Participation in technical committees, working groups (national and international).

### 9. Innovation agents



- Business partners.
- Professionals of the Red Eléctrica Group.
- Suppliers of goods and services.
- Technological research and development centres.

- Commitments indicated in other categories.

- Channels indicated in other categories.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# LEADERSHIP IN SUSTAINABILITY

*Red Eléctrica is the only company in its sector that has maintained its continued presence, for the last four years, in the Dow Jones Sustainability World and Dow Jones Sustainability Europe Indexes.*

The Group's performance in terms of sustainability is subject to continuous scrutiny by specialised evaluation agencies. The Company's continued presence in prestigious global indexes and the recognition received in the field of sustainability showcase the Company's excellent level of engagement and its firm commitment to accountability and transparency.

## MAIN RECOGNITIONS RECEIVED BY RED ELÉCTRICA IN THE FIELD OF SUSTAINABILITY

Additionally, Red Eléctrica is voluntarily adhering to various initiatives that strengthen its commitment to sustainability, among which noteworthy are: the United Nations Global Compact Principles, Caring for Climate, the Biodiversity Compact and the Code of Good Tax Practices, among others. / 102-12







ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# SUSTAINABLE DEVELOPMENT GOALS (SDGs)

*Following the process of identifying and prioritising the SDGs, the most relevant have been classified into two levels of impact [high or medium] for Red Eléctrica.*



THE RED ELÉCTRICA GROUP IS AN ACTIVE AGENT

in the contribution and promotion of the Sustainable Development Goals

The Red Eléctrica Group, aware that the role of companies is key to achieving the goals set out in the UN 2030 Agenda, wants to be an active agent in contributing to the achievement of the Sustainable Development Goals and to strengthen its commitment to this area.

In this regard, the Company carried out a process for the **identification and prioritisation of the** most relevant SDGs for the Red Eléctrica Group in the countries and sectors of activity in which it carries out its activities, both for the direct operations of the Company and for the indirect ones associated with its value chain. As a result of this process, the most relevant SDGs have been classified into two degrees of relevance for Red Eléctrica [high or medium].

## SUSTAINABLE DEVELOPMENT GOALS



## SDGs of high relevance



Red Eléctrica actively participates in the transition towards a new energy model, that is more competitive and sustainable, as it is a key agent for ensuring that aspects such as the development of the transmission grid and interconnections, the efficient integration of renewable energy and the management of electricity demand are carried out successfully in the Spanish electricity system.



Since 2011, Red Eléctrica has declared its voluntary commitment to the fight against climate change, defining and approving its climate change strategy and establishing an action plan in this field. Similarly, the Company is a key agent in the transition towards a new energy model that is essential in order to combat climate change.



The development of the activities of Red Eléctrica, as a Spanish company in the IBEX 35, primarily acting as the transmission grid operator of the Spanish electricity system, contributes to the economic growth of the country, generating quality employment and creating jobs, as well as providing shared value to the economic, environmental and social progress of the environment in which the Company operates.



Red Eléctrica generates an impact on the marine ecosystems in which submarine interconnection facilities are built. With the objective of minimising this impact, the Company has criteria for the preservation and protection of marine ecosystems when carrying out interconnection projects, in addition to developing recovery projects for *Posidonia oceanica* seagrass meadows.



Red Eléctrica contributes to the construction of reliable, sustainable, resilient and high-quality infrastructure, and does so seeking to maximise its integration into the environment and ensuring its comprehensive security. Similarly, the Company is developing a digital transformation strategy, which will signify a step towards the digitalisation of its activities and services.



The main environmental impacts of Red Eléctrica are those that are derived from the presence of facilities in the territory. Therefore, the Company works intensively to fully integrate these facilities into the environment and into the territories in which its facilities are located, taking into consideration the full life cycle of facilities and paying special attention to the conservation of biodiversity.

## SDGs of medium relevance

The Red Eléctrica Group is actively working on the development of a large number of actions within the framework of the 2030 Sustainability Commitment that contribute positively to the achievement of the SDGs. Throughout this report, the main actions carried out by the Red Eléctrica Group that have an impact on SDGs are detailed.





- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

# MATERIALITY ANALYSIS

102-43 / 102-44 / 102-46 /  
102-47 / 102-49

**The 2030 Sustainability Commitment** of the Red Eléctrica Group has been prepared based on the results of the materiality analysis carried out by the Company in 2016. In accordance with the Global Reporting Initiative (GRI) Standards for the preparation of sustainability reports, this report focuses on those issues identified as relevant in said materiality analysis.

## IDENTIFICATION OF ISSUES

### Objective

Analyse the sustainability context to identify the main impacts and risks that may affect the sustainability of the Group, incorporating the active participation of stakeholders.

### Management

The Company has identified a total of 24 relevant issues derived from the analysis of the sustainability context, which includes:

- Trend analysis.
- Sectoral benchmarking.
- Strategic interviews with the management team.
- In-depth interviews with external stakeholders.
- Analysis of internal information.

## PRIORITISATION OF ISSUES

Internally and externally assess the criticality of the issues identified for the achievement of the Company's long-term goals and, therefore, for its long-term continuity and success.

The prioritisation matrix offers a dual analysis of the issues, revealing their internal importance, according to the senior management members involved in the analysis of the sustainability context, and their external importance, based on the assessment provided by external stakeholders consulted.

## ASSESSMENT AND VALIDATION OF ISSUES

Carry out an analysis of a cross-cutting nature within the organisation of the results derived from the identification and prioritisation of issues.

30 different areas of the Red Eléctrica Group participated in the validation phase of the design of the 2030 Sustainability Commitment. Together with those involved, the results of the previous phases were assessed, and the opportunities associated with each of the material issues were identified, as well as their impact on the 2014-2019 Strategic Plan and their link with the Sustainable Development Goals.

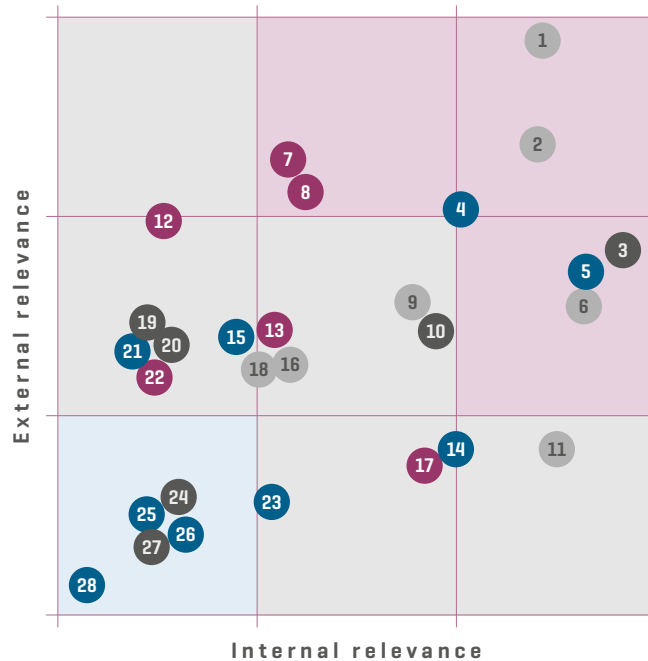
The materiality analysis identified 24 issues of relevance for the Company and its stakeholders. Therefore, it is a key tool in order to define the aspects that constitute the sustainability priorities of the Red Eléctrica Group.

In 2019, the Company will carry out a review process of the materiality analysis with the aim of ensuring that the 2030 Sustainability Commitment and the multi-year plan that are used for its deployment are aligned with the current expectations of the stakeholders, to focus the Company's efforts to respond to the main challenges and trends in sustainability.

### PRIORITISATION MATRIX OF MATERIALITY ISSUES

The definition of each materiality issue is shown in the following table, as well as its connection with the topics of the Global Reporting Initiative Standards and the United Nations Sustainable Development Goals (SDGs).

### P R I O R I T I S A T I O N / M A T R I X



**Prioritisation based on the relevance placed on the issue**

#### CRITICAL

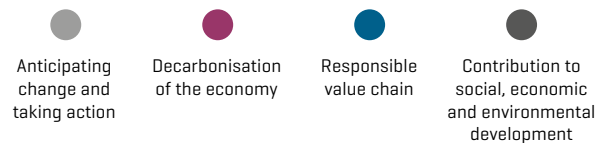
- 1 Innovation
- 2 Regulatory environment
- 3 Quality and security of supply and service
- 4 Alliances with stakeholder groups
- 5 Financial soundness
- 6 Internationalisation and diversification
- 7 Energy transition: Integration of renewables
- 8 Energy transition: Interconnection capacity

#### HIGH

- 9 Comprehensive risk management
- 10 Social contribution to the territory
- 11 Flexibility and adaptation to change of the people
- 12 Climate change: carbon footprint and adaptation
- 13 Energy transition: Demand-side management
- 14 Occupation health & safety, and well-being
- 15 Corporate governance
- 16 Comprehensive corporate security of the facilities
- 17 Energy transition: Energy storage
- 18 Digital transformation
- 19 Biodiversity and natural capital
- 20 Transparency
- 21 Integration of facilities into the environment
- 22 Energy transition: integration of the electric vehicle
- 23 Integrity























#### MEDIA

- 24 Social identity
- 25 Supply chain accountability
- 26 Customer orientation
- 27 Employer brand
- 28 Human Rights























**Note.** The issue 'energy transition' contains five sub-topics, this implies that the informational graphic above includes a total of 28 concepts.

M A T E R I A L I T Y / I S S U E S S / D E S C R I P T I O N / A N D / S C O P E 103-1

ISSUE	MATERIALITY CONSIDERATION	GRI TOPIC	GRI INDICATORS	SDGs	IMPACT INT / EXT
Partnerships with stakeholder groups	Social empowerment will greatly influence the development of the activities of companies, requiring new models of interaction with stakeholders, which allow their expectations to be aligned with the objectives of the companies.	Stakeholder participation Management approach	102-40 102-42 to 102-44 103-2	 	• •
Biodiversity and natural capital	The efficient use of resources requires meeting current needs without compromising future needs, developing business models that preserve and protect the natural environment in which they are carried out.	Biodiversity Effluents and waste Water	304-1 to 304-4 306-1 to 306-5 303-1 to 303-3	     	•
Quality and security of supply and service	Urban population growth in the next few years, as well as changes in the markets, raise the level of demand on companies to maintain and improve the quality and security of the services provided to date.	Availability and reliability System efficiency Access to electricity	EU10 EU12 EU28 and EU29	 	•
Climate change: carbon footprint and adaptation	Increased knowledge of the consequences of climate change has helped companies identify and manage associated risks and opportunities, understanding how their business can proactively and progressively contribute to the development of a zero-emissions model.	Energy Emissions	302-1 to 302-5 302-1 to 302-7	 	•
Social contribution to the territory	Society demands to know how companies contribute to the improved development of the territories in which they operate. Therefore, it is important for companies to identify the value created and shared with society.	Local communities	413-1 and 413-2	    	•
Human Rights	Companies have the obligation to respect human rights and make the mechanisms to solve possible human rights violations available to their stakeholders.	Management approach Non-discrimination Child labour Forced or compulsory labour Rights of indigenous peoples Human rights assessment	103-2 406-1 408-1 409-1 411-1 412-1 / 412-2 / 412-3	 	• •
Regulatory environment	Sometimes, the rapid evolution of the markets entails the internal analysis and integration of the trends on behalf of the companies before establishing robust regulations, which implies that the entities affected by these trends may encounter problems in executing actions that would allow them to be in a better position in the future.	Specific topic of the Red Eléctrica Group	-	  	•

M A T E R I A L I T Y / I S S U E S S / D E S C R I P T I O N / A N D / S C O P E

ISSUE	MATERIALITY CONSIDERATION	GRI TOPIC	GRI INDICATORS	SDGs	IMPACT INT / EXT
Flexibility and adaptation to change of people	Society, and especially the new generations, require companies to have an innovative people management model that reinforces the adaptability of their employees to new environments and jobs, guaranteeing the adequate management of individual talent.	Employment Training and education	401-1 to 401-3 / EU15 404-1 to 404-3	   	•
Financial soundness	Nowadays, investment decision-making incorporates sustainability criteria aimed at identifying those companies and products that generate not only economic value for the shareholder, but also social value that allows the development of a sustainable business model over time.	Economic performance	201-1 / 201-3 / 201-4		• •
Comprehensive risk management	The concern for an adequate and comprehensive management of risks related to the sustainability of companies has grown significantly, forcing companies to give an adequate response, both in the identification phase and in the management and control of such risks.	Strategy Governance Organisational profile Economic performance	102-15 102-29 to 102-31 102-11 201-2	 	•
Corporate Governance	In response to stakeholder requests, public administrations have continuously increased their demands on companies in regard to aspects such as the structure of the organisation and its regulatory compliance.	Governance Diversity and equal opportunity	102-18 to 102-39 405-1	 	• •
Social identity	Reputation and the adequate management of positive attributes linked to companies allow brands to be both better positioned and understood by society regarding the efforts made and objectives set by companies to create value.	Specific topic of the Red Eléctrica Group	-	  	•
Innovation	One of the most important levers for growth in recent years has been the search for solutions and/or new products through investment in innovation allowing more efficient alternatives to current business models to be identified.	Specific topic of the Red Eléctrica Group	-	    	• •
Integration of facilities into the environment	Public administrations and society have increased their concern about the impact that the construction of new facilities can cause on the environment, forcing companies to evaluate all possible impacts during each phase of the execution of projects.	Environmental compliance Supplier environmental assessment Customer health and safety	307-1 308-2 416-1 / 416-2	    	•












M A T E R I A L I T Y / I S S U E S S / D E S C R I P T I O N / A N D / S C O P E

ISSUE	MATERIALITY CONSIDERATION	GRI TOPIC	GRI INDICATORS	SDGs	IMPACT INT / EXT
Integrity	The growing number of scandals about corruption and dishonest professional business practices has generated a culture of zero tolerance and has brought with it an increase in social pressure for the establishment of stricter regulations to avoid this type of business conduct.	Ethics and integrity Socioeconomic compliance Anti-corruption	102-16 / 102-17 419-1 205-1 to 205-3		• •
Internationalisation and diversification	Internationalisation and diversification is one of the main strategies for growth and the expansion of companies; identifying new markets and optimising their business models in those markets in which they are already consolidated, seeking to improve the profitability of their actions and services.	Specific topic of the Red Eléctrica Group	-	 	•
Employer brand	Attracting and retaining the best talent represents yet another key issue for companies, mainly due to the shortage of talent that is foreseen in today's working environment. Dialogue, work-life balance, good working climate and equality are revealed as aspects of interest for new talent, which has a new way of understanding the professional business world.	Diversity and equal opportunity Management approach Freedom of association and collective bargaining	405-1 / 405-2 103-2 407-1	  	• •
Customer orientation	Companies work to improve the interaction with their consumers through mechanisms that allow them to attend to, prevent and promptly resolve disputes, as well as through the implementation of education and awareness raising practices regarding sustainability that promote responsible consumption.	Customer privacy	418-1	 	•
Responsibility in the supply chain	The economic, environmental and social performance of companies may be affected by the practices of suppliers, contractors or subcontractors. Therefore, companies must establish mechanisms to extend their commitments throughout the supply chain, extending the boundaries of their responsibility.	Procurement practices Organisational profile Supplier social assessment Supplier environmental assessment	204-1 102-9 414-1 / 414-2 308-1 / 308-2	 	•
Comprehensive corporate security of facilities	The rapid evolution of working environments and the emergence of new technologies as fundamental elements that favour the optimal management of organisations has required companies to deal with new security priority issues, requiring that it be understood as comprehensive corporate security, encompassing both logical and physical aspects.	Specific topic of the Red Eléctrica Group	-	  	• •

-  - ABOUT THIS REPORT
-  - LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER
-  - KEY PERFORMANCE INDICATORS
-  01 THE RED ELÉCTRICA GROUP
-  02 STRATEGY
-  03 COMMITMENT TO SUSTAINABILITY
-  04 ANTICIPATING CHANGE AND TAKING ACTION
-  05 DECARBONISATION OF THE ECONOMY
-  06 RESPONSIBLE VALUE CHAIN
-  07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT
-  - ANNEXES

M A T E R I A L I T Y / I S S U E S S / D E S C R I P T I O N / A N D / S C O P E

ISSUE	MATERIALITY CONSIDERATION	GRI TOPIC	GRI INDICATORS	SDGs	IMPACT INT / EXT
Occupational health & safety, and well-being	The main demands of stakeholders regarding labour are related to the occupational health & safety and well-being of employees. This makes it necessary for companies to incorporate this issue into the corporate culture, extending their responsibility throughout the supply chain.	Employment Occupational Health and Safety	EU17, EU18 403-1 to 403-4		•
Digital transformation	Digital technologies mark new ways of doing business and, therefore, new environments and competitors in the business world. Digitalisation is a key point in the integration of new trends, the development of new business models and the identification of improvements in the efficiency of services.	Specific topic of the Red Eléctrica Group	-	 	•
Energy transition: - Integration of renewables - Interconnection capacity - Demand-side management - Integration of the electric vehicle - Energy storage	Society and, especially, the Public Administration show a growing concern for the establishment of appropriate mechanisms to achieve an appropriate transition towards a low carbon economy, in which the energy sector will play a key role.	Specific topic of the Red Eléctrica Group	-	   	• •
Transparency	The greater access to information and the use of new technologies means that companies are exposed to greater public scrutiny by stakeholders, which demand an increasingly higher degree of transparency.	Reporting practice	102-50 to 102-56	 	• •

- ABOUT THIS REPORT
- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER
- KEY PERFORMANCE INDICATORS
- 01 THE RED ELECTRICA GROUP
- 02 STRATEGY
- 03 COMMITMENT TO SUSTAINABILITY
- 04 ANTICIPATING CHANGE AND TAKING ACTION**
- 05 DECARBONISATION OF THE ECONOMY
- 06 RESPONSIBLE VALUE CHAIN
- 07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT
- ANNEXES

# 4

A N T I C I P A T I N G  
 C H A N G E  
 A N D T A K I N G  
 A C T I O N

We proactively manage the business based on the culture of innovation as a lever for growth and the creation of value.





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

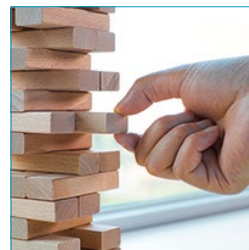
A N T I C I P A T I N G  
C H A N G E / A N D  
T A K I N G  
A C T I O N

The current global context is determined by a constant change in which companies must identify the trends that will affect them in the future, therefore requiring that they define their management approach in order to adapt to these trends. In this regard, it is necessary to progress towards a proactive management approach capable of converting potential risks into opportunities.

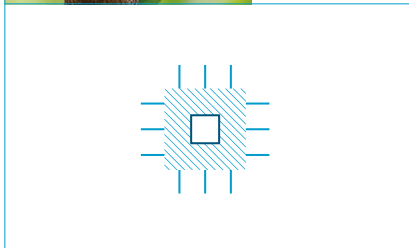
In this context, the Red Eléctrica Group takes on the following commitment as one of its sustainability priorities: Promote a corporate culture of **innovation and flexibility** that allows the Group to identify **growth opportunities and respond to the challenges of the future**, anticipating and adapting both to global trends and to the regulatory environment arising from the new energy model.



TRENDS: RISKS AND OPPORTUNITIES



RISK MANAGEMENT



COMPREHENSIVE CORPORATE SECURITY



INNOVATION

TRANSFORMATION OF THE RED ELÉCTRICA GROUP







- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

T	R	E	N	D	S	:	/	R	I	S	K	S	/	A	N	D
O	P	P	O	R	T	U	N	I	T	I	E	S				





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# TRENDS: RISKS AND OPPORTUNITIES

102-15

The existing global challenges dictate the agendas of the companies and determine their sustainability in the long term. For this reason, the Red Eléctrica Group has undertaken an exhaustive analysis of its sustainability context, identifying the main existing trends, in order to be aware of the issues with a present and / or future influence that are relevant to the Company's business model.

## GLOBAL TRENDS: A FUTURE INFLUENCED BY MEGATRENDS

The Red Eléctrica Group has identified **four global trends or megatrends**. That is, key issues with a level of global influence that will generate significant impacts, both on the business model of companies in all sectors as well as on the management of the public administrations of governments.

### Global trends



The acceleration of urban development will motivate the progression of construction megaprojects to meet the needs of the population.



The consolidation of **demographic changes** associated with the aging of the population will generate a greater demand for social services and that may increase the overall risk concerning the loss of talent.



The breakthrough of **noteworthy technological developments** will increase the productive potential of companies and will lead to new investment opportunities.



The **rebalancing of global economies** will favour the development of emerging economies as major consumption centres.



## SUSTAINABILITY TRENDS: DEMANDS REQUIRING A MORE IN-DEPTH ANALYSIS

The Red Eléctrica Group has identified **twelve sustainability trends**, that is, key issues with a level of overall influence linked to areas of sustainability management.

### Sustainability trends



The definition of global targets at the Paris Climate Summit or the Sustainable Development Goals, among others, entail the **empowerment of companies**, which are positioned as key agents for the achievement of said targets.



Investors understand the added value of sustainability and focus on the impacts that companies have regarding environmental, social and good governance aspects, promoting the growth of **socially responsible investment (SRI)**.



The European Commission focuses on the **protection of nature and biodiversity** in its action plans and the main financial institutions are committed to integrating natural capital considerations into their products and services.



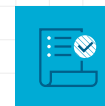
The existence of greater demands made by society on companies makes the organisations understand the need to value the positive impact generated, making the **social footprint** a key argument of corporate discourse.



**Climate change** has been established as a global challenge that will determine the way business is done, especially after the targets set in the Paris Agreement.



The shortage of talent increases the concern of companies to build a **good employer brand** that contributes to motivating and retaining existing talent.



Socially responsible investment funds focus on **integrating the environmental variable in financing**.



The **lack of resources** is brought to the forefront and the **circular economy** consolidates itself as a system to guarantee the efficient use of resources.



**The Red Eléctrica Group has identified twelve sustainability trends, that is, key issues with a level of overall influence linked to areas of sustainability management.**

**Sustainability trends / continued**



Exposure to risks linked to **water** increases and is established as a factor with the potential to limit the business growth of companies.



Companies assume increasing responsibility with respect to their value chain making it necessary to have a **sustainable management of the supply chain** that converts suppliers into a business partner.



Companies are increasingly concerned about improving the **ethics, compliance and corporate governance** systems, adopting transparency as the determining tool for generating trust with their stakeholders.



The increasing **requirement for accountability to third parties** is driven by the development of new reporting frameworks for non-financial information, as well as by new requirements derived from external assessments to which companies are subject.



## SECTORAL TRENDS: MOVING TOWARDS A NEW ENERGY MODEL

The Red Eléctrica Group has identified **four sectoral trends**, that is, key issues with a high level of influence in the scope of activity of the Group.

### SUSTAINABILITY OPPORTUNITIES

The 2030 Sustainability Commitment has made it possible for a long-term vision to be adopted by the Company. As a result, the Red Eléctrica Group has identified a series of



### Sectoral trends



The European Union foresees the need to increase the **interconnection capacity** by 2020, from a dual standpoint, to create a single European energy market and support the development of North Africa.



The design and implementation of **energy storage** projects allows for backup energy ensuring a reliable and quality supply in electricity systems, integrating the variable of renewable generation.



The electrification of the energy system and, consequently, a greater **integration of renewable energy** in the generation mix, is a key element in the transition towards a low carbon economy.



**Self-consumption** represents a new technological reality for the electricity sector, compatible with the existence of transmission grids and distribution networks that guarantee supply.

challenges and opportunities that make up the roadmap to be followed by the Company in the coming years.

### Opportunities derived from climate change

The battle to curb climate change implies an in-depth transition in the energy model. A very important part of this transition will occur in the electricity sector. For Red Eléctrica, these changes represent an opportunity to **boost its activities and strengthen its role as a key player in the electricity system.**

The established energy policies, mainly within the framework of the European Union, entail, among other aspects, greater electrification, a notable increase in the share of renewable energy and changes in mobility policies [with the promotion of rail transport and the development of the electric vehicle].

**For Red Eléctrica, the changes that the energy transition will entail represent an opportunity to boost its activities and strengthen its role as a key player in the electricity system.**

In this context, the electricity grid, in addition to being responsible for the transmission of electricity to the distribution networks and enabling new renewable power capacity

to be connected, plays a fundamental role by providing critical services for security of supply (reliability, wave quality, capacity to deal with overloads as well as to control

voltage and frequency levels], which become even more relevant in a system with a very high penetration of renewable energy.

All these aspects represent a clear **need for new investments in the transmission grid** (new lines and interconnections) and, therefore, a clear growth opportunity for the Company.

Furthermore, to increase compatibility between the important role played by renewable energy, the new elements of the system (new technologies, new architecture of the electricity system, digitalisation, distributed generation, the active role of consumers, self-consumption, energy storage ...) and the security and quality of the supply will only be possible with the development of new functions and responsibilities by Red Eléctrica in a new scenario that, being more decentralised, will require greater coordination among all agents. Therefore, the Company identifies opportunities linked to the development of **new functionalities and services** derived from the fight against climate change and the energy transition.

**C H A L L E N G E S / A N D / O P P O R T U N I T I E S**

**Actively collaborate**  
*on the definition of the future energy model, identifying opportunities to generate value in the services offered.*



**Encourage the participation**  
*of society in all project development phases by integrating social and environmental criteria.*



**Consolidate innovation**  
*as a key lever for growth, thanks to the application of new knowledge and ways of expanding on existing knowledge.*



**Showcase**  
*the contribution of the Red Eléctrica Group in the achievement of objectives defined in global commitments, such as the Paris Agreements (COP21) and the Sustainable Development Goals.*



**Anticipate the future requirements**  
*needed for professional profiles on the workforce, guaranteeing a professional environment capable of attracting and retaining the talent needed to tackle the future scenario.*







- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

R I S K  
M A N A G E M E N T





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# RISK MANAGEMENT

102-11

*The Red Eléctrica Group has a Comprehensive Risk Management Policy and general procedure for comprehensive risk management and control.*



COMPREHENSIVE  
RISKS  
MANAGEMENT  
SYSTEM

that conforms to  
**ISO 31000**  
standard

The Red Eléctrica Group has a **comprehensive risk management system** in place in order to facilitate fulfilment of the Group's strategies and objectives, ensuring that the risks that could affect them are identified, analysed, assessed, managed and controlled systematically, with uniform criteria and within the level of acceptable risk approved by the Board of Directors.

The management system conforms to the ISO 31000 standard on the principles and guidelines in risk management and is ongoing and comprehensive in nature, consolidating said management per business unit, subsidiary and support areas at a corporate level.

The Red Eléctrica Group has a Comprehensive Risk Management Policy and a general procedure for comprehensive risk management and control, based on the Comprehensive Risk Management Framework COSO II [Committee of Sponsoring Organisations of the Treadway Commission].

## COMPREHENSIVE RISK MANAGEMENT

The Comprehensive Risk Management Policy is approved by the Board of Directors and establishes the general principles and guidelines of the Risk Management and Control System, sets the level of risk acceptable to the Red Eléctrica Group and provides specific guidelines for action to





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

manage and mitigate the different risk categories, including tax risks.

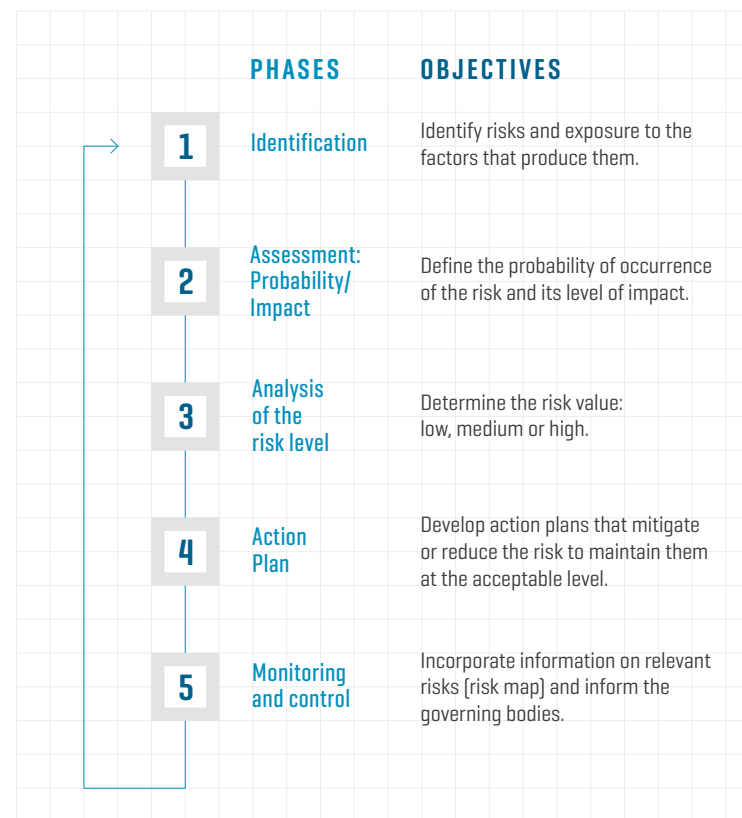
### COMPREHENSIVE RISK MANAGEMENT PROCEDURE

In this regard, the general procedure for comprehensive risk management and control regulates the process of identification, analysis, assessment and control of the management of the relevant risks faced by the Red Eléctrica Group. This process is carried out in order to ensure that the various levels of management of the Group are fully aware of and assess the risks that threaten the Group's strategies and objectives, and that the management of these risks is undertaken in accordance with the acceptable risk limits established.

### ORGANISATIONAL STRUCTURE 102-30 / 102-31

The **comprehensive nature** risk management system ensures the involvement of all the units of the Red Eléctrica Group and ensures that the different governing bodies responsible for risk control are kept fully informed regarding the management of risks. The comprehensive risk management and control policy and procedure define the different duties and responsibilities of the governing bodies and those of each of the organisational units, as well as establishing the flow of information within the organisation and the activities to be undertaken by the various units and bodies.

*The comprehensive nature of the risk management system ensures the participation of all organisational units of the Red Eléctrica Group.*



## COMPREHENSIVE RISKS MANAGEMENT POLICY

Approved by the Board of Directors

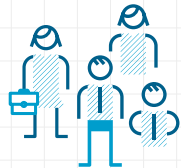
### COMPREHENSIVE RISK MANAGEMENT POLICY AND PROCEDURE

Defines the different responsibilities of the governance bodies and of each of the organisational units.



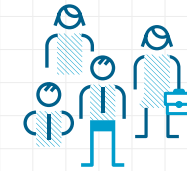
## Organisational structure regarding risk management and control

- Approve the Comprehensive Risk Management Policy of the Group.
- Approve the criteria of the acceptable risk level.
- Periodic monitoring of the efficiency of the comprehensive risk management system.



BOARD OF DIRECTORS  
AUDIT COMMITTEE

ADVISORY COMMITTEE TO THE CHAIRMAN'S OFFICE



- Monitoring of the relevant risk map.
- Ensure the adequate control and monitoring of risk management and mitigation action plans.

GUIDELINES   INFORMATION

- Support organisational units of the Group in the implementation of the Comprehensive Risk Management and Control Procedure.
- Control that risks are managed within the acceptable risk level established and in accordance with the principles and guidelines set out in the Comprehensive Risk Management Policy.
- Monitor the risk level of the Group and the evolution of its risks.
- Ensure information on risks flows to the bodies responsible for their control and from these to the units responsible for the management of the corresponding processes or projects.



INTERNAL AUDIT AND RISK CONTROL MANAGEMENT AREA <sup>[\*]</sup>



ORGANISATIONAL UNITS RESPONSIBLE FOR PROCESSES OR PROJECTS



- Identify and report to the Internal Audit and Risk Control Management Area on the appearance of new relevant risks, or relevant changes in risks already identified, that may have an impact on the activities, processes and projects managed.
- Assess relevant risks with the support of the Internal Audit and Risk Control Management Area and manage such risks.
- Manage the activities, processes and projects in accordance with the acceptable risk level established. Design and execute, when appropriate, action plans to take the risks to the corresponding acceptable level, maintaining them at said level. Carry out said management in accordance with principles and guidelines established in the Comprehensive Risk Management Policy.

[\*] This management area reports to the Chairman's Office.

**In 2018, the Company carried out a review of the risk classification, in order to facilitate a more complete identification of the risks and allow a more detailed analysis.**

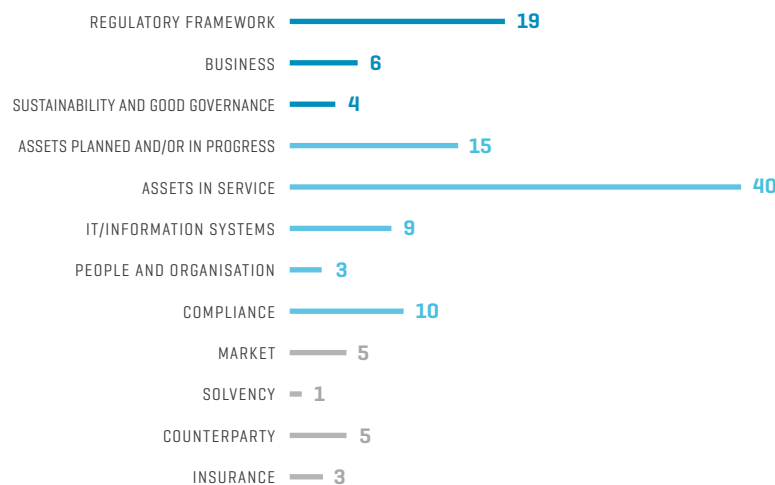
### RISK STRUCTURE 102-15

The core business of the Red Eléctrica Group is the transmission of electricity and the operation of the electricity system in Spain. Said activities are regulated in as far as they are critical to the security and continuity of the electricity supply and are carried out on an exclusive basis in Spain. This classification as a regulated activity affects not only the setting of regulated income and the social, economic and environmental aspects, but also the conditions that must be met by the Company when undertaking its main activity and determine the risks to which it is exposed.

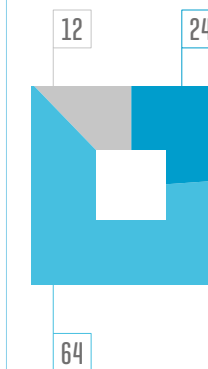
In 2018, the Company carried out a **review of the risk classification**, in order to facilitate a more complete identification of the risks and allow a more detailed analysis. This new structure allows the risks identified to be classified into three levels of aggregation.

As a result of the risk analysis carried out by the Red Eléctrica Group, in the most recent Risk Map presented, 120 risks were identified, whose distribution in the first two levels of aggregation is as follows:

### Risk distribution [second level] N°.



### Risk distribution [first level] %



24 STRATEGIC  
64 OPERATIONAL  
12 FINANCIAL



### RISK MAP

identified

**120**  
**RISKS**

### ACCEPTABLE RISK LEVEL

The Risk Management System of the Red Eléctrica Group establishes a methodology for determining the level of risk. In this way, all the risks identified are classified individually into three categories: **high-level risks, medium-level risks and low-level risks.**

The level of a risk is established by combining two variables, the **probability** of occurrence and the **impact** said risk would have on the Company and on the four key elements of the business should it materialise:

#### ELECTRICITY SUPPLY

Energy not supplied (ENS) to which the possible event would give rise.

#### ACHIEVEMENT OF ESSENTIAL STRATEGIES

Degree of impact on the achievement of the essential strategies.

#### REPUTATION

Perception of stakeholders with regard to the non-fulfilment of their expectations which may lead to dissemination of the event via communication channels and social networks.

#### ECONOMIC LOSS

Effect on the income statement, after corporate tax.

Depending on the probability of occurrence and the level of impact of each risk, it is located in the **probability / impact matrix**, which automatically determines the level of risk. The following matrix reflects the distribution of the 120 risks identified according to their evaluation.

### R I S K / D I S T R I B U T I O N

### I M P A C T / P R O B A B I L I T Y

		1	2	3	4	5
Level 5	[2]	[1]				
Level 4	[1]	[5]	[2]			
Level 3	[5]	[12]	[8]	[3]		
Level 2	[11]	[30]	[15]	[4]	[4]	
Level 1	[2]	[2]	[2]	[6]	[5]	
		1	2	3	4	5

Low Medium High



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



The level of risk that the Red Eléctrica Group is willing to accept is established both individually for each risk, and as an aggregate for each of the areas of impact.

The **overall level of acceptable risk** that the Group is willing to assume for each of the four areas of impact contemplated in the Comprehensive Risk Management System is approved by the Board of Directors. As a general rule, the overall risk level must not exceed this approved acceptable risk level.

Individually, as established in the Comprehensive Risk Management Policy, any risk that does not exceed the level of low risk is considered acceptable. Risks that exceed this level must be subject to actions until it is within the acceptable level. Risk management must be carried out with coherent criteria that takes into consideration the importance of



## THE OVERALL ACCEPTABLE

### RISK LEVEL

Approved by the Board of Directors

#### IN 2018

No significant strategic or financial risk has materialised.

the risk and that of the cost and the means/resources necessary to reduce it. However, for the activities that have an impact on the electricity system, the impact of these risks may also be taken into account.

#### RISKS MATERIALISED IN 2018

During 2018, no significant strategic or financial risk has materialised.

In relation to operational risks, it is necessary to highlight that the facilities of the transmission grid are exposed, permanently, to events that may impact on the continuity and security of the electricity supply. These events are mainly caused by third parties and by meteorological phenomena. In the event of their materialisation, the Group has insurance policies that limit the potential impact these events may have on the income statement.

In 2018, there have been events that resulted in minor power cuts, with the exception of the partial power cut in the electricity supply which occurred on 28 October on the island of Menorca. This incident was caused by a waterspout/tornado hitting the island in a north-south direction, affecting two lines (Dragonera-Mercadal and Dragonera-Ciudadela) and causing serious structural damage to the towers and conductors. The work of restoring the electricity supply was accelerated thanks to the Special Maintenance Plan, activated in 2018, which had emergency manpower



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

and technical resources ready to bolster the security and reliability of Menorca's transmission grid. Given the extraordinary nature of this atmospheric event, the Insurance Compensation Consortium has accepted the coverage of the damages caused and, therefore, there has been no financial loss for the Company nor have the quality indicators of the electricity supply been affected.

Given these events, the control systems have worked properly, as shown by the availability rate of the transmission grid which, in 2018, was 98.13% on the Spanish peninsula, 98.45% in the Canary Islands and 96.8% in the Balearic Islands.

### MONITORING AND CONTINGENCY PLANS 103-1 / 103-2 / 103-3

In the process of identification, analysis, assessment and control of risks, the necessary actions are established to reduce the level of risk and take it to the acceptable risk value.

For the monitoring of risks, the current risk management system includes the **monitoring of more than 500 action plans** aimed at reducing the level of risk and **more than 300 indicators** to monitor their evolution.

The Department of Internal Audit and Risk Control, together with the risk management



units, reviews the evolution and effect of the established action plans. This review is carried out annually encompassing all risks and with a biannual periodicity for those risks of high level and others subject to special monitoring, considering that changes in their situation could lead them to fall within the assessment of medium to high-level/long term risks.

Red Eléctrica has **contingency plans** that regulate the various crisis situations that could arise in the event of an electrical incident [to guarantee security of supply] or non-electrical that could affect the environment, people, the Company's operations, the availability of its systems, its business results or any other aspect that may have an impact on the Company's reputation.

In 2018, the Company progressed in the development of the **Business Continuity**



### ACTION PLANS

Red Eléctrica has emergency technical and human resources, and has defined

### CONTINGENCY PLANS

that govern the various crisis situations





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## In 2018, collaboration continued on the development of the risk management system in investment projects (IRIS project).

Plan with the aim of planning the necessary procedures to be able to respond adequately to a disaster, crisis or emergency situation, from the moment in which it occurs, until the moment it returns to normal. In this way, its impact on the business is reduced to a minimum, and decision-making in crisis situations is streamlined and automated, as set out in the 'Comprehensive Corporate Security' section of this Report.

### Noteworthy actions in 2018

- Review of the methodology for measuring the impact of reputational axis.
- Analysis and redefinition of the structure and reporting of the Group's risks.
- Deployment of the risk management office in investment projects.
- Evolution of the methodology for quantifying the impact on the electricity supply.



### RISK MONITORING

More than

# 500 ACTION PLANS

aimed at reducing the risk level and over 300 performance indicators to monitor their evolution

### IN 2018

progress was made in the development of the Business Continuity Plan to respond to crisis situations.

Furthermore, actions are carried out with other Group units for the development of risk management in line with the Comprehensive Risk Management System. Thus, in 2018, we have continued to collaborate on the development of the risk management system in investment projects (IRIS project) and in the risk map of the Group's activities in Peru. Similarly, the compliance area has collaborated on the updating of risk maps regarding compliance with criminal prevention and data protection; the latter is as a consequence of the coming into force of the European Regulation on the protection of personal data.

### Main actions planned for 2019

- Update of the Group's acceptable risk level.
- Digitalisation of the Risk Control function.
- Development of a risk assessment model associated with the assets in service of the Group.
- Analysis and implementation of the recommendations of the Task Force for Climate-related Financial Disclosure.
- Development of a key risk management indicator scorecard/dashboard.

**M A I N / R I S K S / O F / T H E  
R E D / E L É C T R I C A / G R O U P / A T / P R E S E N T 102-15 / 102-29**

	<b>RISK</b>	<b>DESCRIPTION</b>	<b>MAIN ACTIONS FOR THE MANAGEMENT OF RISKS</b>
<b>Regulatory framework</b>	<b>Strategic risks</b>		
	Changes in electricity system regulation	<ul style="list-style-type: none"> <li>Regulatory changes occurring that could have a negative impact on the activities related to transmission and system operation.</li> </ul>	<ul style="list-style-type: none"> <li>Dialogue with the Regulator.</li> <li>Presentation of proposals to the Regulator.</li> <li>Active presence in national and international organisations to defend the Group's stance.</li> </ul>
	Regulatory risks of the business abroad	<ul style="list-style-type: none"> <li>Regulatory changes that could negatively affect subsidiaries abroad.</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining good relations with entities and organisations where the subsidiaries are located.</li> <li>Monitoring of regulation.</li> </ul>
	Other regulatory risks	<ul style="list-style-type: none"> <li>Tax risks.</li> <li>Changes in environmental regulation.</li> </ul>	<ul style="list-style-type: none"> <li>Adherence to the Code of Good Tax Practices.</li> <li>Setting up of the tax strategy of the Red Eléctrica Group.</li> <li>Incorporation of Tax Risk Policy into the Comprehensive Risk Management Policy of the Group.</li> <li>Adaptation to the legislation related to climate change.</li> </ul>
	Circumstantial risks	<ul style="list-style-type: none"> <li>Risks related to the set of elements that make up the situation of a specific country or geographical area.</li> </ul>	<ul style="list-style-type: none"> <li>Country risk analysis.</li> <li>Monitoring of the economic evolution of the country.</li> </ul>
	Technological risks	<ul style="list-style-type: none"> <li>Risks associated with not staying abreast of technological advances.</li> </ul>	<ul style="list-style-type: none"> <li>Innovation strategy.</li> <li>Technological monitoring.</li> <li>Management of the portfolio of Innovation Projects.</li> <li>Grid2030 Programme.</li> </ul>
<b>Sustainability and good governance</b>	Risks of non-compliance with good practices in sustainability and good governance	<ul style="list-style-type: none"> <li>Risks associated with not adopting the best practices in sustainability, good governance and transparency, which entail a deterioration in the perception of the Company by the stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>Corporate Responsibility and Corporate Governance Policies.</li> <li>Definition and implementation of the 2030 Sustainability Commitment.</li> <li>Sustainability and Corporate Governance Reports.</li> <li>Participation in the main sustainability indexes.</li> <li>Stakeholder Management Model.</li> <li>Approval of communication criteria with shareholders, institutional investors and proxy advisors.</li> </ul>



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

# M A I N / R I S K S / O F / T H E R E D / E L É C T R I C A / G R O U P / A T / P R E S E N T

	RISK	DESCRIPTION	MAIN ACTIONS FOR THE MANAGEMENT OF RISKS
Assets planned and/or in progress	<b>Operational risks</b>		
	Risks associated with the investment plan	<ul style="list-style-type: none"> <li>Difficulties in the permitting process of electricity infrastructure.</li> <li>Risks of social opposition.</li> <li>Risks associated with the execution of investment projects that involve increased cost and/or deadlines.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening ties with the communities in the territories where the facilities are located.</li> <li>Institutional collaboration agreements.</li> <li>Monitoring of the Investment Plan and Transmission Grid Planning.</li> <li>Budget monitoring.</li> <li>Inspection of works.</li> <li>Development of the risk management model for investment projects.</li> </ul>
Assets in service	Risks related to power outages and the evacuation of generation	<ul style="list-style-type: none"> <li>Risk of a breakdown/fault occurring in the facilities that may significantly impact on the electricity system, causing power outages on the Spanish peninsula or on the islands.</li> </ul>	<ul style="list-style-type: none"> <li>Emergency equipment and procedures.</li> <li>Periodic inspections of equipment and systems.</li> <li>Preventive and predictive maintenance programmes.</li> <li>Renovation and improvement plans for facilities.</li> <li>Improvement of grid meshing and increase in the construction of facilities to respond to the Electricity Infrastructure Planning approved by the Government.</li> <li>Contracting insurance policies to cover possible damages that can be derived from an incident.</li> <li>Contingency plans.</li> </ul>
	Risks associated with the operation of the system	<ul style="list-style-type: none"> <li>Human errors in the coordination or configuration of equipment.</li> <li>Malfunction of telecommunications.</li> <li>Failure of computer systems that support the activity.</li> </ul>	<ul style="list-style-type: none"> <li>Specific actions for strengthening the transmission grid.</li> <li>Power service restoration plans.</li> <li>Plan for the renovation and improvement of facilities.</li> <li>Improvement of the telecommunication systems.</li> <li>Implementation of security mechanisms in the IT used.</li> <li>Ongoing training of operators.</li> <li>Contingency plans.</li> </ul>



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

M A I N / R I S K S / O F / T H E  
R E D / E L É C T R I C A / G R O U P / A T / P R E S E N T

	RISK	DESCRIPTION	MAIN ACTIONS FOR THE MANAGEMENT OF RISKS
Assets in service	Risks that may affect the security of the facilities	<ul style="list-style-type: none"> <li>Impact on security in facilities (substations, control centres, buildings, etc.) such as vandalism, sabotage, theft, terrorism, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Security systems in facilities.</li> <li>Permanent on-site security personnel for facilities.</li> <li>Contact with the Spanish Civil Guard and National Police.</li> <li>Comprehensive Corporate Security Management Model.</li> <li>Consultation and collaboration with the CNPIC (National Centre for Critical Infrastructure Protection).</li> <li>Operator Security Plan (OSP) and Specific Protection Plans (SPP).</li> </ul>
	Risks of impacts on the environment	<ul style="list-style-type: none"> <li>Impact on flora.</li> <li>Impact on fauna especially birdlife.</li> <li>Contamination of soil.</li> <li>Impact on archaeological heritage.</li> <li>Risk of fires.</li> </ul>	<ul style="list-style-type: none"> <li>Application of strict environmental criteria in all phases of planning, construction and maintenance of facilities.</li> <li>Environmental supervision of construction works.</li> <li>Biodiversity strategy and actions.</li> <li>Development of research projects and fire prevention plans.</li> <li>Projects for birdlife conservation.</li> <li>Environmental training courses for field staff.</li> <li>Environmental awareness of suppliers.</li> <li>Implementation of Environmental Work Certification.</li> <li>Establishment of collaboration agreements in the field of environmental protection with the various Autonomous Communities.</li> <li>Fire protection plans.</li> <li>Contingency plans.</li> </ul>

M A I N / R I S K S / O F / T H E  
R E D / E L É C T R I C A / G R O U P / A T / P R E S E N T

	RISK	DESCRIPTION	MAIN ACTIONS FOR THE MANAGEMENT OF RISKS
Assets in service	Risks derived from climate change / 201-2	<ul style="list-style-type: none"> <li>Physical risks regarding the facilities:                             <ul style="list-style-type: none"> <li>Changes in the properties of the conductors.</li> <li>Decrease in conductivity.</li> <li>Impacts caused by wind, electrical discharges, extreme rainfall, etc.</li> <li>Accumulation of pollutants.</li> </ul> </li> <li>Effects of climate change on the operation of the system.</li> <li>Emissions of greenhouse gases.</li> </ul>	<ul style="list-style-type: none"> <li>Commitment and action plan for the fight against climate change.</li> <li>Voluntary Agreement for the comprehensive management of SF<sub>6</sub> in the electricity industry, between the Ministry of Agriculture, Food and Environment, equipment manufacturers (AFBEL), UNESA, REE and waste management companies.</li> <li>Development of system operation tools [CECRE].</li> <li>Construction of new transmission lines for the evacuation of renewable energy.</li> <li>Strengthening of international interconnections.</li> <li>Definition and implementation of demand-side management initiatives [interruptibility service, measures to achieve a more efficient consumption profile, and initiatives for the implementation of the electric vehicle].</li> <li>Definition and implementation of research and innovation projects: new technologies and technical solutions for efficient system management, new tools for emergency situations, smart demand-side management, energy storage.</li> </ul>
	Risks related to cybersecurity	<ul style="list-style-type: none"> <li>Risks associated with non-availability of systems.</li> <li>Risks associated with unauthorised access to specific IT applications.</li> </ul>	<ul style="list-style-type: none"> <li>Firewalls and anti-intrusion systems.</li> <li>Antivirus systems.</li> <li>Increase in the security of access requirements.</li> <li>Mechanisms for the detection of incidents.</li> <li>Software updates.</li> <li>Hacking simulations.</li> <li>Training and awareness programmes.</li> <li>Comprehensive Corporate Security Management Model.</li> <li>Consultation and collaboration with the CNPIC [National Centre for Critical Infrastructure Protection].</li> <li>Development of the Operator Security Plan [OSP] and Specific Protection Plans [SPP].</li> <li>Contingency plan in the event of cyber-incidents.</li> </ul>
IT/Information systems			



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

M A I N / R I S K S / O F / T H E  
R E D / E L É C T R I C A / G R O U P / A T / P R E S E N T

	RISK	DESCRIPTION	MAIN ACTIONS FOR THE MANAGEMENT OF RISKS
People and organisation	Risks related to people	<ul style="list-style-type: none"> <li>· Risks derived from workforce ageing.</li> <li>· Accident rate.</li> <li>· Adequacy of the prevention of occupational health and safety risks.</li> </ul>	<ul style="list-style-type: none"> <li>· Professional development plans.</li> <li>· Contracting of young employees with potential.</li> <li>· Comprehensive age management model.</li> <li>· Maintenance and improvement of the structured prevention system in accordance with the OHSAS 18001 standard.</li> <li>· EFR 1000 certifications.</li> <li>· Application of the personnel performance appraisal system.</li> <li>· Technical procedures for the organisation of security.</li> <li>· General procedure for managing accidents and events.</li> <li>· Prevention Task Force.</li> </ul>
	Compliance risks	<ul style="list-style-type: none"> <li>· Non-compliance with legislation, internal regulations and commitments assumed by the Group.</li> <li>· Corruption and fraud.</li> </ul>	<ul style="list-style-type: none"> <li>· Code of Ethics of the Red Eléctrica Group, Ethics Manager and whistle-blowing channel (enquiries and grievances).</li> <li>· Fraud map and internal audits.</li> <li>· Implementation of the Compliance System encompassing 16 regulatory areas.</li> <li>· Compliance Unit and control and supervision bodies (criminal prevention and data protection).</li> <li>· Development of a due diligence model in compliance with third parties.</li> <li>· Training and awareness raising plan regarding compliance.</li> </ul>
Compliance	<b>Financial risks</b>		
	Risk of increased costs of equipment and raw materials	<ul style="list-style-type: none"> <li>· Risks associated with the increase in the price of equipment and raw materials</li> </ul>	<ul style="list-style-type: none"> <li>· Promoting competitiveness in the supply chain.</li> <li>· Increase normalisation and standardisation.</li> <li>· Drafting of turnkey contracts.</li> <li>· Guaranteeing the price of raw materials and/or the €/€ exchange rate in large projects.</li> </ul>





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

M A I N / R I S K S / O F / T H E  
R E D / E L É C T R I C A / G R O U P / A T / P R E S E N T

	RISK	DESCRIPTION	MAIN ACTIONS FOR THE MANAGEMENT OF RISKS
	Risks associated with variations in market conditions	<ul style="list-style-type: none"> <li>• Risk associated with variations in interest rates and credit margins or inflation that may affect the Company's results.</li> <li>• Possible negative effects of an unfavourable change in currency exchange rates.</li> </ul>	<ul style="list-style-type: none"> <li>• Periodic reviews of interest rates and their impact on financial accounts.</li> <li>• Maintenance of percentages in the fixed / variable financial structure.</li> <li>• Monitoring possible actions that would imply a downgrading revision of the rating.</li> <li>• Development of financial risk policy and instruments for its management and control.</li> <li>• Establishment of new financing mechanisms that allow access to markets in an agile and efficient manner.</li> <li>• Establishment of hedging mechanisms for transactions carried out in currencies other than the euro.</li> <li>• Development of financial risk policy and instruments for its management and control.</li> <li>• Design of an international financing scheme.</li> </ul>
Counterparty	Non-compliance of third parties	<ul style="list-style-type: none"> <li>• Risk associated with non-compliance, by third parties, of the payment obligations established.</li> <li>• Risk associated with dependence on suppliers and providers.</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring of the quality of the service provided.</li> <li>• Monitoring of the client portfolio.</li> <li>• Development of contracting strategies for key services, by the procurement department.</li> </ul>
Insurance	Inadequate coverage in the event of an accident	<ul style="list-style-type: none"> <li>• Insufficient coverage when faced with a significant increase in claims.</li> <li>• Loss of solvency of the reinsurance company.</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of supplies.</li> <li>• Continuous monitoring of the level of claims.</li> <li>• Risk reinsurance.</li> </ul>

## EMERGING RISKS

The energy and climate targets of the European Union respond to the need to move towards a more efficient and sustainable energy model regarding the use of energy,

which contributes to reducing the risks derived from climate change and promotes the energy transition for the decarbonisation of the economy. This future scenario, characterised by a greater role for renewable

energies, new technologies and digitalisation, poses a series of challenges for the Group and brings uncertainties that may have potential impacts on its business.

RISK	POTENTIAL IMPACT ON THE BUSINESS	MITIGATING ACTIONS
Operational risks associated with a scenario involving a high penetration of renewable energy	Higher levels of investment and technological innovation, as well as more demanding deadlines for the development and adaptation of the transmission grid, in order to allow the connection and evacuation of an increasing amount of renewable generation, and greater complexity of the operation of the system, resulting mainly from a larger share of non-manageable generation within the energy mix.	<ul style="list-style-type: none"> <li>Strengthening of interconnections and the safe integration of renewable energy - Control Centre of Renewable Energies (CECRE).</li> <li>Design and implementation of large-scale energy storage projects (Chira-Soria pumped-storage hydroelectric power station) and batteries in the non-peninsular territories and grids at an end-user level (innovation projects).</li> <li>Promotion of demand-side management and smart grids initiatives, noteworthy among which is the Control Centre for the Electric Vehicle (CECOVEL), or the improvement of the monitoring of the state of the system through phasor measurements.</li> <li>MANINT project, to optimise the management of transmission grid assets.</li> <li>INTEGRA Project, for an adequate planning of the supply of materials and services required.</li> </ul>
Risks related to digital transformation	Risks for the Group associated with not staying abreast of technological advances that could impede the carrying out of current activities and services, and the undertaking of new business opportunities associated with digital transformation.	<ul style="list-style-type: none"> <li>Digital Transformation Strategy.</li> <li>Technological monitoring and conducting of Proofs of Concept and pilot projects: Big Data, artificial intelligence, Internet of Things, blockchain, Robotic Process Automation (RPA) and cybersecurity.</li> <li>Design and implementation of data governance projects.</li> <li>Imagina Project new ways of working that pursue a global transformation in the organisation.</li> </ul>
Other climate change risks	Risks associated with climate change that could affect the Group's strategy, both physical risks (with impact on operations and facilities as a result of changes in climate parameters) and transition (associated with changes in policies, legislation, markets and technology needed to move to a low carbon economy).	<ul style="list-style-type: none"> <li>Specific strategy: "Commitment to climate change", whose axes are:                             <ul style="list-style-type: none"> <li>Integration of renewable energy into the electricity system in a safe way.</li> <li>Promotion of energy efficiency.</li> <li>Reduction of GHG emissions.</li> <li>Protection of wooded areas, prevention of fires and the promotion of reforestation projects.</li> <li>Design and implementation of projects to adapt to climate change.</li> <li>Extension of the commitment acquired by the Company to stakeholders.</li> </ul> </li> <li>Climate Change Action Plan 2015-2020-2030.</li> <li>Analysis and implementation of the recommendations of the Task force for Climate-related Financial Disclosure.</li> </ul>



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



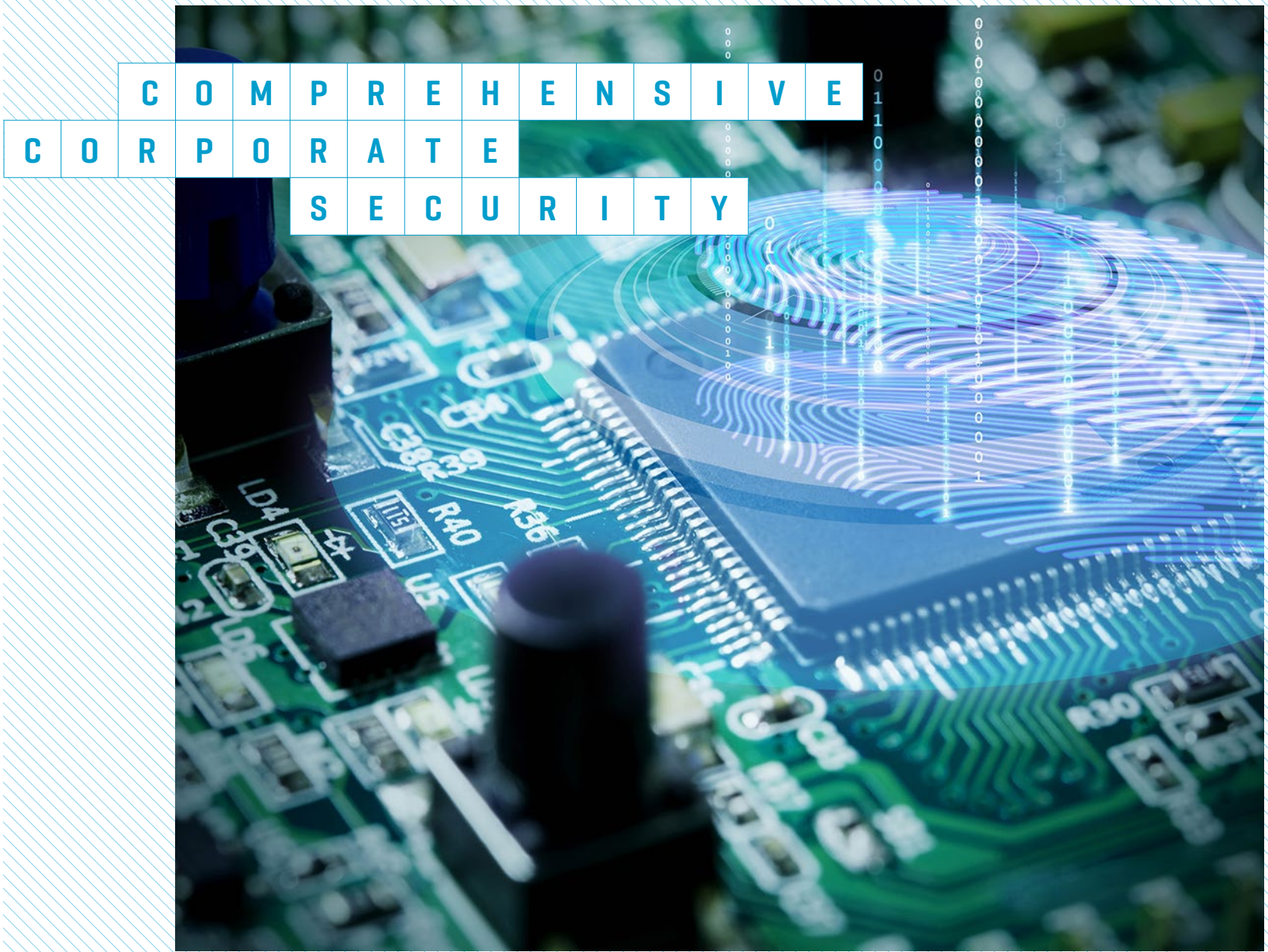
06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# COMPREHENSIVE CORPORATE SECURITY

*The Red Eléctrica Group is committed to implementing comprehensive security of a corporate nature and common to the entire Company, which includes the protection of critical infrastructures and the protection of people and information assets.*



COMPREHENSIVE CORPORATE SECURITY

Aligned with the

**BUSINESS STRATEGY**

shared by all the people of the Group

This way of conceiving security in approach and interdisciplinary approach allows us to respond to physical and cyber threats in a global and joint manner, and enables the Company to respond to a new scenario defined by:

- New regulatory developments (adaptation to the legislation for the protection of critical infrastructure).
- Alliances with the National Centre for the Protection of Critical Infrastructures and the National Institute of Cybersecurity.
- New services (security based on analysis and control of risk).
- New trends derived from the implementation of new technologies.

The purpose of the Red Eléctrica Group in terms of comprehensive corporate security is to protect the Company from the possible materialisation of threats and risks that may endanger not only its human resources and assets, but also the continuity of the services provided and the viability of the business.

Comprehensive corporate security, aligned with the business strategy, is shared by all the people that form the Red Eléctrica Group and is part of its corporate culture. To this end, the Company has a **Strategic and Tactical Security Action Plan**, as well as an organisational model and comprehensive corporate security relationship for the entire Group.

## COMPREHENSIVE CORPORATE SECURITY MANAGEMENT MODEL

The governance, management and operation model of the Red Eléctrica Group, approved in September 2017, is based on good practices and reference standards in this area. The model encompasses the 11 capacities that the organisation must have in order to maximise its resilience in adverse situations.

- **Risk management.** Automated and dynamic treatment of security risk.
- **Security plan.** Develop, implement and monitor the security plan, as well as establish collaboration and cooperation mechanisms.




THE  
CORPORATE  
SECURITY  
MODEL  
ENCOMPASSES  
**11**  
CAPACITIES

that the organisation must have in order to maximise its resilience in adverse situations.

- **Assets, changes and configuration.** Asset management in accordance with security guidelines during the asset's life cycle.
- **Exchanges of information.** Definition and implementation of a secure information management model.
- **External dependencies.** Establish the necessary control mechanisms associated with the services provided by the supply chain.
- **Personnel involved in security.** Implementation of a security structure and improving the level of security awareness among staff.
- **Incidents and continuity of operation.** Increase resilience regarding adverse situations or undesired events.
- **Threats and vulnerabilities.** Definition and implementation of a management model for the control of threats and vulnerabilities of assets, including intelligence services.
- **Identity and Access management.** Establish mechanisms to control access to the assets of the organisation and identity management.
- **Regulatory compliance.** Definition and implementation of a regulatory framework for comprehensive corporate security, as well as compliance with national





ABOUT  
THIS  
REPORT



LETTER FROM  
THE CHAIRMAN  
LETTER FROM  
THE CHIEF  
EXECUTIVE  
OFFICER



KEY PERFORMANCE  
INDICATORS



01  
THE RED  
ELÉCTRICA GROUP



02  
STRATEGY



03  
COMMITMENT  
TO  
SUSTAINABILITY



04  
ANTICIPATING  
CHANGE AND  
TAKING ACTION



05  
DECARBONISATION  
OF THE ECONOMY



06  
RESPONSIBLE  
VALUE CHAIN



07  
CONTRIBUTION TO  
SOCIAL, ECONOMIC  
AND ENVIRONMENTAL  
DEVELOPMENT



ANNEXES



and international regulation regarding security matters.

- **Situational awareness.** Monitoring and reporting of the security status of the Red Eléctrica Group.

These capacities, following what is also specified by standards, are addressed from a three-tier structure:

- **Governance of comprehensive corporate security.** A tier responsible for defining the strategic objectives in terms of comprehensive security, fundamentally through a strategic plan on comprehensive security, and for monitoring its correct implementation in accordance with the business objectives and strategies.
- **Comprehensive corporate security management.** A tier responsible for defining

the Comprehensive Corporate Security Plan that must meet the requirements defined by the governance body, as well as managing the functions and security processes that derive from said plan.

- **Comprehensive corporate security operations.** A tier responsible for the execution of comprehensive corporate security processes related to infrastructure, always working within the guidelines and limits set by Management.

#### COMPREHENSIVE CORPORATE SECURITY ACTION PLAN

For the implementation of the management model, the Red Eléctrica Group has designed the Comprehensive Corporate Security Action Plan. This roadmap has been prepared from a high-level analysis, which from an internal and external perspective has enabled the current state of the Company in this field to be known.



#### THE COMPREHENSIVE CORPORATE SECURITY

is based on a  
three-tier structure

#### GOVERNANCE MANAGEMENT OPERATIONS

#### COMPREHENSIVE CORPORATE SECURITY ACTION PLAN

designed from a  
high-level analysis,  
both from an  
internal and external  
perspective.





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN

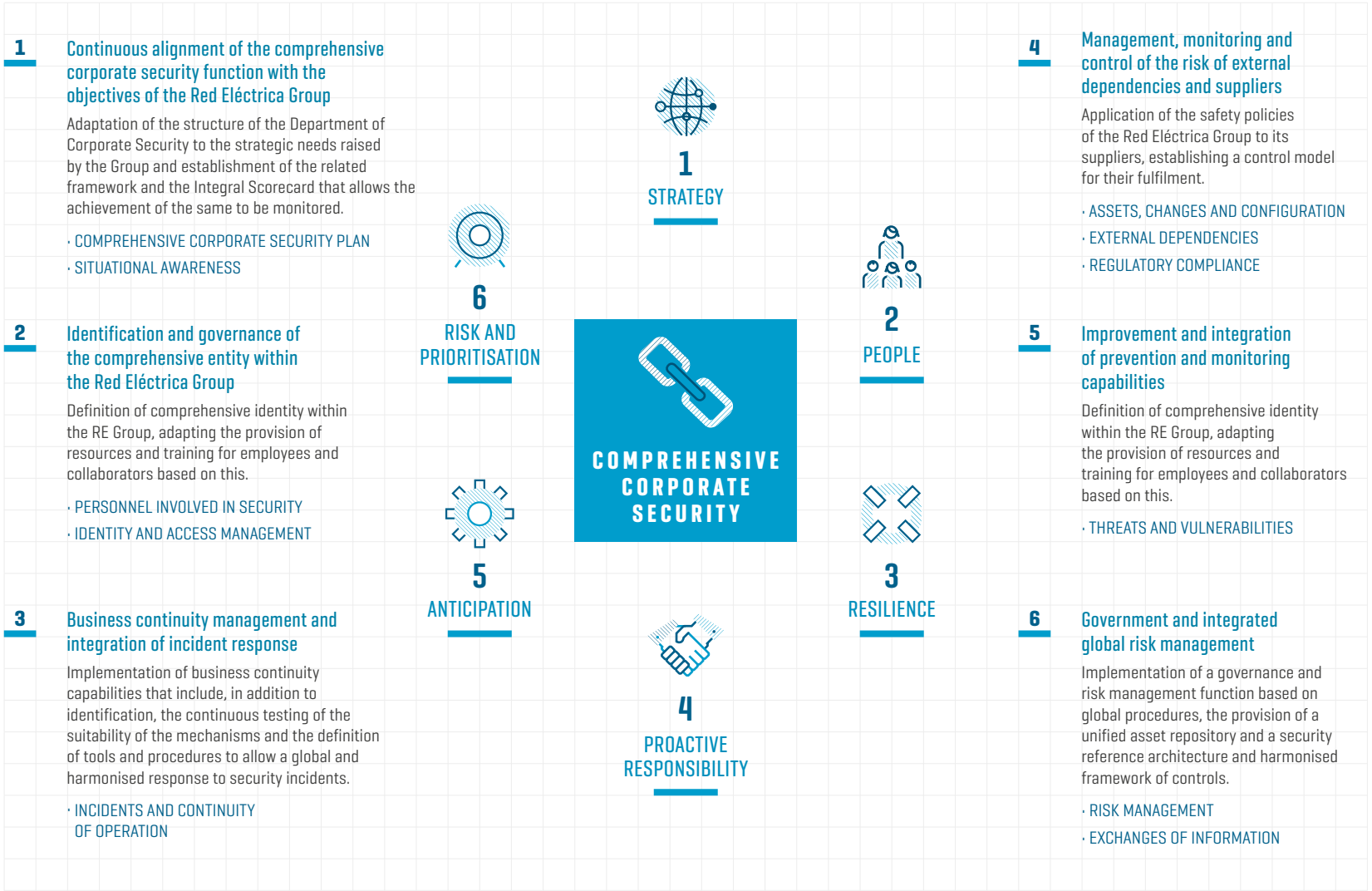


07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

C O M P R E H E N S I V E / C O R P O R A T E / S E C U R I T Y  
A C T I O N / P L A N : A X E S / O F / A C T I O N



The overall objectives of the Action Plan are based on the protection of people, the continuity of the service, the viability of the business and the protection of assets, viewed from four perspectives: security, clients, processes and knowledge.

Within the Action Plan, in 2018, a selection of those projects and enhancement requirements that will generate key improvements in the levels of maturity of the defined capacities have been prioritised. The main actions carried out in 2018 have focused on the definition of a reporting model for senior management, risk management, drafting of the regulatory framework and

controls, and implementation of training and awareness-raising capacities.

Similarly, with the aim of having a comprehensive and dynamic tool for the control and management of comprehensive corporate security, the Red Eléctrica Group has defined a Comprehensive Scorecard aligned with the strategic objectives defined in this area.

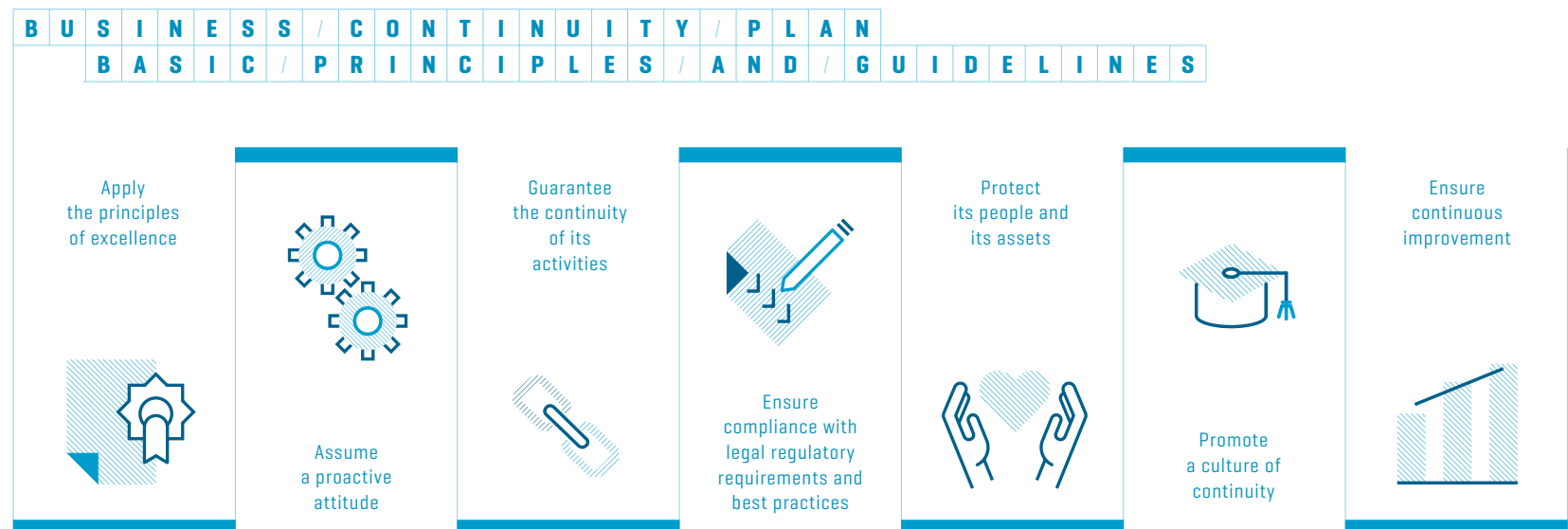
### BUSINESS CONTINUITY PLAN

The Red Eléctrica Group assumes the commitment to identify, understand, develop, implement, operate, maintain, review and test the necessary measures to guarantee the

continuity of its operations, when faced with the materialisation of a serious incident.

In order to achieve this, the Red Eléctrica Group has defined the objective of preparing the **Business Continuity Plan**, whose strategy has been approved in 2018, in order to plan the necessary procedures to respond adequately to a disaster, crisis or emergency in such a way that minimises its impact on the business and streamlines and automates decision making in crisis situations

The Business Continuity Plan of the Red Eléctrica Group is based on the following basic **principles and guidelines**:





- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES



## APPROVED IN 2018 BUSINESS CONTINUITY PLAN

In order to be able to respond to crisis situations, reducing their impact and streamlining the decision-making process



The Business Continuity Plan encompasses, within its scope, the need to respond to the following non-availability scenarios:

- **Non-availability of the infrastructure.** Incidents that impede the normal access to infrastructure and are capable of partially or totally paralysing business processes.
- **Non-availability of people.** Total or partial non-availability of the team of professionals necessary for the normal development of business activities.
- **Non-availability of technology.** Total or partial non-availability of data processing

centres or information systems that provide support to business processes.

- **Non-availability of suppliers.** Inability of suppliers to respond to the Company's needs and this may adversely affect the normal execution of activities.

In order to achieve business continuity objectives, the Red Eléctrica Group plans to establish an awareness-raising plan to educate all people, especially those involved in continuity strategies, about the importance of the plan and the actions that have to be carried out.



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

# I N N O V A T I O N





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# INNOVATION

103-1 / 103-2 / 103-3

*The innovation strategy encompasses all the areas of activities of the Red Eléctrica Group, thus promoting and driving the incorporation of technologies, solutions and new ways of working.*

**Innovation** in the Red Eléctrica Group promotes and drives the incorporation of technologies, solutions and new ways of working, and has become a lever for growth and efficiency that, in a structured way, promotes a cultural change to take on current and future challenges of the Group, supporting its long-term sustainability and that of the electricity system as a whole.

The **2016-2019 Innovation Strategy** of the Red Eléctrica Group, derived from the 2014-2019 Strategic Plan, aims to extend a culture of innovation to all areas of business activity, through the deployment of four vectors: **people, digitalisation, technology and sustainability and social innovation**. For each of the vectors, the Company has defined priority courses of action that guide the innovation plans and programmes in the Red Eléctrica Group (detailed in the following table).

<b>People</b>	<b>Digitalisation</b>	<b>Sustainability and social innovation</b>	<b>Technology</b>
<ul style="list-style-type: none"> <li>· Promotion of innovation in people.</li> <li>· Healthy workplace.</li> <li>· Digital transformation in people.</li> </ul>	<ul style="list-style-type: none"> <li>· Digital transformation</li> <li>· Optimisation of systems</li> <li>· Cybersecurity</li> <li>· Virtualisation</li> </ul>	<ul style="list-style-type: none"> <li>· Environmental management</li> <li>· Biodiversity and natural capital</li> <li>· Fight against climate change</li> <li>· Social acceptance of facilities</li> </ul>	<ul style="list-style-type: none"> <li>· Disruptive research</li> <li>· Discontinuous innovation</li> <li>· Automatisation and robotics</li> <li>· The state of the equipment and facilities</li> <li>· Taking advantage of new resources</li> </ul>





- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

During 2018, the Red Eléctrica Group has been working on 86 innovation projects. A sample of the most significant is described in the table below.

### DEDICATION OF RESOURCES

The commitment of the Red Eléctrica Group to innovation is demonstrated by its ongoing investment in innovation projects. Specifically, in the last three years, the average investment in innovation projects stands at 9.3 million euros per year.

This important investment in financial terms requires a high dedication of the Company's professionals, as well as the management of alliances in the field of innovation in order to collaborate with researchers,

universities and technology centres. In this regard, throughout 2018, the Company has launched the Tabula project with the aim of identifying priority innovation topics for the different management areas and carrying out an analysis of the reports of the most relevant research entities in each one of the areas, to ultimately promote the establishment of an alliance.

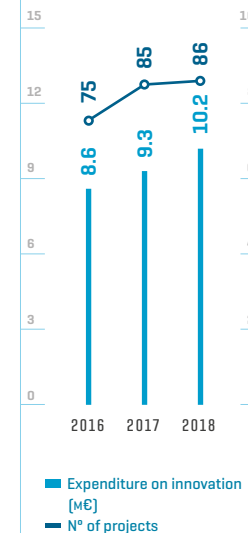
### Grid2030 INNOVATION PROGRAMME

The Red Eléctrica Group promotes disruptive innovation in order to anticipate the challenges of the new energy model and accelerate the development of technological solutions, increasing the Company's knowledge in technologies and value-added services.

### Significant projects

<b>BEST PATHS</b>	· European project to overcome the technical barriers that the current pan-European electricity grid may encounter when attempting to integrate massive amounts of energy from renewable sources safely.
<b>MIGRATE</b>	· Project aimed at improving the understanding of the behaviour of the electricity system with a high penetration of devices based on power electronics.
<b>SUSTAINABLE TRANSFORMER</b>	· Technical validation of the substitution for the replacement of the mineral oil used as an insulating and cooling element in transformers for that of a vegetable oil that is biodegradable and is more sustainable and respectful with the environment.
<b>VEGETA</b>	· Methodology to optimise the plan for managing the treatment cycle of the vegetation growing within the security corridors of lines.

### Investment in innovation M€



# 86

INNOVATION  
PROJECTS  
UNDERWAY

during 2018





With this objective, the **Grid2030 programme** was conceived, a multi-year collaboration that enables the study of socio-economic and technical innovations related to electricity transmission and system operation, and to support the development and early commercialisation of applications based on cutting-edge technology, accelerating their deployment and maturity through the participation of companies and industries.

At the beginning of 2018, the Company received about 80 proposals for the first two challenges defined in the Grid2030



### Grid2030 PROGRAMME

# 80 PROPOSALS

received, of which two were selected:

- FST [Portugal]
- RITSE [France]

### Grid2030

Multi-year collaboration that enables the study of socio-economic and technical innovations related to electricity transmission and system operation.

Programme [power electronics and electricity system flexibility]. After several months of work on the proposals with the selected candidates, which included two work sessions at the Red Eléctrica Campus, innovation experts from InnoEnergy and a group of REE technical experts selected the following projects:

- FST [Flexible Smart Transformer], presented by CIRCE and EFACEC [Portugal].
- RITSE [Reduced Inertia Transient Stability Enhancement], presented by IMDEA and SUPERGRID INSTITUTE [France].

In December 2018, the Company held an event to present the structure and objectives of the Grid2030 Programme and the proposals of the selected projects. Also, within the framework of this meeting, the launching of two **new challenges** of the Programme were announced: 'Improvement of the knowledge of the physical condition of the electricity transmission infrastructure' and 'Digital technologies and services for the energy transition'. The event was attended by the Chairman of the Red Eléctrica Group, Jordi Sevilla, and the Minister for Science, Innovation and Universities, Pedro Duque.



[More information on the corporate website.](#)



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

T	R	A	N	S	F	O	R	M	A	T	I	O	N	
			O	F	/	T	H	E						
		R	E	D	/	E	L	É	C	T	R	I	C	A
						G	R	O	U	P				





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# TRANSFORMATION OF THE RED ELÉCTRICA GROUP

*Digital transformation is a key tool that will help the organisation to better adapt to the technological disruption scenario, when it finally arrives.*

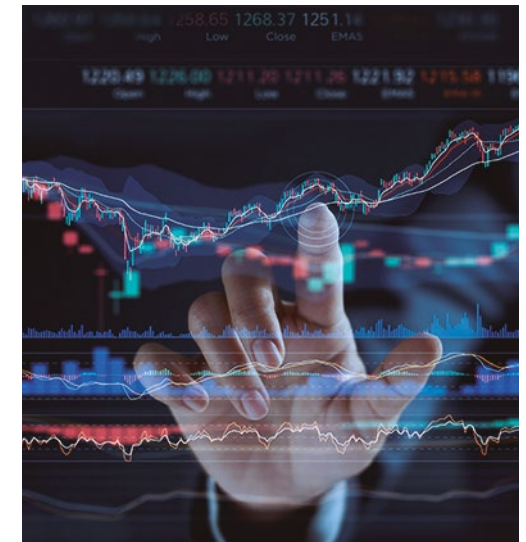


DIGITAL TRANSFORMATION STRATEGY  
**60**  
INITIATIVES

of which 24 have been addressed in the action plan for 2018

The Red Eléctrica Group understands digital transformation as the process of changing operations, business models and ways of working in order to add more value, facilitated by the rapid development of new digital technologies. In this regard, the Company considers that digital transformation is a key tool that will enable the organisation to better adapt to technological disruption when it finally does arrive. For a company such as the Red Eléctrica Group, owing to its key role and its position of neutrality, the transformation represents an enormous opportunity.

The Red Eléctrica Group has a **digital transformation strategy**, approved in November 2017, aligned with the Company's



Strategic Plan that makes it possible to address the changes faced by its activity sector and whose objectives are:

- Improvement in operational efficiency.
- Development of new business models.
- Adaptation of human capital to the digital environment.

The digital transformation strategy is structured on three interrelated axes:

**The 2019 Action Plan will continue to advance in the achievement of the objectives set in the digital transformation strategy.**

The deployment of the Digital Transformation Strategy of the Red Eléctrica Group has entailed the definition of a total of 60 initiatives. The **2018 Action Plan** has addressed 24 of them. The 2019 Action Plan will continue to advance in the achievement of the objectives set in the strategy.

Similarly, it should be noted that, during 2018, the Company has carried out a review process of the Digital Transformation Strategy, with the aim of ensuring it meets the Company's situation and the current changing environment of technological disruption.

**CULTURAL CHANGE**

Development of the skills and competencies of the workforce and their way of working, allowing new opportunities in the market to be taken advantage of and evolve towards a more agile organisation capable of adapting quickly to change.

The key dimensions of this axis are:

- people (knowledge, attitudes, etc.).
- the working environment (workspaces, policies, processes, etc.).

**EFFICIENCY AND NEW BUSINESS**

Creation of value through the improvement of the efficiency of the Company's usual activities, facilitating the incursion into new business activities that are increasingly associated with the opportunities offered by emerging digital technologies.

The key dimensions of this axis are:

- efficiency.
- current business growth and new business.

**TECHNOLOGY AND DATA GOVERNANCE**

Technology is a key lever to promote the effective development of the other two axes:

- In cultural change, technology allows new ways of working, where mobility and collaboration will be essential requirements.
- In efficiency and new businesses, technology not only helps identify traditional improvements aimed at the optimisation of processes and efficiency, but also explores possibilities for generating value.

Furthermore, the analysis of the necessary conversion of data into information and knowledge is key to a more efficient management of assets and a gateway for new business models.





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



## IMAGINA

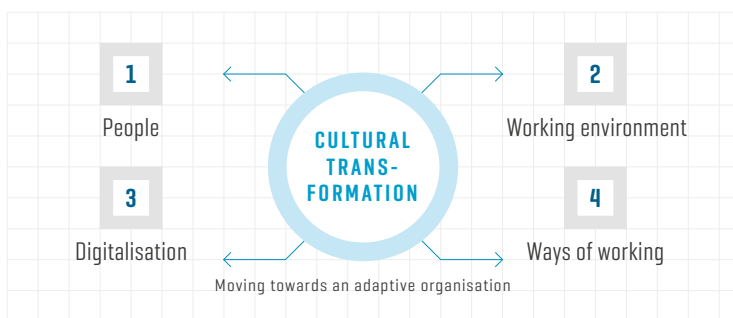
Project for transforming ways of working through initiatives regarding culture, technology, processes and workspaces, driven by the figure of the

## IMAGINEERS



### IMAGINA, CULTURAL TRANSFORMATION AXIS

One of the objectives of the Digital Transformation Strategy of the Red Eléctrica Group is the adaptation of the Group's human capital to be effective working in a digital company.



*Imagina* is a project for transforming ways of working within the Red Eléctrica Group, which is implemented through cultural, technological, process and workspace initiatives, which, with the support and organisation of a project team and a series of working groups, are driven by the figure of the Imagineers.

Some of the initiatives developed during 2018 to facilitate the change towards new ways of working are:

- **Digital office.** Change of habits and behaviours of a work dynamic where the use of paper is predominant to one where the use of technology is the main working tool.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



## IMPÚLSATE INITIATIVE

strategic promoters of the organisation to respond to business challenges

*The Campus of the Red Eléctrica Group is a space that models the new ways of working in which to share ideas and support the cultural transformation, transformative leadership and sustainable training.*

- **Digital training.** Development of the skills linked to the digital transformation environment of the Company.
- **Management by challenges.** Model focused on each professional so that they can have a clear orientation of their work with greater autonomy and flexibility.
- **External flexibility.** Possibility of deciding where to work based on the needs of the business and in a responsible and coordinated manner with their teams.
- **Impúlsate.** Evolution of the people management function in the Red Eléctrica Group, being strategic promoters of the organisation and responding directly to business challenges.
- **Sustainable People Management.** Driving transformation promoted by the organisation through projects to achieve the business challenges in a more agile way.

- **Transformative leadership.** Development of skills and competencies of the management team that support the change management, thus becoming facilitators of new ways of working.
- **The Campus of the Red Eléctrica Group.** New space that models the new ways of working in which to collaborate, generate knowledge, share ideas and support both cultural transformation and the development of transformative leadership and sustainable training, together with competencies that optimise achievement and continuous learning by placing people at the heart of the transformation.
- **Tres Cantos 1 (Back-up control centre).** Building being remodelled, to house the back-up control centres of Red Eléctrica. The building has been designed following the model of new ways of working. For this, environments that favour flexibility, agility and collaborative work are being created. Also, the building will have highly-efficient energy ratings, thanks to the protection of the building against exposure to the sun and the thermo activation of the existing structure in combination with the use of geothermal properties of the land on which it is built.

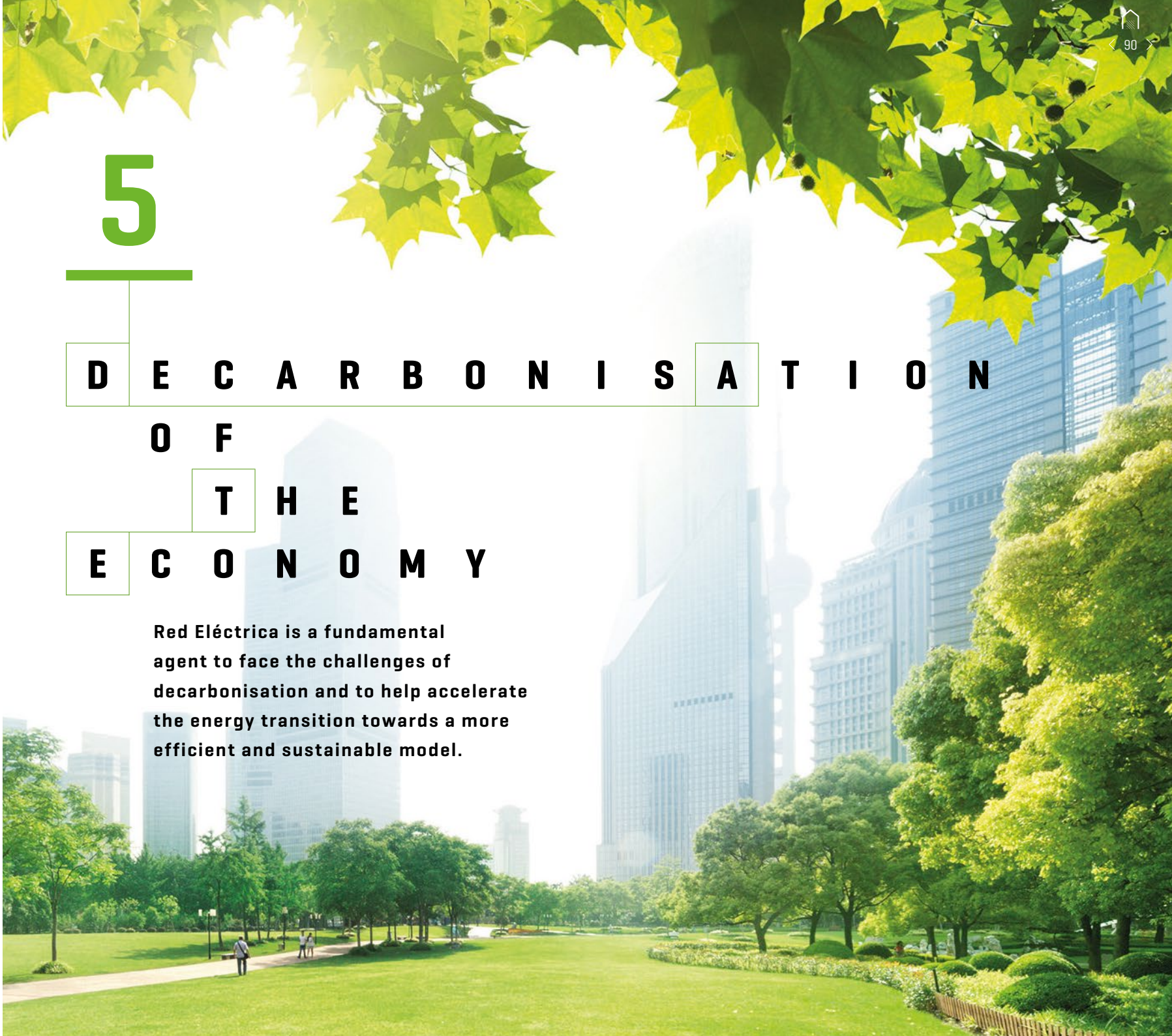


- ABOUT THIS REPORT
- LETTER FROM THE CHAIRMAN
- LETTER FROM THE CHIEF EXECUTIVE OFFICER
- KEY PERFORMANCE INDICATORS
- 01 THE RED ELÉCTRICA GROUP
- 02 STRATEGY
- 03 COMMITMENT TO SUSTAINABILITY
- 04 ANTICIPATING CHANGE AND TAKING ACTION
- 05 DECARBONISATION OF THE ECONOMY**
- 06 RESPONSIBLE VALUE CHAIN
- 07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT
- ANNEXES

# 5

# DECARBONISATION OF THE ECONOMY

**Red Eléctrica is a fundamental agent to face the challenges of decarbonisation and to help accelerate the energy transition towards a more efficient and sustainable model.**





D	E	C	A	R	B	O	N	I	S	A	T	I	O	N
O	F													
		T	H	E										
E	C	O	N	O	M	Y								

Climate change is a global challenge that occupies a high priority on the international agenda. The objective is to keep the global average temperatures from rising by two degrees Centigrade, therefore Red Eléctrica actively participates in the transition towards a new energy model that is more competitive and more sustainable.

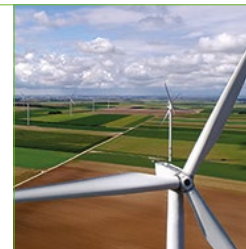
In this context, the Red Eléctrica Group takes on the commitment to be a **proactive agent** in the energy transition towards a **zero-emission model**, advocating for the **electrification of the economy** and the efficient integration of **renewable energy**, through a **robust and better interconnected grid**, as well as through the development and operation of **energy storage systems**.



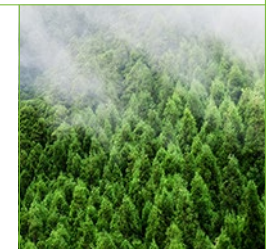
CLIMATE CHANGE AND ENERGY TRANSITION



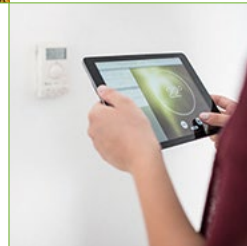
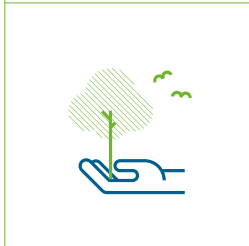
SUSTAINABLE GRID DEVELOPMENT



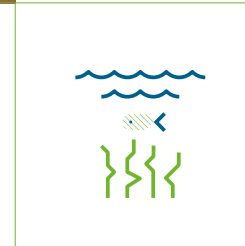
INTEGRATION OF RENEWABLES



REDUCTION OF THE CARBON FOOTPRINT



SMART GRIDS AND DEMAND-SIDE MANAGEMENT







- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



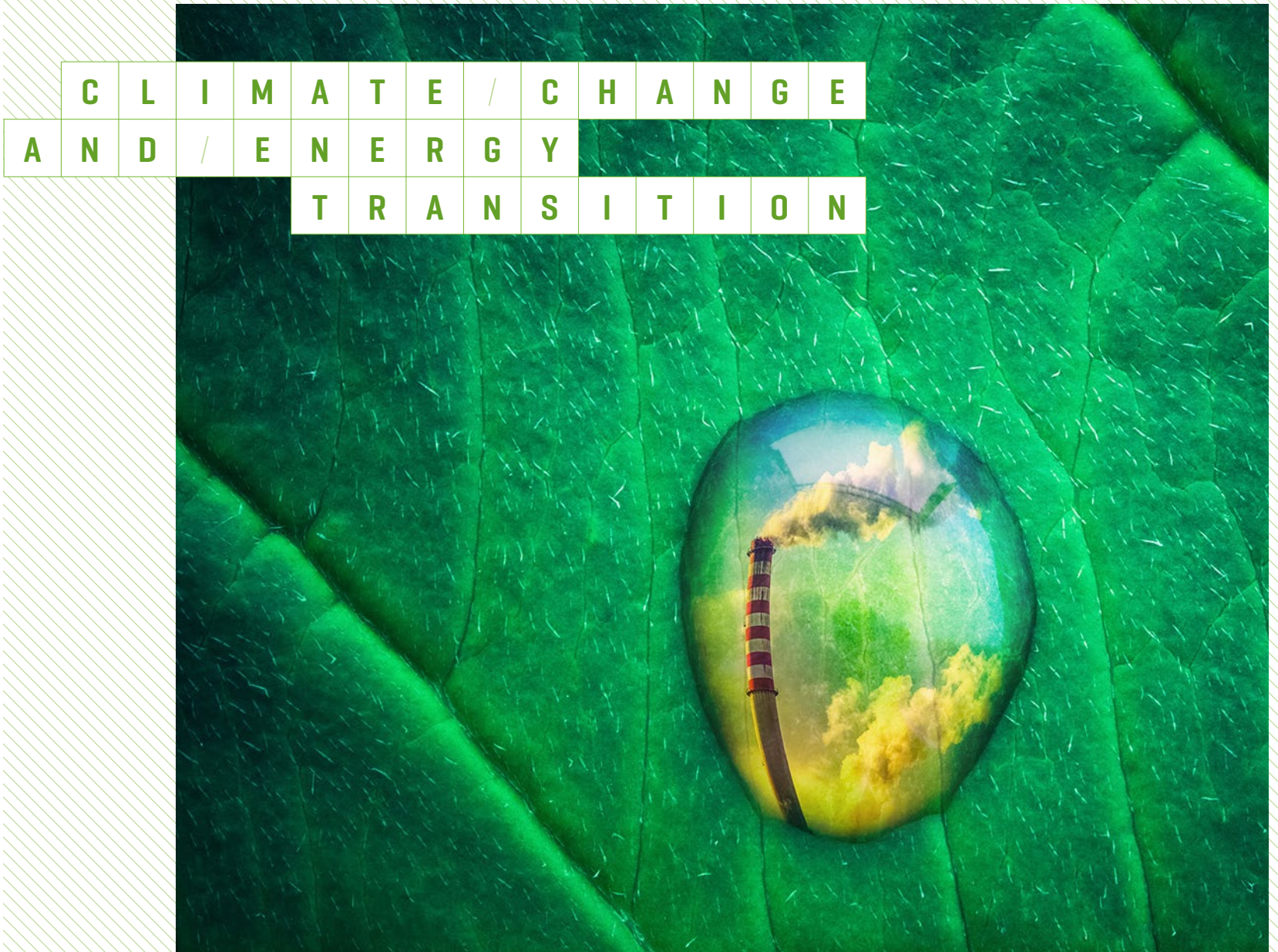
06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES





- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICIA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

# CLIMATE CHANGE AND ENERGY TRANSITION

103-1 / 103-2 / 103-3

*Tackling climate change requires making emission reductions compatible with growth and economic well-being.*



## HALTING THE INCREASE

in temperature requires the transition to an energy model that allows clean and affordable energy for all

**[SDG 7]**

The challenge of combating and tackling climate change is a priority on the global agenda. The Paris Agreement, reached at the 21<sup>st</sup> Conference of the Parties in 2015, marked a historic milestone and since then, the international community has been working on the development of the mechanisms for its implementation.

The main element of the agreement is the commitment of the signatory parties to keep the global average temperatures from rising by 2°C with respect to pre-industrial levels, striving to limit it to 1.5°C, as well as achieving the goal of net zero carbon dioxide emissions between 2050 and 2100. In 2018, the Intergovernmental Panel on Climate Change (IPCC) published a technical report confirming the need to increase climate change targets to more ambitious levels and work to keep the temperature rise below 1.5°C and to try to reach the emission reductions targets as soon as possible.

Curbing the increase in the rise of global temperature requires urgent action in order to make growth and economic well-being compatible with emission reductions, and this will only be possible through a **transition to an energy model that allows affordable and clean energy for all (SDG 7)**.

The European Union, as the main driver of the international response to the climate change crisis, has worked on defining and setting targets that aim to accelerate the



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

**The transition towards a clean energy model requires maintaining a secure and competitive energy system that enables the delivery of energy to the consumer at affordable prices, thus promoting growth and job creation.**



transition towards a clean energy model, while maintaining a secure and competitive energy system that enables the delivery of energy to the consumer at affordable prices, promoting growth and job creation.

### EUROPEAN ENERGY / TARGETS

TARGETS 2020	20%	20%	20%	
	reduction of GHG emissions compared to 1990 levels	of renewable energies in the EU	improvement in energy efficiency	
TARGETS 2030	40%	32%	32.5%	15%
<i>'Clean Energy for All Europeans' package, renewable and energy efficiency targets revised and approved in December 2018.</i>	reduction of GHG emissions compared to 1990 levels	of renewable energies in the EU	improvement in energy efficiency	electricity interconnection capacity
TARGETS 2050	80 - 95%			
<i>Roadmap towards a competitive low carbon economy for the 2050 horizon</i>	reduction of GHG emissions compared to 1990 levels			





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



## THE MAIN ELEMENTS

of the new energy model are efficiency, the electrification of the economy and the integration of renewables

### IN 2018

Red Eléctrica has achieved the leadership category in the Carbon Disclosure Project with a rating of A-. The Company has participated in the CDP survey for more than ten years, disclosing its information to the public.



For its part, the Government of Spain is working on a 'Climate Change and Energy Transition Law', which outlines these aspects as the cornerstone regarding political and economic action, setting ambitious targets in order to achieve an economy that is practically decarbonised by 2050.

The transformation of the energy sector that is required, in order to achieve the targets set, is currently one of the biggest challenges for both Europe and Spain, and in this regard, the role of the electricity sector is crucial, as it will enable end users to take advantage of renewable energy which will also help improve energy efficiency while maintaining lower energy intensity values.

Red Eléctrica, as the cornerstone of the Spanish electricity system, is a key player in the transition towards the new energy model,

whose key elements shall be overall efficiency, **the electrification of the economy, the maximum integration of renewables into the energy mix all while guaranteeing security of supply at all times.**

Ongoing high levels of investment and technological innovation for the development of a robust transmission grid that is increasingly more interconnected through the reinforcement of cross-border connections; the optimisation of electricity system operation; the integration of energy storage systems; the ongoing implementation and application of demand-side management measures; the incorporation of the new elements such as the electric vehicle; the promotion of innovation activities [smart grids, digitalisation, datahub, ...], and the coordination between the various agents are the keys to continue making progress regarding the aforementioned aspects.

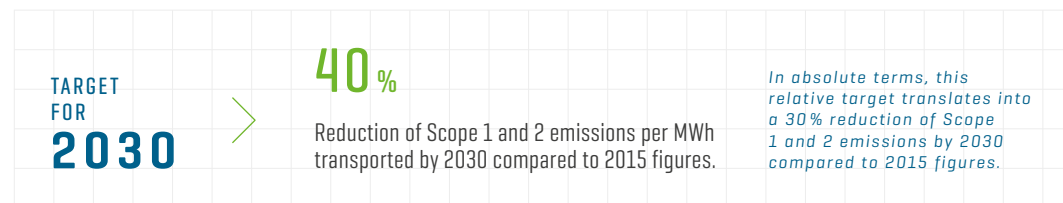


### RED ELÉCTRICA'S COMMITMENT AND ACTION PLAN

Aware of its important role and the need for companies to have a firm and clear stance on climate change, since 2011 the Company has showcased a **voluntary commitment in the fight against climate change**, which is materialised through a **Climate Change Action Plan [2015-2020-2030]**, which was recently updated in 2018, with the purpose of introducing more ambitious targets in terms of emission reduction, consistent with the global emissions reduction target for 2030 approved by the **Science Based Targets initiative [SBTi]**.

The Action Plan is based on four essential courses of action and one cross-cutting course of action on innovation.

### Climate change action plan: emission reduction targets



## C O R N E R S T O N E S / O F / T H E C L I M A T E / C H A N G E / C O M M I T M E N T

**Integration**  
*of renewable energy*



**Backing**  
*for energy efficiency at all levels*

**Protection**  
*of wooded areas: prevention of fires and the promotion of reforestation projects*



**Reduction**  
*of greenhouse gas emissions*

**Definition and implementation**  
*of projects to adapt to climate change*



**Extending**  
*the commitment to stakeholders, mainly suppliers*

## Climate Change Action Plan: courses of action / 103-2



### Contribution to a sustainable energy model

Actions related to the activity of Red Eléctrica as transmission agent and electricity system operator, and which are necessary in order to achieve the European 2020 and 2030 targets.

- **Development of infrastructure** to facilitate the electrification of the economy, connect new renewable generation and provide the power to feed the railway network. *In this regard, noteworthy is the development of electricity interconnections, both at an international level and those between the islands.*

- Achieve the **maximum level of integration of renewable energy** into the electricity system through the optimisation of system operation and the operation of CECRE, the improvement of generation forecasting



### Reducing the carbon footprint

In 2018, the Company presented its overall emissions reduction target which has been approved by the Science Based Targets initiative (SBTi).

Red Eléctrica undertakes to reduce its Scope 1 and 2 emissions by 40% per MWh transported by 2030 compared to 2015 figures.

This relative target translates into a commitment to reduce absolute Scope 1 and 2 emissions by 30% for the year 2030 with respect to 2015, having approved a previous emissions reduction target of 10% for 2020 with respect to that same year.



### The Company's stance and the disclosure of relevant information

Red Eléctrica works diligently to convey its climate change commitment to its stakeholders and to promote their involvement in said commitment. The main objective is the dissemination of **knowledge regarding the electricity system and demand-side management measures**, as well as the promotion of other energy efficiency measures. Furthermore, work is being carried out to increase information **transparency** as well as to improve the quality of the information published.

Red Eléctrica participates in the 'Community for Climate' initiative



### Adaptation to climate change

In addition to working on mitigation actions, Red Eléctrica is aware of the need to continue working in the field of adaptation to climate change.

On the one hand, **the inevitable physical changes in climatic parameters must be faced and on the other hand, we must address the social, economic and regulatory changes associated with the fight against climate change.**

For this reason, the Company regularly identifies and assesses both risks and opportunities derived from climate change and has begun to put in place various measures arising from said analysis. In 2018, work began the implementation

## Climate Change Action Plan: courses of action / Continued...



tools, the participation in regulatory proposals and the integration of energy storage systems that will enable the integration of renewables, while guaranteeing the security of the system.

- Contribute to a greater efficiency of the electricity system by improving knowledge of the **electricity demand** and the design and implementation of demand-side measures for its management.

- Prepare the operation of the system for the efficient penetration of the electric vehicle.

- Develop measures and carry out studies aimed at reducing transmission grid losses and increasing grid efficiency; working on improving those aspects that rely on Red Eléctrica's management.



The main areas of action are:

- The reduction of SF<sub>6</sub> gas emissions.
- The reduction of electricity consumption [efficiency measures] and of its associated emissions [100% renewable energy supply].

- The sustainable mobility plan.

- The involvement of the supply chain with Red Eléctrica's commitments.

- The incorporation of efficiency criteria and savings in the use of materials in the design of facilities.

- The offsetting of emissions, mainly due to the 'Red Eléctrica Forest' initiative.



promoted by several social entities, the Ministry of Ecological Transition, the Spanish Green Growth Group and several NGOs, whose objective is to promote actions for climate change within Spanish society.



of the recommendations of the **Task Force on Climate-related Financial Disclosures**, which implies a thorough review of the assessment and the incorporation of the consideration of different scenarios and also intensifying the economic quantification of the risks and opportunities identified.

***Red Eléctrica is a member of the Spanish Green Growth Group, an association for the promotion of public-private collaboration to jointly advance in the decarbonisation of the economy, working on aspects related to the mitigation of and adaptation to climate change and the circular economy.***



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

S U S T A I N A B L E

G R I D

D E V E L O P M E N T







ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# SUSTAINABLE GRID DEVELOPMENT

103-1 / 103-2 / 103-3

*The infrastructure planning in force since 2015 covers a period of six years and is binding in nature for the Company.*



PLANNING  
[OF INFRASTRUCTURE]

## OBJECTIVE

Guarantee electricity supply nationwide, taking into account economic efficiency and sustainability

## ELECTRICITY INFRASTRUCTURE PLANNING EU10

The current infrastructure planning, approved by the Spanish Council of Ministers in October 2015, covers a period of six years and is binding in nature for Red Eléctrica. In July 2018, the Council of Ministers approved the Amendment of certain aspects of said Planning.

This planning includes the projects of new infrastructure of the transmission grid necessary to guarantee the electricity supply nationwide, considering the aspects of economic efficiency and sustainability of the electricity system. In addition, physical, technological and environmental viability have been taken into account in the analyses carried out, prioritising those alternatives that allow a better use of the

C O R N E R S T O N E S / O F  
T H E / E L E C T R I C I T Y  
T R A N S M I S I O N / G R I D  
P L A N N I N G

Security of supply



Economic efficiency

Environmental sustainability







ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

existing grid. As a new aspect, the planning also includes a non-binding annex, for those facilities considered necessary with a post-2020 horizon, so that the administrative permitting process can begin.

The improvement of the transmission grid is carried out through two types of actions that are classified as: structural and those that allow connection to the grid. The actions related to each type are set out in the following table:

### Actions for the improvement of the transmission grid

Structural actions
· Resolution of technical constraints.
· Security of supply.
· Reliability
· International connections, links between islands, and connections between the Spanish peninsula and non-peninsular systems.
Connection actions
· Development of the grid associated with the programme for the high-speed railway network.
· Support for the electricity distribution network and new large consumer demand, mainly industrial.
· Evacuation of conventional and renewable generation.
· Connection of energy storage facilities.



### INVESTMENT

[2015-2020 PLANNING]

# 4,796

## M€

in the development of new electricity infrastructure



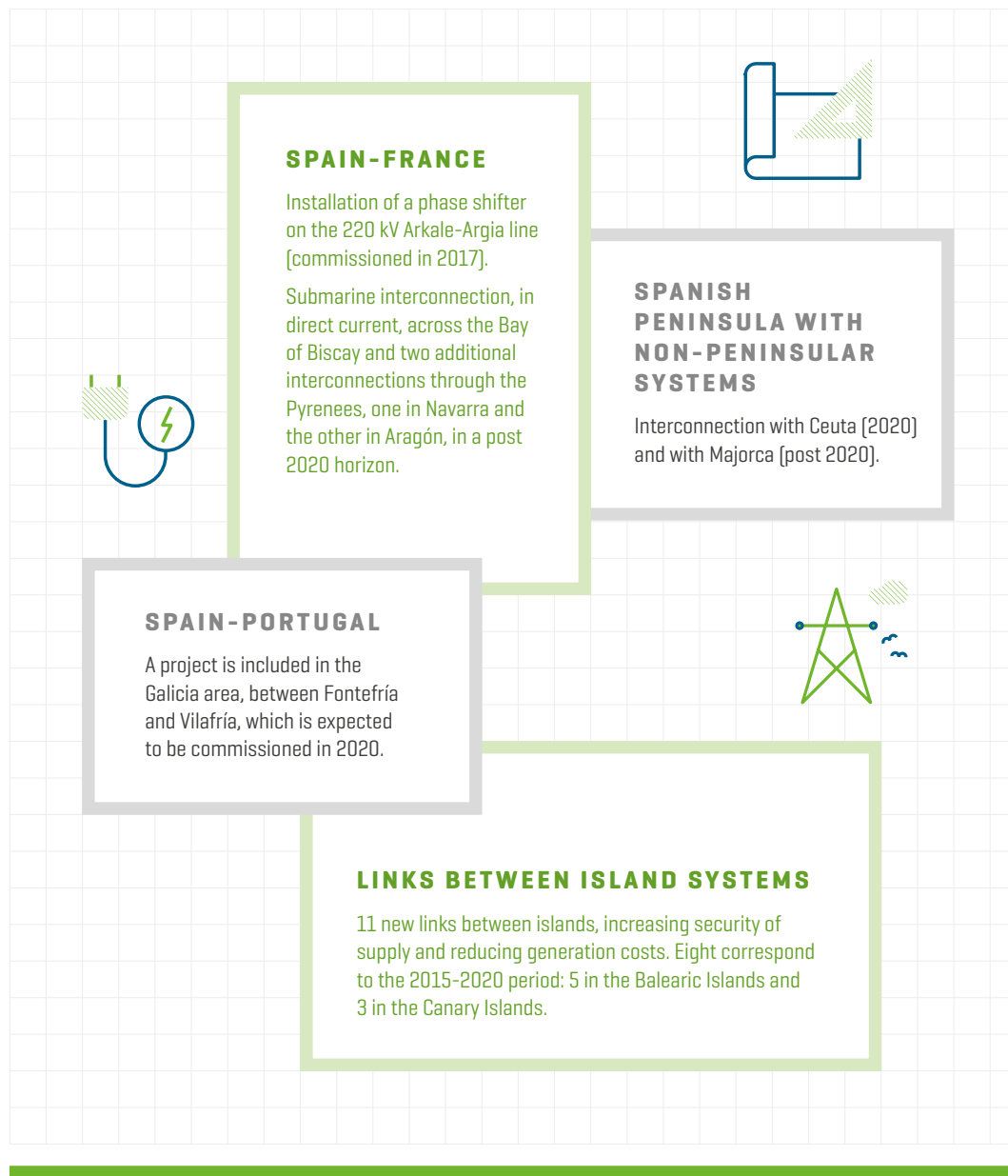
A fundamental aspect of this planning, due to its significant influence on improving the quality and security of the electricity system and the integration of renewable energy, is the development of interconnections between electricity systems: international interconnections, links between island systems and connections between the Spanish peninsula and the non-peninsular electricity systems.



**Interconnections between electricity systems are key elements in the planning in order to improve the quality and security of the electricity system and the integration of renewable energy.**

On the other hand, this planning includes, in an indicative manner, both the forecast of electricity consumption in the 2015-2020 planning period and the analysis of the demand coverage. This analysis assesses if the anticipated generation allows the demand forecasted to be covered.

Regarding the reliability of the system to cover the peninsular demand, a minimum coverage index of 1.1 is used [calculated as the quotient between the net power available in the system and the forecasted average hourly peak demand] as a figure that adequately guarantees the coverage of the demand of the system in an extreme situation, considering the main uncertainties such as the variability of renewable generation. Under these hypotheses, the planning does not foresee the need for additional power capacity to cover the demand peaks in the 2015-2020 horizon.





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



NEW  
LINE  
IN 2018  
**277**

**KM**

In addition to 149 new substation bays

**Regarding the reliability of the system to cover the peninsular demand, the planning does not foresee the need for additional power capacity to cover the demand peaks in the 2015-2020 horizon.**

### TRANSMISSION GRID CONSTRUCTION EU4

In 2018, investment in the transmission grid was basically allocated to the security of supply, the resolution of technical constraints, the development of interconnections between electricity systems and providing electricity to power the high-speed train.

Throughout 2018, 277 km of new line and 149 new substation bays were commissioned, and the transformer capacity was increased by 2,592 MVA, with an **overall investment in the transmission grid of 378 million euros.**

During 2018, the most significant actions carried out for the development of the transmission grid, by major project, were the following:

- **Abona project.** This aim of this project is to undertake the work necessary to contribute to grid meshing on the island of Tenerife and to evacuate special regime generation. The purpose of the Abona substation is for the evacuation of wind energy. In 2018, Red Eléctrica commissioned the substation and its associated incoming and outgoing feeder lines.
- **Son Moix project.** The main objective of this project is to solve the lack of sufficient energy evacuation capacity from the 220 kV Valldurgent substation for the city of Palma de Mallorca, to improve voltage control in the west of Palma de Mallorca and to support the 220/66 kV voltage transformation of the Valldurgent axis. The commissioning of the substation and the associated incoming and outgoing feeder lines is scheduled for 2019.
- **San Miguel de Salinas-Torrevieja project.** This project aims to increase the transmission grid meshing of the coastal axis of Levante and support distribution in order to supply a desalination plant in the area of Torrevieja (Alicante). Red Eléctrica commissioned the line in 2018.
- **Arinaga project.** This aim of this project is to undertake the work necessary to contribute to grid meshing on the island of Gran Canaria and to evacuate special regime generation. The purpose of the Arinaga substation is for the evacuation of wind energy. In 2018, Red Eléctrica



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

commissioned the Arinaga substation and the Arinaga - Barranco de Tirajana line. The commissioning of the Arinaga - El Escobar line is forecasted for 2021.

• **North Gerona Power Supply.** This project is related to the international interconnection with France. Part of it was commissioned in 2014, specifically the Santa Llogaia substation and the Bescanó-La Farga-Santa Llogaia line. The pending scope consisted of the construction of the La Farga substation and its associated incoming and outgoing feeder lines, commissioned in 2018.

• **Santa Elvira project.** The purpose of this project is the construction of a 220-kV substation and line for transmission grid meshing and supporting distribution in the city of Seville. The substation and the line encompassed within this are scheduled for commissioning at the end of 2019.

• **El Porís project.** This project aims to undertake the work necessary to contribute to grid meshing on the island of Tenerife and to evacuate special regime generation. The purpose of the El Porís substation is for the evacuation of wind energy. In 2018, Red Eléctrica commissioned the substation and its associated incoming and outgoing feeder lines, and the Arico II - El Porís line.

• **La Oliva - Puerto del Rosario project.** This project aims to undertake the work necessary to contribute to grid meshing on



the island of Fuerteventura and to evacuate special and ordinary regime generation, which will bolster the electricity system on the island between the Puerto del Rosario and La Oliva substations. The substations were commissioned in 2017 and the associated lines are expected to be commissioned between 2019 and 2020.

• **Tías - Playa Blanca project.** This project aims to guarantee the electricity supply in the south of Lanzarote and strengthen the connection with Fuerteventura. These measures, associated



JOINT INVESTMENT  
[IN THE TRANSMISSION GRID]

378  
M€

Thanks to which transformer capacity has been increased by 2,592 MVA



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# BAY OF BISCAY INTER-CONNECTION

Commissioning scheduled

# FOR 2024

*The mission of the Arkale phase shifting transformer, a key element of the interconnection with France, is to increase security of supply and strengthen international electricity exchanges.*

with the 132-kV submarine interconnection cable between Lanzarote and Fuerteventura, will provide Lanzarote's electricity system with higher levels of security of supply. The commissioning of the Playa Blanca substation is scheduled for 2019 and the rest of the project's facilities will be commissioned in 2020.

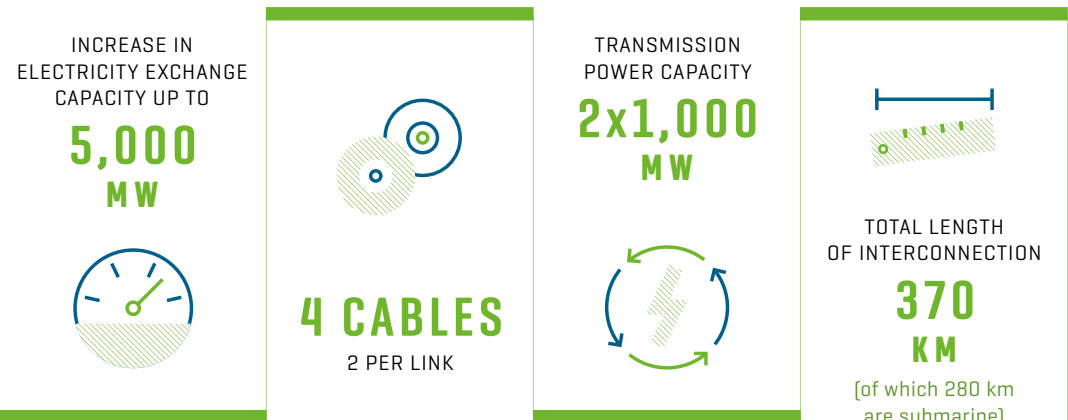
### Interconnection with France

In relation to the interconnection with France, the following actions have been carried out:

- **Arkale phase shifter.** This project, which aims to increase security of supply and strengthen international electricity exchanges, was commissioned in mid-2017.
- **Interconnection with France across the Bay of Biscay.** The purpose of this new interconnection with France (currently in the public information and consultation period) responds to the need to continue increasing the interconnection capacity with Europe, in order to achieve the

## INTERCONNECTION / WITH / FRANCE ACROSS / THE / BAY / OF / BISCAY

### Key data





European energy targets that allow access to clean, competitive and safe energy for all citizens.

The project consists of a submarine double link in direct current which is 370 km in length, of which 280 km are submarine, and which has a power capacity of 2,000 MW. With this project, whose commissioning is scheduled for 2024, the electricity exchange capacity with the European electricity system will be raised to 5,000 MW.

### Peninsular and non-peninsular transmission grids

	2016	2017	2018 (1)
km of 400 kV line	21,619	21,728	21,730
km of 220 kV line	19,479	19,507	19,619
km of 150-132-110 kV line	523	523	637
km of <110 kV line	2,025	2,034	2,083
<b>Total km of line</b>	<b>43,646</b>	<b>43,793</b>	<b>44,069</b>
400 kV substation bays	1,458	1,484	1,506
220 kV substation bays	3,152	3,180	3,236
150-132-110 kV substation bays	84	110	130
<110 kV substation bays	797	827	878
Total substation bays	5,491	5,601	5,750
Transformer capacity (MVA)	85,444	86,254	88,846

[1] Provisional data pending audit - in progress.

### Kilometres of line circuit

Data as at 31 December 2018 (1)

	Spanish peninsula	Balearic islands	Canarias islands	Total
Overhead lines (km)	39,951	1,105	1,187	42,243
Submarine cable (km)	265	540	30	835
Underground cable (km)	538	181	273	992
<b>Total</b>	<b>40,753</b>	<b>1,826</b>	<b>1,491</b>	<b>44,069</b>

[1] Provisional data as at 15 January 2019, pending audit - in progress. Data regarding kilometre of line circuit and transformer capacity is cumulative as at 31 December of each year.

### TRANSMISSION GRID MAINTENANCE

Red Eléctrica's mission is to guarantee that the facilities of the transmission grid are always in optimum condition, in terms of availability and reliability, through the application of **sustainable, efficient and safe maintenance policies**. To do this, the Company annually establishes a maintenance programme, which includes all the activities and resources necessary to guarantee the security and continuity of the electricity supply.

Among the actions carried out in 2018, the following are noteworthy:

- use of remote-controlled drones for the inspection of lines;
- execution of the VEGETA project, based on algorithms for the efficient management of vegetation, which seeks to balance forestry conservation with the safety of the facilities;
- implementation of the comprehensive monitoring system (SIMON), to integrate data

**Red Eléctrica implements sustainable, efficient and safe maintenance policies to guarantee that transmission grid facilities are in optimal conditions in terms of availability and reliability, and establishes a maintenance programme to guarantee the security and continuity of the electricity supply.**

**Service quality indicators**

	2016	2017	2018 <sup>(1)</sup>
<b>Peninsular transmission grid</b>			
Grid availability [%]	98.31	98.28	98.13
Energy Not Supplied [ENS] [MWh]	67	63	250
Average Interruption Time [AIT] [minutes]	0.141	0.131	0.518
<b>Balearic islands transmission grid</b>			
Grid availability [%]	96.93	97.84	96.80
Energy Not Supplied [ENS] [MWh]	0	33	37
Average Interruption Time [AIT] [minutes]	0.027	2.881	3.189
<b>Canary islands transmission grid</b>			
Grid availability [%]	98.06	98.12	98.45
Energy Not Supplied [ENS] [MWh]	457	47	63
Average Interruption Time [AIT] [minutes]	27.447	2.751	3.772

[1] Provisional data pending audit - in progress.

  
**HIGH LEVEL**  
OF SECURITY AND QUALITY

in the supply provided by the electricity facilities

processing and real-time visualisation of the status and condition of substation equipment, allowing the early detection of potential faults.

- Implementation of the tele-maintenance of the equipment with the consequent reduction of CO<sub>2</sub> emissions in work-related travel with Company vehicles and an increased efficiency in resolving both faults and incidents related to the system.

**SERVICE QUALITY**  
EU28 / EU29 / 103-1 / 103-2 / 103-3

The service quality indicators highlight for yet another year the high level of security and quality of supply provided by Red Eléctrica's facilities, being well within the benchmark established in the current legislation.



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

I N T E G R A T I O N  
O F  
R E N E W A B L E S





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# INTEGRATION OF RENEWABLES

103-1 / 103-2 / 103-3

*The CECRE continues to be a pioneering centre and worldwide reference for the integration of renewable energy.*

The core mission of the operation of the electricity system is to **guarantee the security and quality of the electricity supply, maximising the integration of renewable energy**, with the aim of contributing to the provision of a safe, efficient and sustainable electricity supply to citizens.

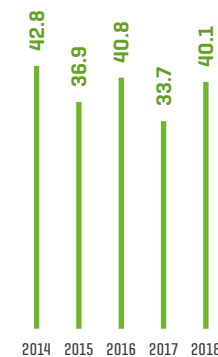
## INTEGRATION OF RENEWABLE ENERGY

### Peninsular electricity system

To make the operation of an electricity system possible, under safe conditions, with such a high penetration of renewable energy, the monitoring and control work undertaken by Red Eléctrica's Control Centre of Renewable Energy (CECRE) is essential. In this regard, CECRE continues to be a pioneering control centre of worldwide reference for the integration of renewable energy. The work it carries out has enabled a new all-time high in monthly wind energy production to be set in March 2018, reaching 7,644 GWh, as well as also setting a new all-time high of monthly demand coverage with wind energy generation, reaching 33.1%.

During 2018, the production of electrical energy coming from renewable sources represented 40.1% of the total energy generated in the Spanish peninsular electricity system.

Renewable energy generation on the Spanish peninsula <sup>(1)</sup> %



[1] Includes: hydro, wind, solar photovoltaic, solar thermal, other renewable and renewable waste.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

*The contribution of wind energy to national electricity production (19%) ranks this technology second only to that of nuclear energy.*



In line with previous years, the important contribution of wind energy generation is once again noteworthy, having contributed 19.8% to total energy generation mix, which ranks this technology second only to nuclear among the other generation technologies in terms of their contribution to the generation mix. Similarly, in the months of January, February, March, April, November and December, wind was the technology with the greatest contribution to the total energy production in the peninsular electricity system, reaching 24.3%, 22.3%, 33.1% and 22.4%, respectively.

**Balearic Islands electricity system**

The energy transferred from the Spanish peninsula covered 20% of the Balearic Islands demand, reaching peaks that exceeded 33% of hourly consumption, which has meant a saving of 14% in the coverage costs of the Balearic Islands system and has helped avoid the emission into the atmosphere of approximately 400,000 tonnes of CO<sub>2</sub> equivalent in the Balearic Islands.



BALEARIC ISLANDS SYSTEM

20%

of the energy demand on the Balearic Islands was covered with energy from the Peninsula



PENINSULAR SYSTEM

[MARCH 2018]

7,644 GWh

New all-time record for monthly wind production





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



### Canary Islands electricity system

In the Canary Islands, in 2018, Red Eléctrica commissioned the substations required to evacuate the production of wind farms corresponding to the first quota of the Wind Plan for this Autonomous Community<sup>[1]</sup>. In Gran Canaria, the Arinaga and Agüimes substations were commissioned; in Tenerife, the Abona and El Porís substations, and in Fuerteventura, the Jares substation was commissioned.

[1] Order IET/1459/2014, 6th Additional Provision, in its drafting according to Order IET/1953/2015.



### ISLAND OF EL HIERRO

in the month of July, the monthly integration of renewables into this system reached

96 %

With this, the installed wind power capacity on the Canary Islands has increased in the last year going from 219 MW to 400 MW, representing an increase of 82%. Furthermore, the contribution of generation coming from renewable sources in the Canary Islands has represented 11% of the total, 3% higher than in 2017. This substantial increase in installed renewable power capacity in the Canary Islands, wind in particular, has led to the revision of the operating criteria of the systems on the islands, in order to ensure the integration of renewable energy under secure conditions for the electricity systems in the Canary Islands.

For the island of El Hierro, an electricity system that is particularly relevant due to the Gorona del Viento hydro-wind power station, the continuous review of its operating criteria has enabled it to achieve even higher levels of renewable integration. In this regard, in July, the integration of renewable into this system reached 96% for the month, achieving a level of 60% for the year as a whole.

### ENERGY STORAGE

Red Eléctrica is the company responsible for developing energy storage projects through pumped-storage hydroelectric power stations whose main purpose is to guarantee supply, system security and the integration of non-manageable renewable energy in isolated electricity systems.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



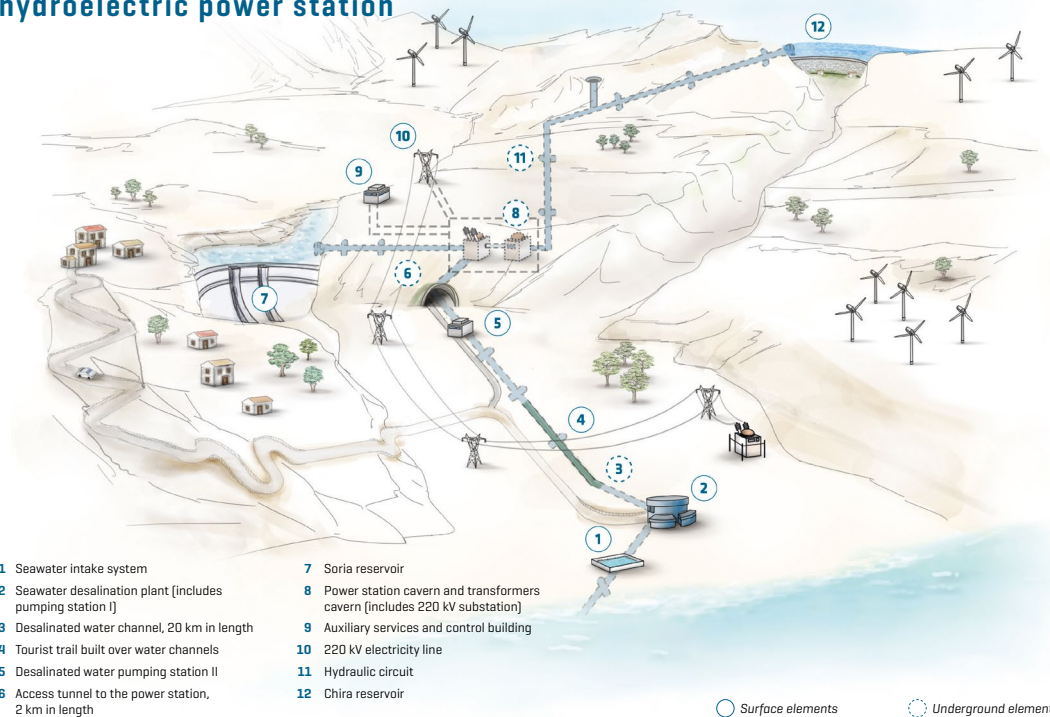
ANNEXES

### Chira-Soria pumped-storage hydroelectric power station (Gran Canaria)

Red Eléctrica's Chira-Soria project on the island of Gran Canaria involves the development of a power station that uses the excess renewable generation that cannot be integrated into the electricity system to pump water held in the lower reservoir back up to the upper reservoir so that it can be used to generate electricity at a later stage. Therefore, it will be possible to use this hydro generation

at times of lower renewable production. Nonetheless, the Chira-Soria project designed by Red Eléctrica goes one step further. The power station, in addition to storing a large amount of renewable hydro energy, through its flexibility and capacity to regulate generation, will be able to meet the objectives that led to its design: the integration of renewable energy, the security of the system and the guarantee of supply.

### Key elements of the Chira-Soria pumped-storage hydroelectric power station



- |  |   |
|--|---|
| 1 Seawater intake system                                   | 7 Soria reservoir   |
| 2 Seawater desalination plant (includes pumping station I) | 8 Power station cavern and transformers cavern (includes 220 kV substation) |
| 3 Desalinated water channel, 20 km in length               | 9 Auxiliary services and control building                                   |
| 4 Tourist trail built over water channels                  | 10 220 kV electricity line  |
| 5 Desalinated water pumping station II                     | 11 Hydraulic circuit  |
| 6 Access tunnel to the power station, 2 km in length       | 12 Chira reservoir  |

○ Surface elements      ○ Underground elements



OVER

300

M€

IN INVESTMENT

[CHIRA-SORIA POWER STATION]



200

MW

OF POWER

[CHIRA-SORIA POWER STATION]



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

***The Chira-Soria project represents the design and construction of a power station capable of storing surplus renewable generation that cannot be integrated into the electricity system at any given moment, thus avoiding the curtailment of clean energy generation.***

With an investment of over 300 million euros, the Chira-Soria power station will be capable of producing 200 megawatts of power, which represents around 36% of the current peak demand of Gran Canaria. The project includes the construction of a seawater desalination plant and the associated marine construction works, as well as the facilities necessary for its connection to the transmission grid in order to be able to evacuate said energy into the system. During the works, it is estimated that 500 direct and 1,500 indirect jobs will be created.

The need for this type of facility brings obvious benefits, especially in isolated or weakly interconnected systems such as that of the Canary Islands, which aim to move towards a more sustainable and efficient model:



An estimated

**500**

DIRECT JOB POSITIONS

[CHIRA-SORIA POWER STATION]

**OVER**

**1,500**

Indirect job positions created



- **Greater integration of renewable energy,** thanks to the use of surplus renewable energy.
- **Increased guarantee of supply,** due to the quick and efficient provision of 200 MW of power.
- **Enhanced system security.** Through its capacity to regulate generation, it will allow the high variability of renewable production to be more easily managed, while maintaining stable frequency values.
- **Greater energy independence and lower costs** for the electricity system, thanks to the reduction of fossil fuel imports.
- **Reduction of emissions and a greater efficiency of the electricity system.**

Regarding the progress made in 2018 on the development of the project, it is worth noting that in June the extended timeline allocated



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



## VDC TECHNOLOGY

Provides a qualitative leap forward in the development of construction engineering and control

### *The construction of the Chira-Soria pumped-storage hydroelectric power station on the island of Gran Canaria is scheduled to start in 2019.*

for the geotechnical campaign ended, which had a budget of 1.5 million euros, in order to determine, in greater detail, the geological and geotechnical characteristics of the terrain on which the power station will be built. Similarly, the design and engineering of the construction project has been awarded, as well as the technical assistance and management of the engineering construction project, for an approximate amount of 20 million euros, which implies the incorporation of a team of more than 70 people throughout the life of the project.

The design and modelling of the Chira-Soria power station is carried out using **Virtual Design & Construction technology (VDC)**, which provides a qualitative leap forward in the development of construction engineering and control. On the one hand, due to the virtual modelling technology used, adjustments can be made to the design taking into account the true on site requirements, thus enabling the Company to reduce the volume of paper used for updated printed project documentation. Additionally, the use of virtual reality for the

design process enables the optimal usage of construction site locations and enables the geometries of the site to be adjusted, integrating them into the landscape and minimising the visual impacts of the power station, reducing impacts on the environment and on the archaeological and ethnographic heritage of the island of Gran Canaria.

#### Other energy storage projects

With the same objective of incorporating new energy storage technologies to integrate renewable energy, guarantee the supply and security of the system, Red Eléctrica has undertaken relevant projects in this field, among which the following are noteworthy:

- **ALISIOS.** Energy Storage for the Integration of Renewables and Safe Operation of Isolated Electricity Systems. An innovation project for implementation of a power-intensive electricity storage system on the island of Tenerife with a 25 MW energy storage capacity and a 6.25 MWh power output, aimed at maximising the integration of renewables on the island under safe conditions.
- **ALMACENA.** Electrochemical energy storage solution to improve the efficiency of the electricity system. An innovation project that enables the challenges and capacities associated with an energy storage battery connected to the transmission grid to be analysed and evaluated. It consists of a lithium-ion battery with a 3 MWh energy storage capacity and a 1 MW power output.



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN

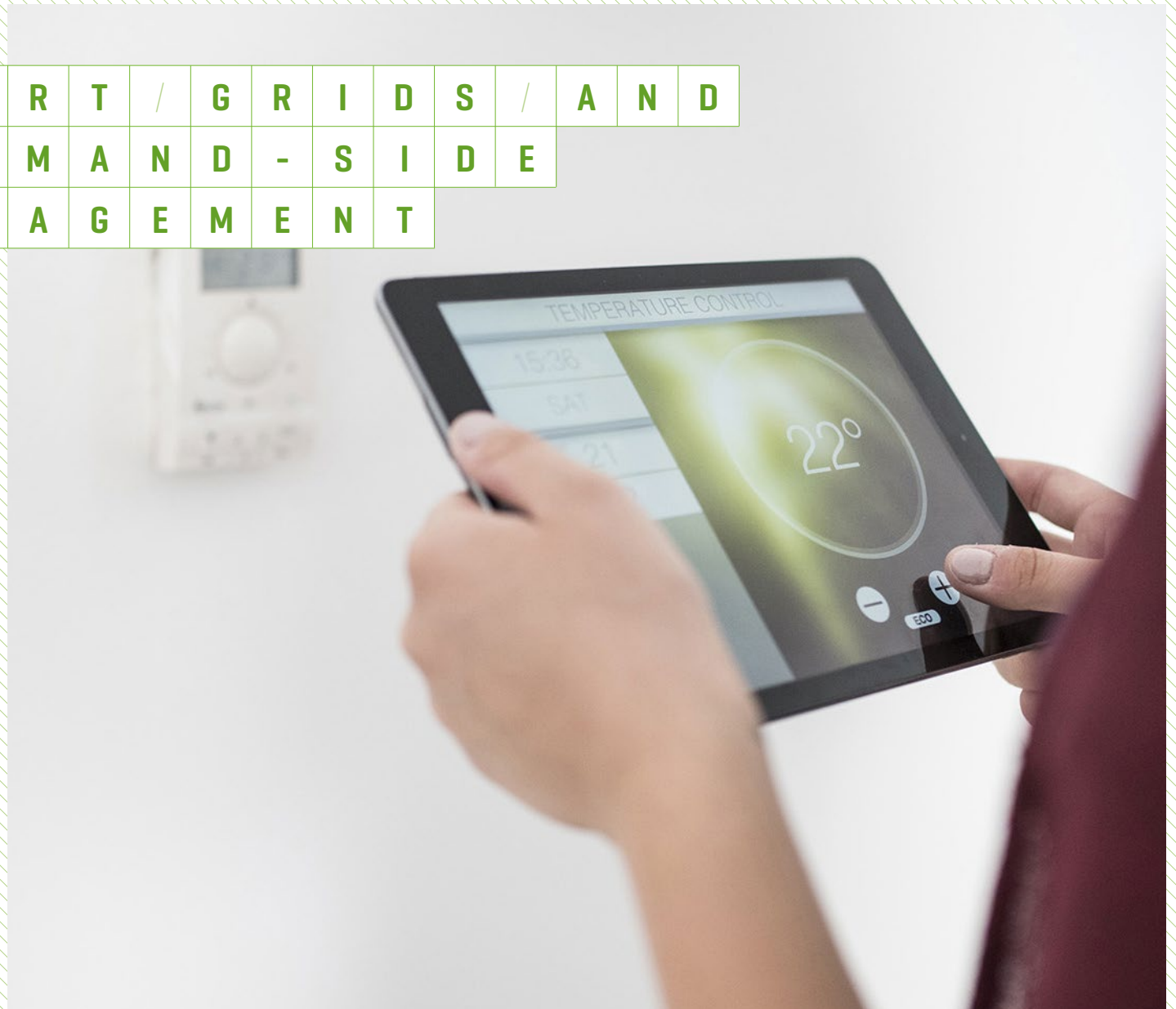


07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

S	M	A	R	T	/	G	R	I	D	S	/	A	N	D
	D	E	M	A	N	D	-	S	I	D	E			
M	A	N	A	G	E	M	E	N	T					







ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# SMART GRIDS AND DEMAND-SIDE MANAGEMENT

103-1 / 103-2 / 103-3

*The new energy model is characterised by a high presence of renewables and greater variability in the generation that will be balanced using new flexible resources.*



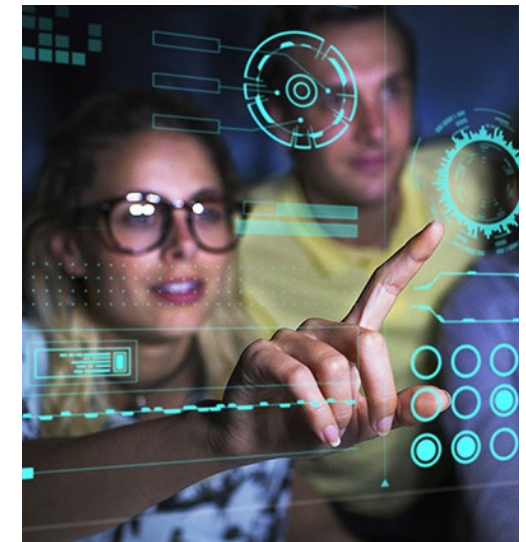
OBJECTIVE:  
EVOLVE  
TOWARDS A  
**SMART  
GRID MODEL**

That will make  
the energy  
transition possible

Red Eléctrica continues working actively on the promotion, development and dissemination of initiatives that enable the current electricity grid to evolve towards a smarter grid that will make the energy transition possible. The new energy model is characterised by a high presence of renewables and, therefore, greater variability in the generation that will be balanced using new flexible resources.

## TRANSFORMATION TOWARDS SMART GRIDS

Faced with the challenge of maintaining security of supply in a decarbonised electricity system, Red Eléctrica promotes initiatives for continuous improvement, innovation and





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



**CECOVEL**  
[CONTROL CENTRE FOR THE ELECTRIC VEHICLE]

Allows the monitoring and control of the

**ELECTRICITY DEMAND**

for the charging of electric vehicles

*For Red Eléctrica, smart grids incorporate new solutions, new assets and information and communication technologies that, having the consumer at the heart, constitute an interconnected and smart grid*

communication with its stakeholders that will allow the Company to take steps towards smart grids and anticipate solutions in the

various areas that are currently shaping the electricity grid of the future.

**Smart grids: classification of projects**

<b>Advanced monitoring and control</b> Increasing the monitoring of system parameters for improved operation.	<b>New analytical models</b> Development of new analytical models to gain greater knowledge and to be able to better predict the necessary variables, based on the information received from the smart grid.
<b>Electric vehicle</b> Solutions that facilitate the integration of electric mobility into the system via smart charging.	<b>Telecommunications and cybersecurity</b> Development of the communication network, which enables the operation of a smart grid, ensuring the cybersecurity of the connected network.
<b>Optimised management and operation of assets</b> Development of new solutions that allow the management and operation of smart grid assets to be optimised.	<b>Energy storage</b> Incorporation of new energy storage technologies to integrate renewable energy, guarantee supply and system security.
<b>Smart meters</b> Promoting this initiative so that consumption data reaches the consumers and other system users in order to carry out a more efficient management of the system.	<b>Active consumer</b> Initiatives that facilitate information, regarding the electricity system, to consumers allowing them to interact in an active manner.
<b>New solutions for the grid</b> Incorporation of new types of assets into the transmission grid that enable its functionalities to be supplemented and increased.	



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

**The Active Consumer App, developed during 2019, offers citizens useful information on the electricity sector, such as the price of energy, the percentage of renewable generation and CO<sub>2</sub> emissions, in an accessible and user-friendly manner.**

**Main projects**

- **CECOVEL (Control Centre for the Electric Vehicle).** This control centre of Red Eléctrica allows monitoring and control of the electricity demand for the charging of electric vehicles.
- **CECOPMU (phasor measurement in the control centres).** Advanced monitoring of the electricity system from the control centre, thanks to a measurement system with synchrophasor technology that allows the main electrical magnitudes (voltage, intensity and frequency) to be monitored, thus providing a real-time vision of the state of the electricity system and enabling the operation of an electricity system with a greater presence of renewable energy.
- **Smart Line.** Development of methodologies and tools that allow an optimisation of the management and use of the assets, and



INITIATIVES 2018  
**INTERNAL WORKSHOP**

for the exchange of experiences with other TSOs in the field of energy storage

a more flexible operation by knowing the capacity of the lines in real time, making a secure electricity supply possible when faced with the challenges of the new energy model.

- **Incorporation of the elements of the new energy model into demand coverage for its optimisation.** The existing model used for the calculation of demand coverage is adapted to the new energy transition, incorporating elements such as pure pumped storage, energy storage, flywheel, demand-side management, electric vehicles, microgrids and self-consumption.
- **Active Consumer App.** Development, during 2019, of a user-friendly mobile application to offer citizens useful information on the electricity sector, such as the price of energy, the percentage of renewable generation and CO<sub>2</sub> emissions. The initiative seeks to provide the consumer with information on the electricity sector that is easy to access so that they may have a more active role.

In addition, in 2018, Red Eléctrica has launched the initiative **‘Hablamos de...Redes Inteligentes’** [‘Let’s talk about ... Smart Grids’] which has led to the creation of an internal forum in the Company to share knowledge and experiences in the various areas of smart grids and that has resulted in an internal workshop where different areas of the Company had the opportunity to learn about the current experiences of other TSO in the field of energy storage.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## ACTIVE ELECTRICITY DEMAND

### Future participation of the demand in the balancing services

Another challenge that Red Eléctrica is already addressing is the participation of the demand in the balancing services, as a consequence of the European harmonisation process regarding ancillary services.

During 2018, Red Eléctrica has sent to the National Commission on Markets and Competition (CNMC), for its approval, its System Operator Proposal regarding the Terms and Conditions for the Balancing Service Providers (BSP) and for the Balance Responsible Parties (BRP), in accordance with article 18 of the European Electricity Balancing Guideline.

This guideline includes, among other aspects, the active participation of all generating facilities, including renewable -regardless of technology, demand and energy storage facilities in the balancing markets.

### Interruptibility service

This service is an industrial demand-side management tool provided by large consumers that offers a fast and efficient response to the needs of the electricity system. In this regard, the industrial consumers who provide this service reduce their consumption down to certain predetermined values upon request of the system operator.



Order IET/2013/2013, of 31 October 2013, introduced the challenge of incorporating a new allocation mechanism for the interruptibility demand-side management service based on an auction procedure. During 2018, the auctions for the provision of the Interruptibility Service for the period between 1 June 2018 and 31 December 2018, and for the period from 1 January to 30 June 2019, were successfully carried out. Specifically, the large industrial consumers of electricity in Spain have competed in auctions for the allocation of the interruptibility service which have resulted in the awarding of 2,600 MW of interruptible power for each period.



INTERRUPTIBILITY SERVICE

2,600 MW

of interruptible power allocated through an auction process





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

R	E	D	U	C	T	I	O	N
		O	F	/	T	H	E	
		C	A	R	B	O	N	
F	O	O	T	P	R	I	N	T







ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# REDUCTION OF THE CARBON FOOTPRINT

103-1 / 103-2 / 103-3

*In 2018, the Company redefined its emission reduction targets in order to increase its commitment in the fight against climate change.*



2030 TARGET

Reduce Scope 1 and 2 emissions by

40

%

per MWh transported with respect to 2015

Red Eléctrica has decided to adopt a firm commitment to reduce the emissions associated with the development of its activities, although it is not subject to any applicable regulations in this regard.

In 2018, the Company redefined its emissions reduction targets in order to increase its commitment in the fight against climate change. The new overall target has been approved by the Science Based Target initiative [SBTi].

Red Eléctrica is committed to a 40% reduction of Scope 1 and 2 emissions per MWh transported by 2030 compared to 2015 figures, which in absolute terms translates into a reduction of 30% for that same year. In addition, a preliminary reduction target of 10% has been set for the 2020 horizon, compared to 2015.

Throughout this chapter, we present the revised partial objectives included in the Climate Change Action Plan and the main actions carried out in each area of action.

## CALCULATION OF THE CARBON FOOTPRINT

Red Eléctrica prepares its emissions inventory based on the GHG Protocol methodology. Since 2013, this inventory has been subject to independent review in accordance with the ISAE 3410 standard. The Independent Assurance Report is included in the annexe to this report.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## Red Eléctrica prepares its emissions inventory based on the GHG Protocol methodology.

Noteworthy is the progress made with regard to extending the GHG Inventory to all the Group's activities. On the one hand, the 2018 data already includes the information of the REINTEL subsidiary. On the other hand, the calculation of Red Eléctrica Andina (REA) emissions for 2017 and 2018 has been carried out. During the next financial year, we will work on the integration of the methodology used in Peru in the calculation of the Group's global inventory.

In addition, the methodologies for calculating the carbon footprint associated with the life cycle of electricity facilities continue to be developed. Having completed in 2018 those corresponding to substations.

### REA Emissions

2017	2018
17,992 t CO <sub>2</sub> eq.	20,506 t CO <sub>2</sub> eq.
The figure includes the emissions of Scope 1, Scope 2 and some categories of Scope 3 (business trips, employee commutes, waste management and some consumption of auxiliary products).	



#### SINCE 2015

Red Eléctrica has recorded its emissions inventory in the Carbon Footprint Registry, offsetting and absorption projects of the Spanish Office of Climate Change (MITECO).

### CONTROL OF SF<sub>6</sub> EMISSIONS

The main direct emissions derived from the activities of Red Eléctrica are those of sulphur hexafluoride (SF<sub>6</sub>). This gas, despite its high global warming potential, has enormous technical advantages. It is a non-toxic gas that allows the distances between the various elements of the facilities to be much less, which makes it possible for the overall size of the facilities to be reduced and, therefore, enable them to be better integrated into the environment.

### Objectives of the Climate Change Action Plan

In 2018 and in line with the general objective approved by SBTi, a new specific reduction target has been set for SF<sub>6</sub>.

- Net reduction of SF<sub>6</sub> emissions compared to 2015: 20% in 2020 and 25% in 2030.

#### Goals for the replacement of old equipment for equipment with lower leakage rates

- Actions 2018: 1,477 tonnes of CO<sub>2</sub> eq. per year avoided.
- Actions 2015-2018: 3,102 tonnes CO<sub>2</sub> eq. per year avoided.
- 2015-2020 Objective: Avoid the emission of more than 2,300 tonnes of CO<sub>2</sub> eq. per year. Objective fulfilled.

*Note: The calculation of avoided emissions is carried out taking into account the theoretical leakage rates of the equipment, depending on its age. The objective has been met in 2018. A new goal will not be defined in this regard, as an objective of SF<sub>6</sub> net reductions has been approved.*



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

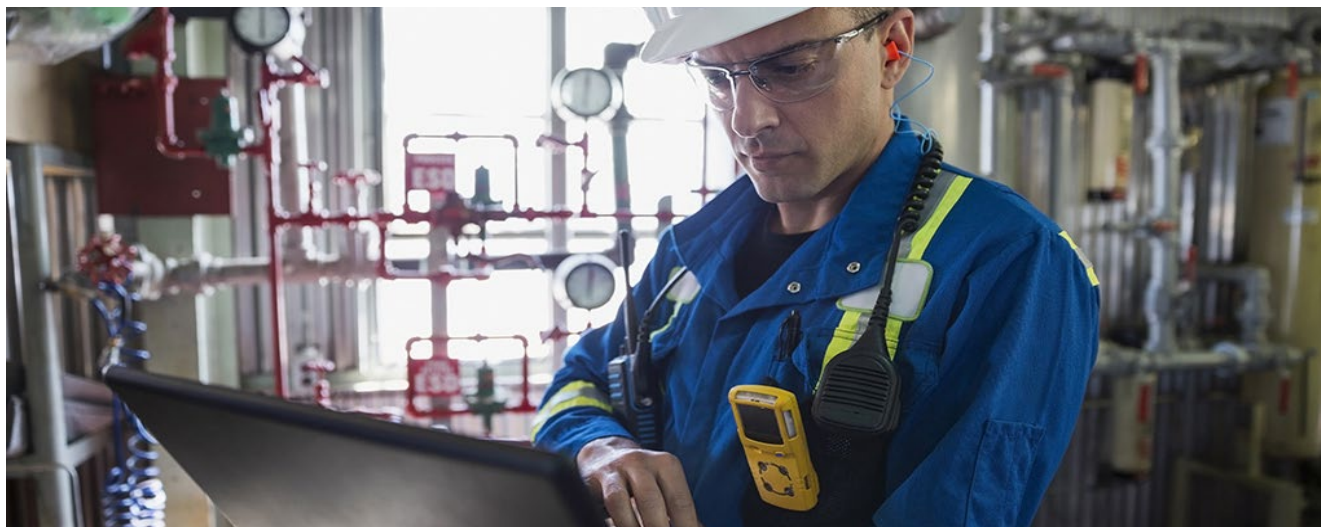


TRAINING

444

EMPLOYEES

have a SF<sub>6</sub> gas handling certificate



SF<sub>6</sub> emissions are associated with small leaks in the equipment, leaks during gas decanting and accidents or breakdowns that may occur, which makes it very difficult to establish measures and objectives to reduce them.

For Red Eléctrica, this is a priority issue, therefore the Company has different courses of action in progress aimed at better gas control and leakage reduction. The most relevant are the following:

- Improvement in gas inventory registration procedures, follow-up measurement and the recording of leaks.
- Training of the people involved in the handling of the gas. Red Eléctrica has two

training centres legally recognised and which are equipped with a classroom for theoretical classes and a workshop for conducting hands-on practice in which 483 employees have been trained since 2013 [444 of them have an official certificate for gas handling].

- Renovation of switchgear, replacement of old equipment for equipment with lower leakage rates.
- Projects to improve the detection and control of leaks. In 2018, the **innovation project 'Development of SF<sub>6</sub> leak repair methodology in GIS facilities** was successfully completed, which enables the repair of breakdowns without dismantling the damaged sections and this significantly

## Red Eléctrica continues working in collaboration with the public administration and other entities in the search for solutions aimed at controlling and reducing SF<sub>6</sub> emissions.

speeds up the work. Breakdowns in GIS substations have accounted for more than 50% of the total number of gas leaks in 2018. Thanks to this methodology, it has allowed repair works to be carried out in the Murterar substation, where 20% of the total number of leaks this year were registered. The result of the actions carried out will be reflected in the data for 2019. In addition, similar repairs have been planned for four other facilities for 2019.

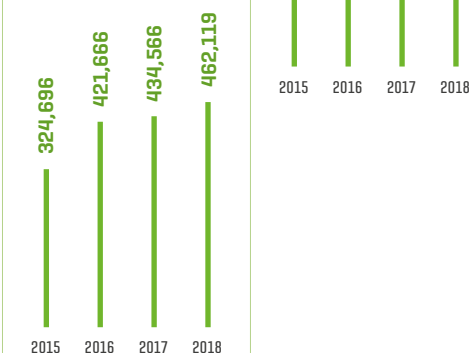
At the same time, other innovation projects are being developed in this field, such as the 'Implementation of a leaked gas capture system in indoor GIS substations' or 'SF<sub>6</sub> sensors through the use of graphene-based materials.

- Innovation projects aimed at **finding alternatives to SF<sub>6</sub> gas**. During 2017 and 2018, significant progress was made in the study of alternatives to SF<sub>6</sub> in GIS switchgear. Lastly, two 66 kV gas insulated switchgear units using alternative gases were purchased; said units will be installed as mobile switchgear units in the Canary

Islands. The development of this project has been considered a priority for the Company in 2018 [managerial objective]. During 2019, in addition to continuing to develop this project, work will begin on the study of alternatives to SF<sub>6</sub> in AIS switchgear.

Additionally, Red Eléctrica continues working in collaboration with the public administration and other entities in the search for solutions aimed at controlling and reducing these emissions within the framework of the "Voluntary Agreement signed in May 2015 between the Ministry of Agriculture, Food and Environment, the manufacturers and suppliers of electrical equipment that use SF<sub>6</sub>, the electricity transmission and distribution companies and the waste managers of this gas and the equipment that contains it, for a comprehensive management of the use of SF<sub>6</sub> in the electricity industry that is more respectful to the environment".

Evolution of SF<sub>6</sub> gas installed in Red Eléctrica (1)



(1) The increase in installed gas is mainly due to the commissioning of new facilities and the replacement of old equipment for SF<sub>6</sub> insulated equipment, although it is also associated with the updating of the inventory of Gas Insulated Substations (SF<sub>6</sub> insulated), which has enabled data regarding the gas contained in them to be measured.

(2) The maximum leakage rate for equipment in service established in the Voluntary Agreement for the management of SF<sub>6</sub> signed in 2015 is 0.5%. This rate is fixed for equipment commissioned as of the date of the agreement was signed, allowing previously installed equipment to have higher leakage rates.

The leakage rate in 2018 increased due to the increase in gas emissions that year. This increase is due to an accident (which accounted for 12% of the gas leaks in 2018) and to various breakdowns in Gas Insulated Substations (which accounted for 51% of the leaks). Some repair work has already been carried out and is expected to continue throughout the year. The 2017 rate has been adjusted with respect to that published in 2018.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## EFFICIENCY IN ELECTRICITY CONSUMPTION

One of the cornerstones of the Company's Climate Change Strategy is the commitment to energy efficiency at all levels. There are different projects included in the Strategy aimed at reducing the consumption of electricity in the different facilities of the Company.

### Reduction targets

(with respect to 2015 as the base year)

#### 2030 Target

- Reduction of emissions associated with electricity consumption: 85 % in 2020 and 90 % in 2030.
- Reduction of electricity consumption in work centres: 10 % in 2020 and 30 % in 2030. <sup>[1]</sup>

*[1] This target was updated in 2018 in accordance with the new overall reduction target of the Company.*

#### Progress 2018

- Reduction of emissions associated with electricity consumption in work centres: 86.4 %.
- Reduction of 13 % of electricity consumption in work centres in 2018 vs 2015.

## Efficiency measures

### Buildings

- Energy management system certified under the ISO 50001 standard** in the buildings of the Head Office. It is planned to extend this certification to other facilities, beginning in 2019 for the facilities of the Campus of the Red Eléctrica Group.
- Efficiency measures in existing buildings:** in the last year, improvements have been implemented in the HVAC system, lighting and insulation systems in 11 work centres, which will represent an estimated saving of **61,065 kWh per year**.
- New buildings:** A building is currently under construction to replace the control centre building (CECORE). This will include the use of geothermal energy and construction measures that will bring it closer to nearly zero consumption values (Nearly Zero Energy Buildings).
- Improvement in work centres:** The offices of the Northwest Regional Office have been moved to a new building, that is better adapted to the needs of the personnel. The savings in electricity consumption is estimated at 80 %. The move took place in the final quarter of the year, so the reductions will be reflected in next year's inventory.

- Application of **efficient use policies** in all end-user IT systems. The measures implemented since 2016 represent a decrease of 20 % in the average energy consumption per computer.
- Improvement of the IT systems of the **Electricity Control Centre (CECOEL)**, which entails an estimated annual saving of **270,000 kWh**.

### Substations

- Rationalising the use of lighting: Since 2017, work has been done on improving remote lighting control systems, which has enabled the night-time shutdown of the lighting of a large number of substations. Shutting down lighting in these facilities was incorporated into this project in 2018 and represents an annual saving of 1,788,500 kWh. Currently, this criterion is applied to 72 % of the substations, a figure that will increase in the coming years.

### IT Systems

- Renewal of IT equipment and systems in accordance with maximum efficiency criteria:** in 2018, a renewal of equipment (laptops, desktops and data storage systems) was carried out, representing an estimated reduction in electricity consumption of **70,718 kWh per year**.





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



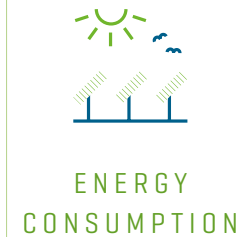
ANNEXES



### Use of renewable energy

Red Eléctrica, in addition to having a key role in the integration of renewable energy into the system as a whole, is committed to the use of renewables to cover the electricity consumption of its facilities. 85% of the electricity consumed in work centres and telecommunications shelters in 2018 was of renewable origin.

In addition, two of the Company's work centres have HVAC installations based on geothermal energy and work is underway to implement this in a third work centre.



85

%

of the electricity consumed comes from renewable sources (energy with a Guarantee of Origin [GoO] or green energy)

### Red Eléctrica eficiente

To make the Company's commitment to efficiency visible and to encourage employees to identify and drive projects that promote the efficient use of natural resources, the internal efficiency brand 'Red Eléctrica eficiente' was created, which identifies all these projects.

Each year, some of these projects are recognised for their contribution to the achievement of the various efficiency targets. In the 6<sup>th</sup> Edition of the 'Red Eléctrica eficiente' Awards, the following were noteworthy:

- **Geothermal energy in Red Eléctrica:** HVAC systems with geothermal energy in the buildings of Tres Cantos and San Sebastián de los Reyes. Both projects have been successful and represent significant savings in electricity consumption.
- **Selling off of power machines:** commitment to the circular economy looking for alternative solutions for equipment and material that has reached the end of its useful life.
- **Smart Grids Flash App:** mobile application developed to spread the content of the Smart Grid Flash newsletter via mobile phones. This bulletin aims to keep the staff of Red Eléctrica informed about the future of the energy transition and about the changing role of the Company and its backing for this ongoing trend.

**78% of Red Eléctrica's vehicles (including passenger cars, 4x4s, vans, car-derived vans, trucks, shared leasing, executive vehicles and electric pool vehicles) have an energy rating of A or are electric (compared to 68% in 2016).**



RED ELÉCTRICA

has maintained the

**'ECOLOGICAL FLEET'**

accreditation in its 'Master' category according to the AEGFA and the IDAE

### SUSTAINABLE MOBILITY

Red Eléctrica has been working for some years on the optimisation of work-related trips and in the reduction of the emissions associated with them. In 2014, the Company decided to give a greater impetus to this task and approved its **Sustainable Mobility Plan** with the aim of incorporating a new culture of mobility within the Company. The most important measures developed in recent years include:

- **Efficient management of fleet vehicles**, by progressively improving the energy rating of vehicles used by selecting the best existing technologies and optimising their use through the application of CARS (Agile, Responsible and Safe Driving System), which provides information on efficient routes and responsible driving. Thanks to all these actions, since 2015 Red Eléctrica

has maintained the 'Ecological Fleet Accreditation' in its 'Master' category (the most demanding one) received from the Fleet Managers Association (AEGFA) and the Institute for Diversification and Energy Saving (IDAE).

- **Measures to optimise work-related travel.** Implementation of a corporate fleet of electric vehicles for commuting during the working day, prioritisation of the use of efficient taxis and improvements in communication tools to reduce the need for travel (video conferences and platforms for remote access).
- **Rationalising the use of private vehicles in the daily commute to work centres.** The Company has a Company bus service and shuttle services connecting the office with various locations. The transport pass is included among the options of the benefit in kind for employees and the use of car-sharing is promoted (8.5% of employees are using this measure on a regular basis compared to 6% in 2016).



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

**Red Eléctrica has received recognition from the Sub-directorate of Air Quality and Industrial Environment of the Ministry for Ecological Transition for its involvement in the promotion of sustainable mobility.**

### Climate Change Action Plan targets

(with respect to 2015 as the base year)

- Reduction of emissions associated with the use of Red Eléctrica vehicles: 30% in 2020 and 50% in 2030.
- Reduction of emissions associated with work-related travel using vehicles: 20% in 2020 and 40% in 2030. [1]

[1] This target was updated in 2018 in accordance with the new overall reduction target of the Company.

#### Evolution of the 2018 targets

- Reduction of emissions associated with the use of Red Eléctrica vehicles: 24.5%
- Reduction of emissions associated with work-related travel using vehicles: 45.6%



### SUSTAINABLE MOBILITY

Several safe routes for riding

### ELECTRIC BICYCLES

have been organised as part of the European mobility week

Additionally, Red Eléctrica collaborates with initiatives promoted by external organisations in the field of sustainable mobility. Thus, in 2018, the Company has participated in the Advisory Board of the Sustainable Mobility Observatory (Club de Excelencia de Sostenibilidad); the CONAMA working group regarding mobility plans for the daily commute and the European Mobility Week. In the latter, the Company has registered two initiatives: the installation of charging points for electric vehicles for employee cars and special conditions for the full electrical installation of a charging point at home as well as any associated installation required. Also included is the identification of safe routes for those people wishing to use electric bicycles.

Red Eléctrica has received recognition for its involvement in the promotion of sustainable mobility, issued by the Sub-directorate of Air Quality and Industrial Environment of the Ministry of Ecological Transition.

### SUPPLY CHAIN

The emissions associated with the supply chain are those that have the greatest impact on the indirect emissions of the Company (Scope 3). Therefore, in 2018, Red Eléctrica has designed a roadmap to continue improving in the management of these emissions. The main objectives sought are:



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

- Involve suppliers in Red Eléctrica's commitment, providing appropriate guidelines to suppliers in order to promote changes in their emission management and foster collaboration.

- Integrate more direct information in the calculation of Scope 3 emissions, to improve their analysis and monitoring.

- Be willing to establish ambitious commitments for the reduction of Scope 3 emissions.

During 2019, the Company will begin a specific work programme with the suppliers that have the greatest impact on Red Eléctrica's carbon footprint.

### OFFSETTING OF EMISSIONS

Red Eléctrica has put into effect different alternatives for the reduction of its emissions. However, given the nature of the emissions [the main direct emissions are unclear] and the characteristics of the Company's activities, in order to achieve greater progress in reducing the Company's carbon footprint, it is important to work on actions to offset emissions.

The main method for offsetting emissions is the execution of the Red Eléctrica Forest project, described in the section in this report entitled 'Conservation of natural capital'.

In 2018, two new forests were planted: the Chajaña Forest (Tenerife) and the Asturias Forest. It is estimated that they will offset 10,020 tonnes of CO<sub>2</sub>, which is equivalent to 25.5% of the direct emissions for 2018.

In addition, for the fifth consecutive year, the Company has offset part of its emissions derived from the daily commutes of its employees by purchasing **2,090 VCUs (Verified Carbon Unit)** under the VCS (Verified Carbon Standard), which corresponds to the emissions generated by all those workers who have answered the 2018 mobility survey (53.6% of the workforce). The offsetting has been made by supporting a project which was selected by the participants in the survey: The Madre de Dios Amazon REDD Project, aims to reduce deforestation in the Amazon jungle (Peru) and contributes to the conservation of biodiversity in the area and the development of indigenous communities.



VCU  
(VERIFIED CARBON UNIT)

The Company has offset the emissions generated by

**53.6**  
%

of the workforce when commuting to work centres



TWO  
NEW  
FORESTS

one in Tenerife and another in Asturias that will offset

**25.5**  
%

of direct emissions



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## TRANSMISSION GRID LOSSES 103-1 / 103-2 / 103-3 / EU12

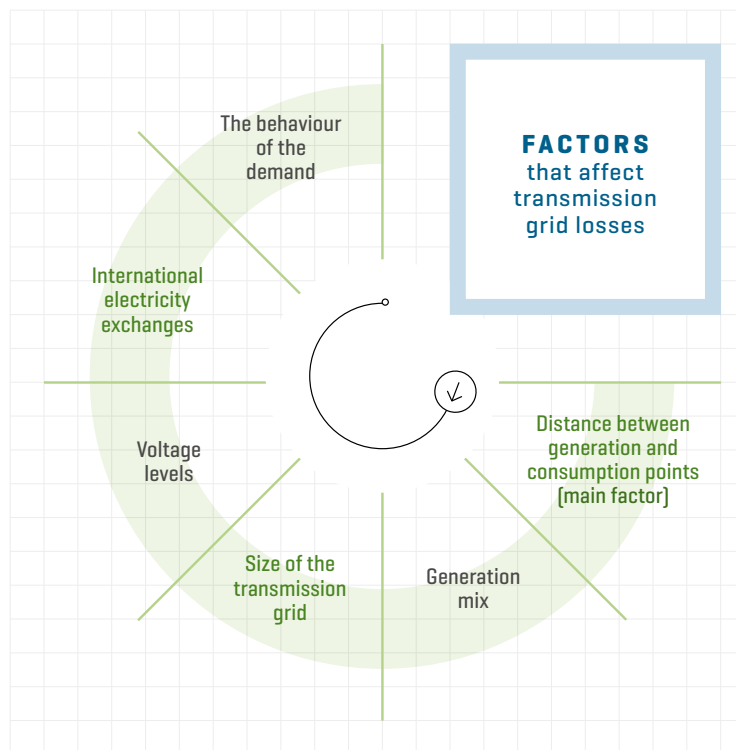
The energy losses in the transmission grid are accounted for within the emissions of Scope 2, as indicated by the GHG Protocol. The emissions associated with them are calculated taking into account the energy lost in the grid (transmission grid losses) and the emission factor of the energy mix (calculated by Red Eléctrica according to the amount of energy generated by the different technologies). None of these factors is under the control by the Company.

The transmission of electricity inevitably leads to energy losses in the grid. This means that, to satisfy a given final consumption, a slightly higher level of generation is required.

Several factors generate losses: the Joule effect, the corona effect and the own consumption of the electricity substations necessary for their correct operation. Of these, the most relevant, without a doubt, is the Joule effect [1], associated with the flow of current through the conductors.

Red Eléctrica works to improve the aspects that depend on its management and that can influence the reduction of these losses. Among them, the following actions are noteworthy:

- **Development and meshing** of the transmission grid.
- **Increase** in the number of conductors per circuit.
- **Use of technologies** and systems with the best performance.
- **Maintenance of the facilities** in the best conditions to ensure their proper functioning.



ENERGY LOSSES

MAIN FACTOR

The distance between generation and consumption points

[1] **Joule effect:** the effect whereby, when an electrical current flows through a conductor, part of the kinetic energy of electrons is transformed into heat which thereby raises the temperature of the conductor. Joule effect losses are proportional to the intensity flowing through the conductor and the resistance thereof, the greater the length of the line the greater this resistance is. In view of this, it can be understood that the losses are mainly related to the distance between points of generation and consumption.





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

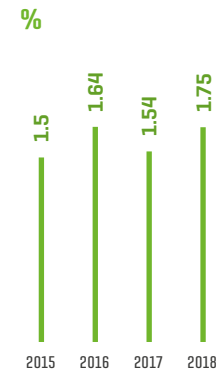
**Red Eléctrica works to improve the aspects that depend on its management and that can have an influence on the reduction of transmission grid losses.**



The first two measures seek to create parallel routes in order to allow a given intensity to flow, which in turn results in lower resistance and, therefore, reduced losses. However, all these improvements have a minor impact on the evolution of energy losses, as other aspects, not controlled by Red Eléctrica, have the greatest influence.



**Transmission grid losses with respect to the peninsular demand**



*Note 1: During 2018, the methodology for calculating the transmission grid losses was modified. The data has been recalculated for the historical series, according to the new methodology.*

*Note 2: The increase in the percentage of losses in 2018 is mainly associated with the electricity generation mix. In 2018, the share of renewable energy has increased (going from 33.7% in 2017 to 40.1% in 2018), and this is generally further away from the consumption areas.*

Increased losses are mainly due to the increase in distances between generation and consumption points. The structure of electricity generation depends on the rules of the electricity market, regulated by an independent body. The function of Red Eléctrica as operator of the electricity system must be carried out in accordance with specific and mandatory operating procedures. According to these procedures, it is not possible to operate the electricity system based on loss reduction criteria, so the Company has little capacity to act in relation to said reduction.

On the other hand, it is important to note that, in the case of the Spanish electricity system, the increase in losses is closely related to the share of renewable energy in the generation mix. Normally, increases in hydro and wind generation are related to an increase in transmission distances (this type of generation is not usually that close to the consumption points).



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# CARBON FOOTPRINT INDICATORS

## Fuel consumption 302-1 | litres |

	2015	2016	2017	2018
Diesel (1)	450,752	712,853	567,942	462,169
Petrol (1)	23,799	49,768	52,124	201,470
Biodiesel (1)	121	0	0	0
LPG Autogas (1)	33	0	0	0
Auxiliary diesel generating units (2)	5,061	3,452	1,212	3,476

(1) Fuel consumed by Red Eléctrica vehicles (fleet, shared leasing and management/executive vehicles) corresponds to the refuelling of vehicles in the year indicated. (2) Refuelling of diesel for the auxiliary generating units in the year indicated.

## Electricity consumption 302-1 | kWh |

	2015	2016	2017	2018
Total	16,169,682	15,540,936	15,177,175	14,583,566

Note: Includes the consumption of the Head Office, the electricity control centres (centres that operate 24/7 and have a high energy consumption) and the work centres (Regional offices and maintenance centres). Since 2016, consumption of electric vehicles is included. The 2018 data includes the electricity consumption of telecommunication shelters (REINTEL activity).

## Summary of energy consumption (1) 302-1 | joules |

	2015	2016	2017	2018
Fuel consumption	1.70·10 <sup>13</sup>	2.82·10 <sup>13</sup>	2.28·10 <sup>13</sup>	2.4·10 <sup>13</sup>
Electricity consumption	5.82·10 <sup>13</sup>	5.59·10 <sup>13</sup>	5.46·10 <sup>13</sup>	5.25·10 <sup>13</sup>

Note: 1 kWh = 36·10<sup>6</sup> joules; 1 litre of diesel fuel = 37·10<sup>6</sup> joules; 1 litre of gasoline = 34·10<sup>6</sup> joules, 1 litre of gas oil = 37·10<sup>6</sup> joules; 1 litre of biodiesel = 32.79·10<sup>6</sup> joules; 1 litre of LPG = 25.7·10<sup>6</sup> joules  
(1) Total consumption data in joules following criteria defined by GRI.

## Indirect energy consumption. Electricity 302-1

	2015	2016	2017	2018
Transmission grid losses (MWh) (1)	3,943,023	3,587,687	3,409,173	4,689,825
Transmission grid losses (joules)	1.42·10 <sup>16</sup>	1.29·10 <sup>16</sup>	1.23·10 <sup>16</sup>	1.69·10 <sup>16</sup>

Note: The data reflected in this table include the losses in the peninsular system and those of the Balearic Islands and Canary Islands systems. In 2018, the methodology to report the transmission grid losses changed. The data has been recalculated for the entire historical series, according to the new methodology.

(1) Losses in the electricity transmission grid are related to the location of generation points in relation to the consumption points, the greater the distance, the greater the losses, the amount of energy demanded during the year, the generation mix of the year (share of each generation technology in the total energy generated), international exchanges and the shape of the demand curve. Practically none of these factors are under the control of REE, making it very difficult to reduce losses. Nonetheless, REE works to identify and improve those areas in which it can have an impact. During 2018, losses in the transmission grid have increased compared to the previous year, mainly due to the different distribution of generation in the Spanish peninsular system (greater share of renewable generation, which is normally located further away from the consumption areas).



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## External energy consumption. Internal logistics

### 302-2

	2015	2016	2017	2018
Fuel consumption (litres)	238,240	196,973	210,870	208,065
Fuel consumption (joules)	8.82·10 <sup>12</sup>	7.29·10 <sup>12</sup>	7.80·10 <sup>12</sup>	7.69·10 <sup>12</sup>

**Note 1:** This fuel consumption corresponds to the transportation of materials between the Company's various facilities (internal logistics). It does not include other types of transportation of materials or people.  
**Note 2:** 1 litre of gas oil = 37·10<sup>6</sup> joules

## Energy intensity

### 302-3

	2015	2016	2017	2018
Electricity consumption per employee in Head office (kWh/employee) [1]	7,126	6,763	6,421	6,180
Transmission grid losses – peninsular and non-peninsular systems (MWh/MWh transported) [%] [2]	1.503	1.355	1.273	1,747
Average consumption of vehicles for logistical use (external) (litres/100 km)	26.6	26.4	24.6	24.3

[1] For the calculation, all personnel working in the Head Offices –Moraleja and Albatros– (employees of the Group, interns, temporary workers and collaborators) are taken into account.

[2] In 2018, the methodology to report the transmission grid losses changed. The data has been recalculated for the entire historical series, according to the new methodology.

The percentage indicated corresponds to the energy dissipated in losses with respect to total demand. Losses in the electricity transmission grid are related to the location of generation points in relation to the consumption points, the greater the distance, the greater the losses), the amount of energy demanded during the year, the generation mix of the year (share of each generation technology in the total energy generated), international exchanges and the shape of the demand curve. Practically none of these factors are under the control of REE, making it very difficult to reduce losses. Nonetheless, REE works to identify and improve those areas in which it can have an impact. The increase in the percentage of losses in 2018 is associated with an increase in total losses, basically due to the distribution of generation in 2018 with a greater share of renewables, which is normally located further away from the consumption areas).

## Reductions in electricity consumption

### 302-4

	kWh/for the year	Joules per year
Efficiency measures in work centres: improvements in insulation, HVAC systems and lighting	61,065	2.2·10 <sup>11</sup>
Efficiency measures in work centres: improvement in work centres	100,000	3.6·10 <sup>11</sup>
Efficiency measures in electricity substations: switching off of night-time lighting	1,788,500	6.44·10 <sup>12</sup>
Efficiency measures in computer IT equipment: renewal of desktops and laptops, data storage systems and improvement CEOEL of IT systems	340,718	1.23·10 <sup>11</sup>

**Note:** The estimated annual reductions derived from the measures carried out in 2018 have been included (estimates made based on equipment specifications or actual data on reduced consumption depending on the implementation of the measures).

## Direct greenhouse gas emissions (Scope 1) [1]

### 305-1

Direct (Scope 1)	2015	2016	2017	2018
SF <sub>6</sub> [2]	31,651	28,770	26,453	36,921
HVAC systems	840	610	709	545
Fleet vehicles	2,124	1,898	1,556	1,604
Auxiliary diesel generating units	182	222	275	202
<b>Total direct emissions</b>	<b>34,797</b>	<b>31,499</b>	<b>28,994</b>	<b>39,272</b>

[1] The calculation of emissions is performed from an operational control perspective. The information on the inventory scope and methodology is available on the REE website (<https://www.ree.es/en/sustainability/decarbonisation-of-the-economy/carbon-footprint>).

The inventory was submitted to independent review in accordance with ISAE 3410.

[2] Taking GWP (Global Warming Potential) at 100 years: 22,800 (Source IPCC, Intergovernmental Panel on Climate Change: 4<sup>th</sup> assessment report).

\* The SF<sub>6</sub> emissions data (and 2017 total) has been updated with respect to that reported last year.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## Indirect greenhouse gas emissions from the generation of energy (Scope 2) <sup>(1)</sup> | t CO<sub>2</sub> equivalent | 305-2

	2015	2016	2017	2018
Associated with electricity consumption <sup>(2)</sup>	5,441	1,664	946	801
Derived from transmission grid losses <sup>(3)</sup>	1,135,791	1,044,416	1,162,865	1,116,606
<b>Total indirect emissions</b>	<b>1,141,232</b>	<b>1,046,080</b>	<b>1,163,812</b>	<b>1,117,407</b>

<sup>(1)</sup> The calculation of emissions is performed from an operational control perspective. The information on the inventory scope and methodology is available on the REE website (<https://www.ree.es/en/sustainability/decarbonisation-of-the-economy/carbon-footprint>).

<sup>(2)</sup> The emissions are calculated under the "market based" approach, applying the emission factors associated with the market agents that supply the electricity.

<sup>(3)</sup> In 2018, the methodology to report the transmission grid losses was changed by REE. The data regarding emissions derived from these losses has been recalculated for the entire historical series, according to the new methodology.

The emissions associated with the transmission grid losses, in the same way as for the emissions associated with the consumption of electricity, do not occur during the REE activities as they take place at the various electricity generation points. For the calculation of these emissions, the emission factors corresponding to each system (peninsular, Balearic Islands or Canary Islands) are calculated by REE based on the annual generation balance. The decrease in emissions in 2018 is mainly due to the reduction of in the average peninsular emission factor (emission factor in t CO<sub>2</sub> / MWh: 0.257 in 2017 and 0.219 t CO<sub>2</sub> / MWh in 2018), which reflects the increase in generation from renewable sources. [The emission factor for the Canary Islands system has also decreased notably, although this has a lower impact in the total emissions nationwide].

## Greenhouse gas emissions intensity 305-4

	2016	2017	2018
Emission of SF <sub>6</sub> /SF <sub>6</sub> installed [%]	0.30	0.26	0.35
Emissions from fleet vehicles [kg of CO <sub>2</sub> /km] <sup>(1)</sup>	0.16	0.14	0.15
Emissions [Scope 1 and 2] /revenue [t CO <sub>2</sub> /million euros] <sup>(2)</sup> <sup>(4)</sup>	597	654	595
Emissions /revenue [t CO <sub>2</sub> /million euros] <sup>(3)</sup> <sup>(4)</sup>	18.4	16.4	20.6
Emissions/energy transported [t CO <sub>2</sub> /GWh] <sup>(5)</sup>	4.1	4.5	4.3

<sup>(1)</sup> Fleet vehicles + shared leasing (does not include management/executive vehicles).

<sup>(2)</sup> Emissions of Scope 1 and 2 (including transmission grid losses).

<sup>(3)</sup> Emissions of Scope 1 + emissions of electricity consumption. REE considers it relevant to monitor this indicator, without including the transmission grid losses (as it is not possible to control them, as explained previously).

<sup>(4)</sup> In 2018, REE changed the methodology for reporting the transmission grid losses. The emissions data derived from these losses have been recalculated for the entire historical series, according to the new methodology. The emissions and revenue in 2018 include the activities of the REINTEL subsidiary.

<sup>(5)</sup> Emissions of Scope 1 and 2 (including transmission grid losses). The total energy transported corresponds to the annual demand as measured at power station busbars (the point where it leaves the power station), includes peninsular, Balearic Islands and Canary Islands systems.

## Other indirect emissions of greenhouse gases (Scope 3) <sup>(1)</sup> | t CO<sub>2</sub> equivalent | 305-3

	2016	2017	2018
Purchase of goods and services <sup>(1)</sup>	249,584	295,787	267,901
Capital goods	195,804	111,619	156,747
Energy production (not included in Scope 1 and 2)	674	517	431
Waste	91	134	96
Transportation and logistics <sup>(2)</sup>	1,594	2,288	1,332
Work-related travel <sup>(3)</sup>	1,399	1,487	1,388
Commuting	2,926	3,918	3,895
Leased assets	82	0	0
<b>Total indirect emissions (Scope 3)</b>	<b>452,153</b>	<b>415,748</b>	<b>431,792</b>

<sup>(1)</sup> For the correct interpretation of the data, it is also interesting to consider the carbon intensity of the goods and services purchased (2017: 554.69 t CO<sub>2</sub> eq. / million euros, 2018: 548.36 t CO<sub>2</sub> eq. / million euros). This intensity is based on the type of purchase orders placed in the year.

<sup>(2)</sup> Correspond to the emissions associated with internal logistics and other emissions related to the transportation of materials.

<sup>(3)</sup> Include trips made by train, plane, own vehicle, rental vehicle and taxi.

## Reduction of greenhouse gas emissions 305-5

Net savings	t CO <sub>2</sub> eq
Emissions savings by contracting electricity with Guarantees of Origin <sup>(1)</sup>	2,716
Reduction of SF <sub>6</sub> emissions by repairing leaks	1,635
<b>Annual savings <sup>(2)</sup></b>	<b>t CO<sub>2</sub> eq/year</b>
Efficiency measures in work centres: improvements in insulation, HVAC systems and lighting	3
Efficiency measures in work centres: improvements in work centres	5
Efficiency measures in electricity substations: switching off of night-time lighting	392
Efficiency measures in IT equipment: renewal of desktops and laptops, data storage systems and improvement in CECEO IT systems	18
Reduction of SF <sub>6</sub> emissions by replacing old equipment with equipment with lower leakage rates	1,447

<sup>(1)</sup> Electricity with Guarantees of Origin: 0 t CO<sub>2</sub>/kwh.

<sup>(2)</sup> Reductions associated with the measures carried out in 2018.

- ABOUT THIS REPORT
- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER
- KEY PERFORMANCE INDICATORS
- 01 THE RED ELÉCTRICA GROUP
- 02 STRATEGY
- 03 COMMITMENT TO SUSTAINABILITY
- 04 ANTICIPATING CHANGE AND TAKING ACTION
- 05 DECARBONISATION OF THE ECONOMY
- 06 RESPONSIBLE VALUE CHAIN**
- 07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT
- ANNEXES

# 6

## RESPONSIBLE VALUE CHAIN

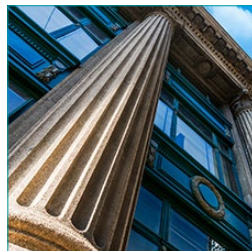
**The Red Eléctrica Group is committed to extending its business responsibility, based on transparency, integrity and sustainability, to all stakeholders related to the execution of its activities.**



R	E	S	P	O	N	S	I	B	L	E
	V	A	L	U	E					
		C	H	A	I	N				

Society now enjoys a level of empowerment which allows it to demand that companies act more responsibly in the way they do business. This responsibility encompasses not only all the activities carried out by a company, but to all those necessary for the development of its products and services, including the management of its supply chain and the relationship with its customers and stakeholders.

In this regard, the Red Eléctrica Group takes on the following commitment as one of its sustainability priorities: Extend our **commitment to responsibility** to all links in the value chain, ranging from our own **people** to suppliers and customers, accomplishing this through the creation of partnerships and by basing it on our **governance and integrity model**.



CORPORATE GOVERNANCE

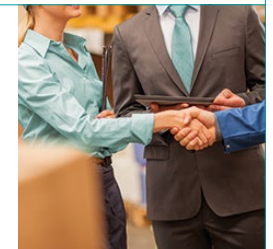
ETHICS AND COMPLIANCE



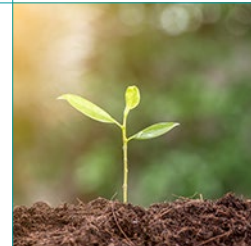
FINANCIAL RESULTS AND ECONOMIC SOUNDNESS



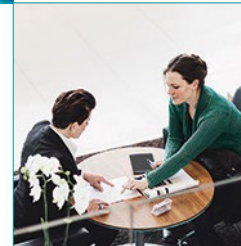
SUPPLY CHAIN



EMPLOYEES



RESPONSIBLE ENVIRONMENTAL MANAGEMENT



CUSTOMER ORIENTATION



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

C O R P O R A T E  
G O V E R N A N C E







- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

# CORPORATE GOVERNANCE

*The Board of Directors is fully committed to undertake and improve good corporate governance*



## RED ELÉCTRICA ADOPTS BEST PRACTICES

to ensure the good governance of the Company

Red Eléctrica has a robust and transparent corporate governance system that, through the adoption of best practices and international recommendations, represents an essential strategic element to ensure the good governance of the Company.

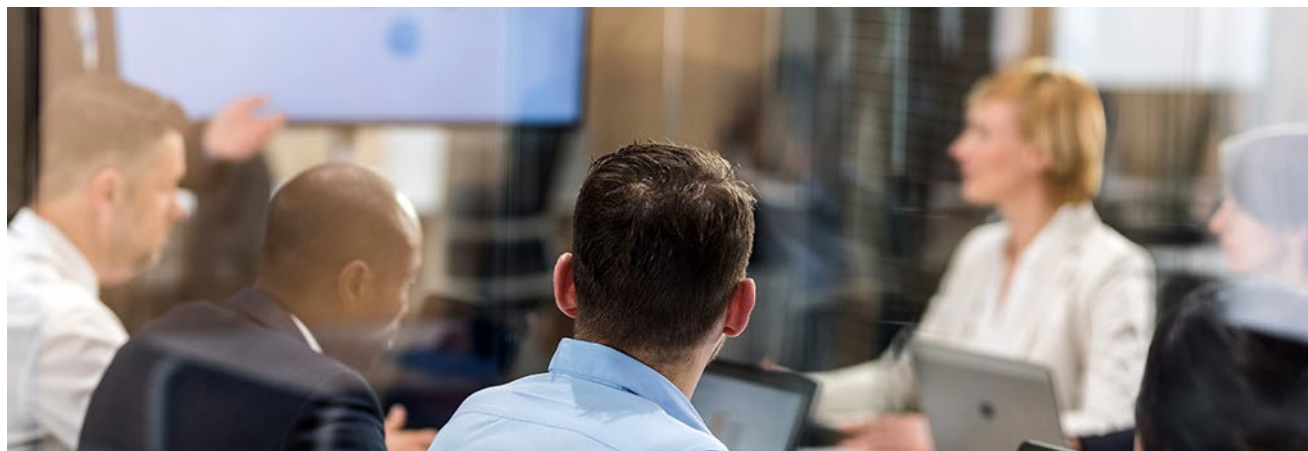
The Board of Directors is fully committed to the development and improvement of good corporate governance, voluntarily implementing measures and initiatives that go beyond legal compliance, in order to strengthen commitments and align its interests with those of shareholders, investors, markets and other stakeholders.



**The reorganisation of the Board's committees and the creation of the Sustainability Committee respond to the strategic nature that the Board of Directors wants to give to sustainability within the Company, thus contributing to the positioning of Red Eléctrica in sustainability and corporate governance matters.**

## Noteworthy actions in 2018

Effectiveness, efficiency and professionalism	Diversity	Internal rules of governance 31 December 2018
<ul style="list-style-type: none"> <li>Appointment of the new non-executive Chairman of the Board of Directors.</li> <li>Orderly succession of the Chairman of the Company.</li> <li>Appointment of two proprietary directors with extensive and proven professional experience in the activity sector of the Company.</li> </ul>	<ul style="list-style-type: none"> <li>Development of a new individual skills and competencies matrix for the Board of Directors.</li> <li>Following the appointment of Ms. María Teresa Costa as a new Board director, women represent 41.7% of the Board of Directors, one of the highest levels in the IBEX 35.</li> </ul>	<ul style="list-style-type: none"> <li>Code of Ethics.</li> <li>Corporate By-laws.</li> <li>Regulations of the Board of Directors.</li> <li>Internal Code of Conduct on the Securities Market.</li> <li>Regulations of the General Shareholders' Meeting.</li> </ul>
<ul style="list-style-type: none"> <li>Application, during the financial year, of the induction plan for new board directors.</li> <li>Reorganisation of the committees of the Board of Directors.</li> <li>Updating of the contingency plans for the succession of the Chairman of the Board of Directors and the CEO.</li> <li>Re-election of two independent directors and ratification of a proprietary director at the Ordinary General Shareholders' Meeting, with an average percentage of 96.9% of the votes in favour.</li> <li>Assessment of the Board of Directors with the collaboration of an external consultant.</li> </ul>	<p><b>Commitment to sustainability</b></p> <ul style="list-style-type: none"> <li>Creation of a new committee within the Board of Directors - the Sustainability Committee.</li> <li>New responsibilities assigned to the Appointments and Remuneration Committee in its relationship with employees.</li> </ul> <p><b>Recognitions</b></p> <ul style="list-style-type: none"> <li>Recognition by the prestigious publication 'Ethical Boardroom Magazine' for excellence in corporate governance. The Company was included among the leading European companies receiving an award in the Ethical Boardroom Corporate Governance Awards 2018.</li> </ul>	<ul style="list-style-type: none"> <li>Procedure on proxies, voting and information by remote means at the General Shareholders' Meeting [referring to the Ordinary General Shareholders' Meeting held in 2018].</li> <li>Operating Rules of the Shareholders' Electronic Forum [referring to the Ordinary General Shareholders' Meeting held in 2018].</li> </ul>



## CORPORATE SHAREHOLDING STRUCTURE

As at 31 December 2018, the Company's share capital was comprised of 541,080,000 fully subscribed and paid-up shares belonging to a single class and series, each with a par value of 0.5 euros, represented by book entries and listed on the four Spanish stock exchanges.

The coming into force of Law 17/2007, of 4 July, introduced a series of legal limitations on participation and voting rights applicable to the Company's shareholders, with the aim of guaranteeing the independence of the Company vis-a-vis all other electricity sector activities and agents. In this regard, the following limits were established:

- Any individual or legal entity may hold shares in the Company, provided that the sum of their direct and indirect interests in the

Company's capital does not exceed 5% of the capital and they do not hold more than 3% of the voting rights.

- Parties that engage in activities in the electricity sector, and those individuals or legal entities that directly or indirectly hold more than 5% of its capital, may not exercise more than 1% of the voting rights in the Company.
- The special regime for the State Industrial Holding Company (SEPI) is maintained, whereby it must hold at least ten percent (10%) of the share capital in all cases.

In 2018, the share capital of the Company was comprised of a 20% shareholding owned by SEPI, with the remaining 80% being free float.

## Shareholding structure %



- 20 SEPI
- 66 FOREIGN INSTITUTIONS
- 4 SPANISH INSTITUTIONS
- 10 MINORITY SHAREHOLDERS

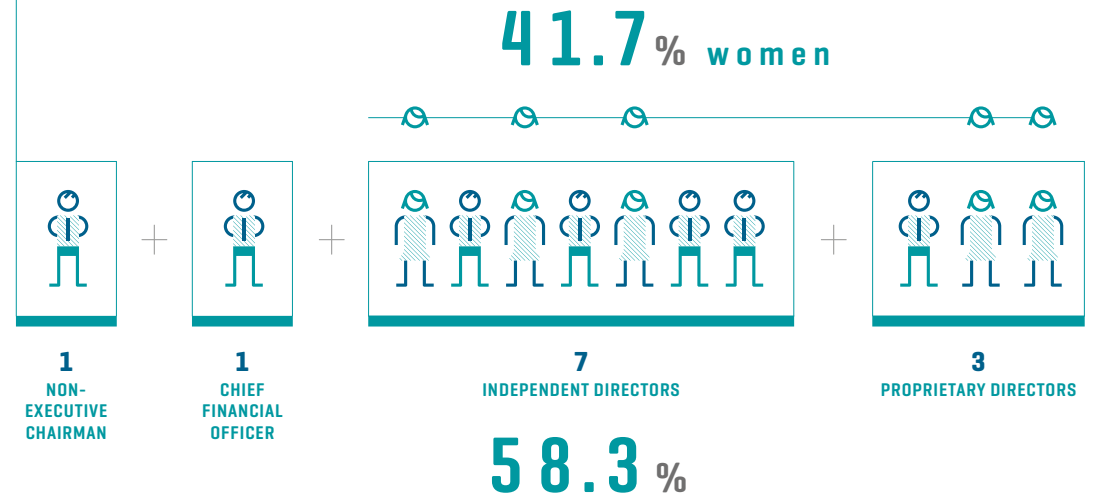


## GOVERNANCE STRUCTURE 102-18 / 102-22

### GENERAL / SHAREHOLDERS' / MEETING

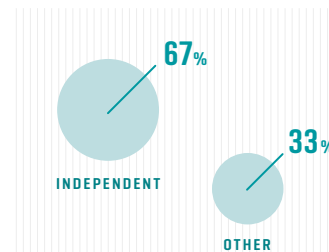
## Board of Directors

As at 31 December 2018



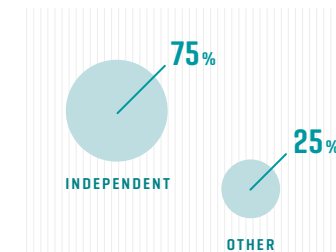
### Appointments and Remuneration Committee

CHAIRPERSON:  
Independent director



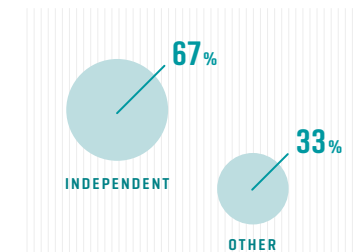
### Audit Committee

CHAIRPERSON:  
Independent director



### Sustainability Committee

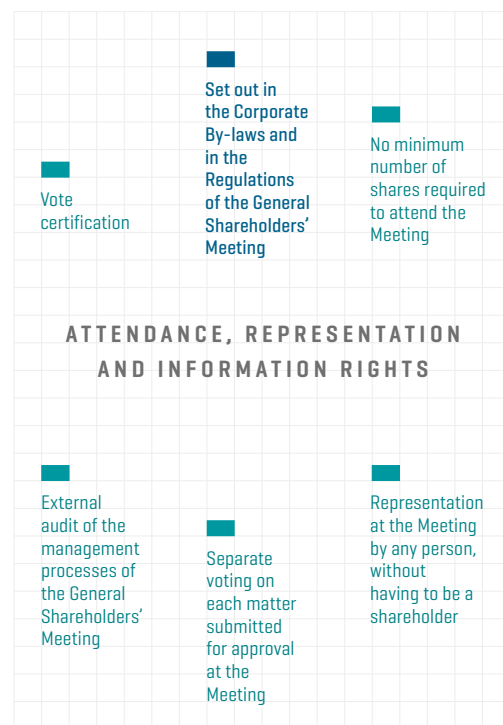
CHAIRPERSON:  
Independent director



## GENERAL SHAREHOLDERS' MEETING

The General Shareholders' Meeting represents all shareholders and exercises the duties assigned to it as the governance body of the Company. The rules on the organisation and functioning of the General Shareholders' Meeting are set out in the Corporate By-laws (Articles 11 through 18, both inclusive) and in the Regulations of the General Shareholders' Meeting.

### Guarantees and rights of attendance



### Transparency and participation

Red Eléctrica pays special attention to the shareholders' right to information, as reflected in Article 15 of the Corporate By-laws and in the Regulations of the General Shareholders' Meeting, which also facilitates the maximum participation of shareholders. Some of the key mechanisms are:

- Implementation of the electronic voting system at the General Shareholders' Meeting since 2005.
- Inclusion on the corporate website with complete information regarding the Meeting.
- Live broadcast of the Meeting via Internet, with simultaneous translation in English and sign language in Spanish.
- Shareholders' Electronic Forum.
- Dissemination via social networks.
- Shareholders and investors office.

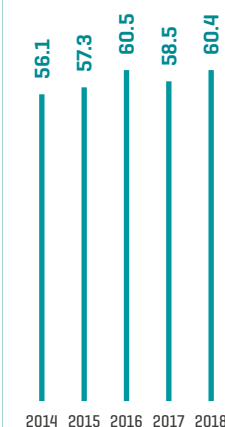


AVERAGE PERCENTAGE OF VOTES IN FAVOUR

**91.9**  
%

of the approval of the items included in the agenda of the Annual Ordinary General Shareholders' Meeting 2018

Attendance at the Ordinary General Shareholders' Meeting  
%  
*over share capital*



## BOARD OF DIRECTORS 102-22 / 102-26

The Board of Directors governs, manages and represents the Company, notwithstanding the powers that correspond to the General Shareholders' Meeting, through the promotion of the active participation of the Board Directors, putting the social interest and that of the shareholders at the forefront, in accordance with the law, the By-laws and the principles of good corporate governance.

Additionally, the Board carries out its duties and responsibilities according to the rules of organisation and functioning contained in the Corporate By-laws and the Regulations of the Board. The following duties and responsibilities, among others, correspond to the Board:

<b>Approval</b>	<b>Decision</b>	<b>Assessment</b>
Approval of the general policies and strategies of the Company and of the Group, with special mention regarding the Risk Management Control Policy.	Decisions on the appointment of senior-level directors, remuneration of board directors, financial information and strategic investments [except for those that correspond to the General Shareholders' Meeting].	Annual assessment of the quality and efficiency of the Board and the functioning of its Committees.

**During 2018, the Board of Directors held 11 sessions and the physical attendance of members totalled 129, representing an overall attendance of 97.7%.**

During 2018, the Board of Directors held eleven [11] sessions and in the course of these sessions there were three attendances by proxy, so the number of physical attendances stood at 129, representing an overall attendance of 97.7%.

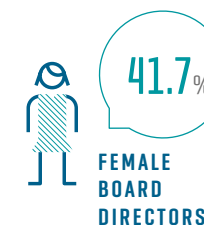
## Key indicators of the Board of Directors

### A balanced and reduced Board

#### 12 members

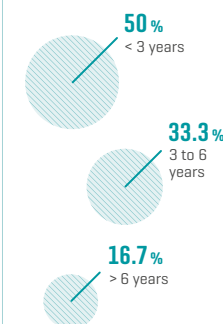
- 1 Non-Executive Chairman
- 1 Chief Executive Officer
- 3 External Proprietary Directors
- 7 External Independent Directors

### Diversity on the Board

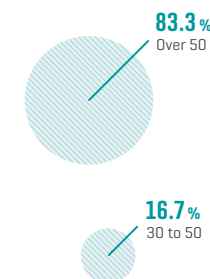


IBEX 35 average: 22.8% [CNMV data 2017].

### Length of Service [1]



### Age



[1] The average term of office of Board Directors is 2,9 years.

***The Corporate Governance Policy of the Company establishes the essential guideline to preserve an adequate balance and proportionality of powers within the structure and composition of the Board of Directors.***



**SEPARATION OF THE ROLES OF CHAIRMAN AND CEO**

Proposal approved in the 2015 Meeting with a favourable vote of

**99%**

**Balance of Powers**

Red Eléctrica establishes in its Corporate Governance Policy, approved in 2014, the essential guideline to preserve an adequate balance and proportionality in the powers inherent to the structure and composition of the Board of Directors, by adopting the necessary measures to enable action with unity of purpose and impartiality, pursuing corporate interests and those of its shareholders, as well as the sustainability of the Company.

**Separation of the positions of Chairman of the Board of Directors and Chief Executive Officer (CEO) / 102-23**

Responding to the commitment undertaken by the Company's Chairman at the General Shareholders' Meeting held in April 2012, and the commitment to best international practices in corporate governance, the Board of Directors of Red Eléctrica submitted the separation of the positions of Chairman of the Board and CEO of the Company, as well as the appointment of Juan Lasala Bernad as executive board director, for approval by the General Shareholders' Meeting at its extraordinary session held in July 2015 and convened solely for this purpose. Both proposals received a favourable vote of 99% of shareholders, with an attendance figure of 58%. The Board of Directors, in July 2015, appointed the new executive board director as the new CEO of the Company.

In order to complete the process for the separation of powers, a transition phase was



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES



LEAD  
INDEPENDENT  
DIRECTOR

SINCE  
2013

A figure that is recognised as an efficient corporate governance practice

***The appointment of the new external board director and chairman of the Board of Directors in 2018 represents an orderly and reasonable succession within the current corporate system regarding the separation of powers between the Chairman and the Chief Executive Officer in the composition of the Board of Directors.***

established which culminated at the Annual Ordinary General Shareholders' Meeting in 2016, with the full separation of the duties between the Chairman of the Board and the Chief Executive Officer. As of said Meeting, the Chairman of the Board of Directors has been attributed exclusively the responsibilities inherent to said position.

It should be noted that, in 2018, with the appointment of Jordi Sevilla Segura as external board director and Chairman of the Board of Directors, an **orderly and reasonable succession** took place within the framework of the **current corporate system of separation of powers** between the Chairman and the Chief Executive Officer in the structure and composition of the Board of Directors. This new structure allows the coexistence of the management functions regarding the supervision of the Group's strategies and of its execution and modification, spearheaded by its non-executive Chairman, who assumes the strategic corporate functions, such as regulation, sustainability, institutional

relations, compliance, internal audit and risk control, among others, with those functions granted to the CEO regarding the management of the Group's business and which are managed directly by the CEO; a system that constitutes an **international model of good corporate governance**.

Moreover, the figure of the lead **independent director** created in 2013 has remained unchanged to date. This position, along with its associated duties and responsibilities, is recognised by shareholders and proxy advisors as an efficient corporate governance practice.





B O A R D / O F / D I R E C T O R S

CHAIRMAN



**Jordi Sevilla Segura**

CHIEF EXECUTIVE OFFICER



**Juan Francisco Lasala Bernad**

EXTERNAL PROPRIETARY DIRECTORS (SEPI)



**Mercedes Real Rodríguez**  
*Member of the Audit Committee*



**María Teresa Costa Campi**  
*Member of the Sustainability Committee*



**Antonio Gómez Expósito**  
*Member of the Appointments and Remuneration Committee*

EXTERNAL INDEPENDENT DIRECTORS



**Carmen Gómez de Barreda Tous de Monsalve**  
*Chairwoman of the Sustainability Committee and Lead Independent Director*



**María José García Beato**  
*Member of the Audit Committee*



**Antonio Gómez Ciria**  
*Chairman of the Audit Committee*



**Socorro Fernández Larrea**  
*Member of the Appointments and Remuneration Committee*



**José Luis Feito Higuera**  
*Chairman of the Appointments and Remuneration Committee*

SECRETARY OF THE BOARD OF DIRECTORS



**Rafael García de Diego Barber**  
*Non-Board director*



**Arsenio Fernández de Mesa y Díaz del Río**  
*Member of the Audit Committee*



**Alberto Josa Carballo**  
*Member of the Sustainability Committee*

*The Company has a reduced, effective and efficient Board of Directors. It is the essential engine and lever of good corporate governance and the Company's strategic framework.*



***A review process of the current responsibilities of the Appointments and Remuneration Committee has been conducted in order to establish and undertake a new protocol for relationships with employees, responding to the most advanced practices of good governance.***

### AUDIT COMMITTEE

This Committee is assigned, among other functions, those of providing support to the Board in its role as monitor of the process for the drafting of financial information, internal control of the Company and independence of the external auditor. It also monitors compliance with legal provisions and internal regulations and those relating to the shareholders of the Company, along with those duties and powers which the Board of Directors expressly attributes to said Committee.

During 2018, this committee held 11 meetings. In the course of these meetings no members were absent nor was there any attendance by proxy.

### APPOINTMENTS AND REMUNERATION COMMITTEE

This Committee has duties and powers assigned to it regarding the appointment and removal of board directors and senior executives, their remuneration, the fulfilment of their duties as administrators and their respect for the principles and rules of corporate governance. In addition, the



Appointments and Remuneration Committee drafts a specific report on diversity and gender equality, on an annual basis, that is submitted to the Board for its approval.

Similarly, a review process of the current responsibilities of the aforementioned committee has been conducted to undertake a new protocol for relationships with employees, responding to the most advanced practices of good governance, among which include those contemplated



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

in the new Code of Corporate Governance of the United Kingdom.

During 2018, the Appointments and Remuneration Committee held 12 meetings and registered two absences and no attendance by proxy.

### SUSTAINABILITY COMMITTEE

The creation of the Sustainability Committee responds to the strategic nature that the Board of Directors wants to grant to sustainability within the Company, contributing significantly to the positioning of Red Eléctrica in terms of sustainability and corporate governance matters.

The Sustainability Committee, whose creation is voluntary and does not respond to any legal requirement, is assigned the functions set out in the Regulations of the Board of Directors in terms of sustainability.

Since its creation in November 2018, this committee has held two sessions during the year, no members were absent nor was there any attendance by proxy.

### DELEGATION OF ECONOMIC, SOCIAL AND ENVIRONMENTAL MATTERS 102-19 / 102-20

The policy of the Board of Directors is to delegate the day-to-day management of the Company and that of the Group to the

***The strategic nature that the Board of Directors wants to grant to sustainability within the Company has led to the creation of the Sustainability Commission, whose functions will be set out in the Regulations of the Board of Directors in 2019.***

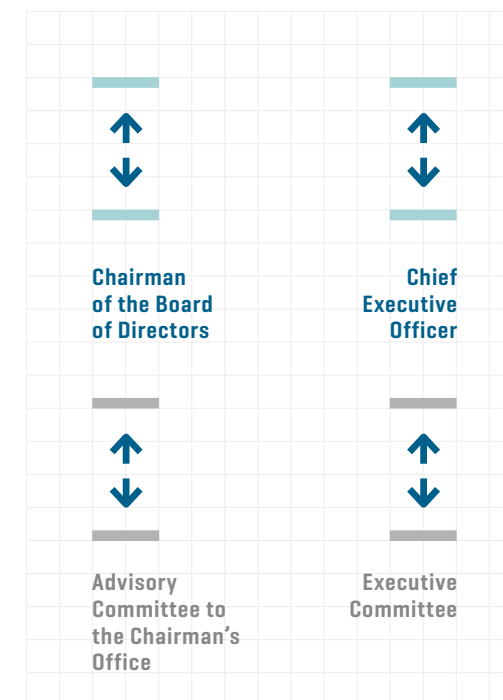
executive bodies and the management team and focus its activity on the overall function of supervision and approval of the essential guidelines for action.

As a result of the separation of the duties and powers of the Chairman of the Board and of the Chief Executive Officer, the Company has two clearly differentiated management bodies composed of senior executives: The Advisory Committee to the Chairman's Office, headed by the Chairman of the Board and the Executive Committee, chaired by the CEO. In both committees, the secretary of the Board of Directors acts as the secretary.

With the creation of both separate committees, attempts have been made to replicate, within the organisation, the model

of separation of duties and powers between the Chairman and the Chief Executive Officer so that the Committee chaired by the Chairman exercises the duty of strategic supervision and control, while the Committee chaired by the CEO carries out a permanent monitoring of the development of the corporate businesses and activities.

## Board of Directors





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## DIALOGUE BETWEEN STAKEHOLDERS AND THE HIGHEST GOVERNANCE BODY 102-21 / 102-33 / 102-34

One of the underlying principles of the **Corporate Governance Policy of Red Eléctrica** and that serves as a benchmark for the performance of the Company in its relationship with its stakeholders is: to consolidate, develop and nurture symmetrical mechanisms of dialogue and engagement with shareholders, investors and key stakeholders seeking to improve relationships, increase levels of engagement and thereby increase their confidence in the organisation.

In compliance with this principle, Red Eléctrica strives to fulfil the demands of institutional shareholders, given their noteworthy presence in the Company's shareholding structure, as well as the most relevant proxy advisors and other stakeholders, in order to improve its relationship with them, increase commitment and strengthen their trust, notwithstanding the guarantees and equal treatment enjoyed by other shareholders.

Red Eléctrica undertakes the commitment to provide its shareholders with periodic and standardised information that communicates the corporate environmental, social and good governance objectives that are part of the Company's social interest.

Besides the direct communication channels previously indicated in the 'Transparency

***Red Eléctrica seeks to strengthen relationships, increase commitment and strengthen the confidence of shareholders, investors and key stakeholders.***

and Participation' section of this chapter, and detailed in the Annual Corporate Governance Report and in the Regulations of the Board [Articles 39-44], and in the **criteria regarding communication with shareholders, institutional investors and proxy advisors**, the highest governance body has other consultation mechanisms for the interaction with stakeholders among which the following are noteworthy:

- Consultation and whistle-blowing channel regarding the Code of Ethics.
- Social representation/committees.
- Stakeholder satisfaction reports.
- *Dígame* Service.

During 2018, there have not been any relevant issues stemming from the management reports of said channels that required their submission to the Board.



## DIALOGUE BETWEEN STAKEHOLDERS AND THE HIGHEST GOVERNANCE BODY

During 2018, no relevant issues were raised that required their submission to the Board of Directors



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



APPROVAL OF A  
**NEW SKILLS AND COMPETENCIES MATRIX**

personalised for each board director

*The Board's new skills and competencies matrix facilitates the supervision of the individual and overall balance, diversity and quality of the Board of Directors and keeps it aligned with the strategy of the Red Eléctrica Group at all times.*

**SELECTION OF BOARD DIRECTORS 102-24**

The system used for the selection, appointment and re-election of members of the Board of Directors is expressly governed by the Corporate By-laws and the Regulations of the Board. Similarly, the Company's Corporate Governance Policy includes the principle of ensuring the existence of appropriate procedures for the selection of board directors, which guarantee reasonable balance and diversity within the Board of Directors for the proper performance of its mission.

In this regard, the Appointments and Remuneration Committee has criteria that define the ideal profile to take up the position of board director, defining the qualities, competencies and experience that the ideal candidate should meet to occupy the position of board director. In this regard, in 2018, the

Appointments and Remuneration Committee and the Board of Directors have assessed the competencies and knowledge of the members of the Board of Directors, culminating with the approval of the new **Board of Directors' skills and competencies matrix**, personalised for each board director. The Board's new skills and competencies matrix is a tool of good governance that facilitates the supervision of the overall and individual balance, diversity and quality of the Board of Directors, at all times, and is aligned with international practices and more advanced recommendations on corporate governance.

The application of the new matrix of individual skills and competencies of board directors, which reflects the competencies, experience, knowledge, professionalism, suitability, independence of criteria, qualities and capacities established by the Corporate Governance Policy for the members of the Board of Directors, facilitates the supervision of comprehensive diversity in the composition of the Board of Directors in order to make the most appropriate and informed decisions at all times.

The matrix consists of three blocks [knowledge-experience in the sector of activities, knowledge-global experience and diversity] that consist, in turn, of a total of twenty-eight categories which reflect the experience and knowledge of the members of the Board on aspects such as: the energy and telecommunications sector;





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



institutional relations; financial and capital markets; strategy and business development; Boards of Directors of public and private entities; sustainability; risk management and compliance; digital transformation, and gender, age or seniority as a board director, among others.

The aforementioned skills and competencies matrix will be updated annually so that it remains current and perfectly aligned with the strategy of the Red Eléctrica Group.

In addition, before issuing its report or formulating a proposal for the appointment



The Appointments and Remuneration Committee has the following

### CRITERIA THAT DEFINES THE MOST SUITABLE PROFILE

to serve as a Board director

of a board director, the Appointments and Remuneration Committee always analyses the diversity of profiles and contributions of the current members of the Board of Directors, in order to ensure that at all times the Board has the knowledge and experience necessary to successfully address upcoming challenges and efficiently and proactively progress in the fulfilment of the strategies and objectives of the Company and the Red Eléctrica Group.

For the drafting of the aforementioned proposal, the Appointments and Remuneration Committee request, when deemed necessary, among other proposals and suggestions, the opinion of international external advisors specialised in the selection process of board directors. These advisors propose different candidates and issue the corresponding reports in which they assess the competencies and experience of each candidate. These reports are carefully analysed and assessed by the Appointments and Remuneration Committee so that a proposal for the appointment of a board director can be drafted and submitted to the Board.

In this regard, when evaluating the candidates participating in the selection process, the procedure takes into account the competencies, training, experience, professionalism, suitability, gender, impartiality, knowledge, qualities, abilities and availability of the members of the



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

***The Appointments and Remuneration Committee takes on a relevant role in the selection process and initial assessment of candidates; a procedure that takes into account the skills & competencies, training, experience, professionalism, gender, impartiality, knowledge, qualities and availability of the members of the Board of Directors at all times.***

Board of Directors at all times, as it is the Appointments and Remuneration Committee that takes on the most relevant role in this process, with the possibility of contracting external advisory services (head hunter) if considered appropriate.

The appointment and removal of board directors, as well as the ratification of appointments by co-optation, if applicable, is subject to approval at the General Shareholders' Meeting.

### CONFLICTS OF INTEREST 102-25

In accordance with article 31 e) of the Regulations of the Board, the board directors shall adopt the necessary measures to avoid situations in which their interests, whether for their own account or that of another, can come into conflict with the corporate interests and their duties to the Company. Article 32 of the Regulations of the Board

sets out details regarding the duty to avoid situations of conflicts of interest referred to in article 31 e) and specifically in relation to those situations in which the board director must abstain.

In all events, board directors must disclose to the Board of Directors any situation of direct or indirect conflict that they, or their related persons may have with the interest of the Company. The situations of conflict of interest that involve board directors shall be disclosed in the notes to the annual financial statements.

With respect to the Management team, conflicts of interest are regulated within the Code of Ethics, specifically in section 6 thereof, and in the Guide for the Management of Conflicts of Interest approved in 2018, as set out in the section in this report entitled 'Ethics and compliance'.



## REGULATIONS OF THE BOARD

Article 32 outlines and details the duty to avoid situations of

## CONFLICTS OF INTEREST

*In 2017, an Induction Plan was approved for new board directors that sets out the essential information, documentation and training that must be provided to new board directors incorporated into the Company and which has been applied in 2018.*



## DIGITAL SESSIONS

The corporate intranet allows meetings to be held via

## TABLETS AND SMART PHONES

### ASSESSMENT OF THE COMPETENCIES AND PERFORMANCE OF THE BOARD 102-27 / 102-28

For many years now, Red Eléctrica has been applying the principle of conducting an annual assessment of the functioning and performance of the Board of Directors, the Chairman of the Board, the Chief Executive Officer of the Company and the Board's Committees, ensuring that this is conducted with the support of independent external advisors. The process corresponding to 2017 has had the collaboration of a new external consultant and was carried out under the management of the Appointments and Remuneration Committee in coordination with the lead independent director, and a summary of its main conclusions is voluntarily published in the Annual Corporate Governance Report.

In terms of knowledge development, Article 26 of the Regulations of the Board

of Directors of Red Eléctrica establishes that the Company will have an information programme that quickly provides new board directors with adequate knowledge about the Company and its corporate governance rules and shall also offer programmes for board directors to update their knowledge when circumstances deem it appropriate. In this regard, in 2017 a new induction plan was approved for new board directors that sets out the essential information, documentation and training that must be provided to new board directors incorporated into to the Company and which has been applied in the 2018 financial year.

In addition, on a periodic basis, internal information programmes on national and international trends in Corporate Governance may be established. One of the tools that has contributed to increasing the efficiency of the Board and its Committees has been the **Board director's intranet**, in which the documentation on the sessions of the Board of Directors and its Committees is published, as well as corporate information of interest regarding economic, social and environmental issues. Also, noteworthy in this aspect is the complete digitalisation of the sessions of the Board of Directors and of the Board's committees since 2017, which allows the holding of meetings through mobile devices (tablets and smart phones) and facilitates access to a custom-designed corporate intranet.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

**Since 2015, Environmental, Social and Governance (ESG) criteria has been applied by Red Eléctrica in the calculation of the variable remuneration of the Chief Executive Officer and members of the senior management team.**

### BOARD REMUNERATION 102-35 / 102-36 / 102-37

Red Eléctrica applies the principle of maintaining a remuneration policy for the Board of Directors based on the principles of moderation, relationship with its effective dedication, alignment between the strategies and long-term interests of the Company and its shareholders and other stakeholders, including performance incentives whose monetary value would, in no way, have an influence of the independence of the board director.

To do this, the Company carries out comparative analyses with other comparable companies and permanent contact is maintained with its shareholders and proxy advisors. As a result of this analysis and the market study carried out by the Company, with the support of an international consultant, in 2014 a new remuneration structure was established that replaced the variable remuneration part with that of fixed remuneration, with the variable component of the remuneration of the external board directors being completely removed.



### REMUNERATION

of Board Directors  
and the Annual  
Report on  
Remuneration of  
Board Directors

**APPROVED  
BY  
SHARE-  
HOLDERS**

at the Meeting

Only the remuneration of executive board directors also includes variable remuneration elements linked and aligned with the short and long-term objectives of the Company. The proposal regarding remuneration of the Board was approved by a clear majority at the General Shareholders' Meeting held on 22 March 2018 with just 0.46 percent of votes against. It is a well-known fact that for many years the public shareholder SEPI abstains with regard to the vote at the Ordinary General Shareholders' Meeting on proposals regarding Board remuneration and that this is the stance it maintains in the listed companies in which it has a minority shareholding.

### Noteworthy aspects regarding the remuneration of the Board

Since 2010, Red Eléctrica has voluntarily submitted the Annual Report on Remuneration of Board Directors and, since 2007, the proposal for the annual remuneration of the Board of Directors, to the approval of the Ordinary General Shareholders' Meeting, as separate and independent items on the Agenda of the General Shareholders' Meeting. Therefore, the proposals and reports on these matters are submitted to the shareholders and are binding in nature.

In 2018, this same course of action was continued and the Annual Report on Remuneration of Board Directors and the proposal for the remuneration of the Board of Directors for 2018 were submitted to the shareholders' approval (binding vote) as separate and independent items of the Agenda of the Ordinary General Shareholders' Meeting.

In this way, Red Eléctrica Corporación S.A. has continued to align itself with the best practices of corporate governance, which aim to provide shareholders with sufficient autonomy and independence of criteria to vote individually and separately on each of the items on the Agenda, of a diverse nature, which correspond to the competence of the General Shareholders' Meeting.

### Principles of the remuneration policy

The Remuneration Policy of Directors, approved by the Annual Ordinary General Shareholders' Meeting held in April 2015, amended in the Meeting held in April 2016, is based on the principles shown in the table below.

Given that the current Remuneration Policy for Board Directors ends in 2018, a new remuneration policy will be submitted to the Ordinary General Shareholders' Meeting in 2019, which, in any case, will be based on the principles of the previous policy, mentioned above, introducing the adjustments and modifications that the Appointments and Remuneration Committee and the Board of Directors deem appropriate.

All detailed information on the remuneration of the Board of Directors can be found in the Annual Report on Remuneration of Board Directors and in the Remuneration Policy for Board Directors, available in the corporate governance section of the corporate website.

<p><b>General principles</b></p>	<ul style="list-style-type: none"> <li>• Balance and moderation.</li> <li>• Alignment with practices demanded by shareholders and investors.</li> <li>• Transparency.</li> <li>• Voluntary submission of any decision regarding remuneration of board directors for approval at the General Shareholders' Meeting.</li> </ul>
<p><b>Principles regarding the remuneration of the Chief Executive Officer</b></p>	<ul style="list-style-type: none"> <li>• Alignment with the Company's strategy.</li> <li>• Maintaining a reasonable balance between the various components of fixed and variable remuneration, reflecting adequate assumption of risk combined with the achievement of defined objectives linked to the creation of sustainable value.</li> <li>• Alignment with the remuneration established by comparable companies.</li> </ul>
<p><b>Principles regarding the remuneration of non-executive board directors</b></p>	<ul style="list-style-type: none"> <li>• Related to effective dedication.</li> <li>• Linked to accountability and the execution of their duties and responsibilities.</li> <li>• Absence of variable remuneration components in the interest of their total independence.</li> <li>• Performance incentives whose monetary value would, in no way, have an influence on their independence.</li> </ul>

### DETAILED INFORMATION

on the remuneration of the Board of Directors can be found in the Annual Report on Remuneration of Board Directors and in the Remuneration Policy for Board Directors, available in the corporate governance section of the corporate website.





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

E	T	H	I	C	S	/	A	N	D
C	O	M	P	L	I	A	N	C	E





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# ETHICS AND COMPLIANCE

102-16 / 102-17 / 103-1 / 103-2 / 103-3



RED ELÉCTRICA

has obtained for the 4<sup>th</sup> consecutive year

**100 POINTS OUT OF 100**

due to its excellent performance regarding code of ethics, compliance and the prevention of corruption and bribery; elements that are assessed and that determine the composition of the Dow Jones Sustainability Index

**Ethics and compliance** for the Red Eléctrica Group are fundamental pillars for the proper functioning of the business activity. The Company commits to acting with the utmost integrity in carrying out the obligations and commitments entrusted to it, as well as in the relationship with its stakeholders.

The Red Eléctrica Group has a series of corporate conduct rules that establish the values and ethical business conduct guidelines that must be undertaken by every single person in the Group in the performance of their professional activities.

In addition, the Company has a Compliance System aligned with the best practices in this area, whose objective is to ensure compliance with the established obligations and commitments undertaken, all based on a proactive culture regarding the management of compliance risks.

## Integrity Model of the Red Eléctrica Group



CODE OF ETHICS



COMPLIANCE SYSTEM



SUPPLIER CODE OF CONDUCT



CRIMINAL RISK PREVENTION SYSTEM



GUIDE FOR THE PREVENTION OF CORRUPTION: ZERO TOLERANCE



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

*The updating of the Code of Ethics has been carried out by a multi-disciplinary working group composed of the areas of compliance, sustainability, corporate governance, human resources and procurement and that will have the participation of the other areas of the organisation.*

### CODE OF ETHICS

The Code of Ethics of the Red Eléctrica Group aims to provide an ethical guide for managers and employees of the companies of the Group, setting out the values and commitments that should govern the performance of their activity within the Group.

The current edition of the Code of Ethics of the Red Eléctrica Group was approved by the Board of Directors on 28 May 2013 with the aim of taking on board the requirements of stakeholders and the recommendations of the international organisations of repute in this field, among which the following are noteworthy: United Nations Organisation, the European Union, the Organisation for Economic Cooperation and Development and international organisations such as Transparency International or the ÉTNOR Foundation, amongst others.



CODE OF ETHICS  
[APPROVED IN 2013]

In 2018, the  
**REVISION AND UPDATE**  
process began

In 2018, the Company began the process of reviewing and updating the Code of Ethics, in order to adapt it to the best practices in compliance management, as well as to the evolution of the requirements of the stakeholders and the changes produced in the structure of the Red Eléctrica Group. The development of this project has been carried out by a specific multidisciplinary working group formed by the following areas: compliance, sustainability, corporate governance, human resources and procurement. During 2019, the Company has planned the involvement in the project of the other areas of the organisation and stakeholders, prior to the final approval of the new Code.

### SUPPLIER CODE OF CONDUCT

The Red Eléctrica Group has a specific code of conduct for its suppliers in which it highlights the requirement to comply with the respect for **human rights**, and compliance with the requirements of the **environment and occupational health and safety**, in the procurement of products or services required by the Company, whether they are carried out directly or through other companies.

## ETHICS MANAGER

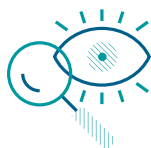
To ensure the awareness, application and enforcement of the Code of Ethics, Red Eléctrica appointed Rafael García de Diego, General Counsel and Secretary of the Board of Directors, as Ethics Manager and Stakeholder Ombudsman. The responsibilities and duties of the Ethics Manager are the following:

*The monitoring of the respect for human rights and compliance with environmental and occupational health and safety requirements is a notable aspect of the Supplier Code of Conduct.*

### R E S P O N S I B I L I T I E S O F / T H E / E T H I C S / M A N A G E R

#### Investigate

Institute proceedings regarding grievances through the verification and investigation of the business conduct of those employees or organisational units reported.



#### Resolve enquiries and advise

Resolve enquiries and advise all stakeholders regarding any doubts in relation to the values and commitments contained in the Code of Ethics.



#### Communicate

Keep claimants abreast of the status and resolution of enquiries or grievances reported, when such information is requested. Draft a periodic report on the review of the system and propose actions for the improvement of the Code of Ethics management system.



#### Propose action plans

Develop action plans to resolve the grievances reported and submit them for approval by the Chairman of the Red Eléctrica Group, or the Chairperson of the Audit Committee, if it affects any member of the Management Committee.

#### Monitoring

Maintain an updated record of the process [enquiries, grievances, procedures and communications with interested parties].



#### Confidentiality and principles

Maintain the confidentiality of the claimant at all times, unless legally required to disclose it. Carry out the duties and functions assigned under the principles of independence, rigour and fairness.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

*The whistle-blowing channel, available on the corporate website, enables enquiries, grievances or suggestions to be communicated to the Ethics Manager and will help ensure the Code of Ethics is applied. This channel is audited periodically and guarantees the confidentiality of all users.*

### WHISTLE-BLOWING CHANNEL 102-17 / 406-1

To promote the application of the Code of Ethics, Red Eléctrica has a **whistle-blowing channel**, available on the corporate website, through which enquiries, grievances or suggestions can be communicated to the Ethics Manager. This channel is audited periodically and guarantees the confidentiality of all users.

Red Eléctrica has another channel for reporting non-compliance, grievances, enquiries and suggestions regarding ethical matters through its Stakeholder Attention Centre *Dígame*, in order to provide a

#### CHANNELS OF COMMUNICATION WITH THE ETHICS MANAGER



Whistle-blowing channel



Dígame service

reporting channel for requests from external stakeholders who are not aware of the whistle-blowing channel. This service will transfer to the Ethics Manager the requests received, preserving their confidentiality.

Through the whistle-blowing channel, in 2018, 21 enquiries were made to the ethics manager, with a maximum resolution time of 10 days. The enquiries received referred to the following conduct guidelines:

- Integrity, accountability and transparency.
- Responsible monitoring of the management of suppliers.
- Limitation on the acceptance of gifts, loans or invitations.
- Appropriate handling of confidential information.

In 2018, the Company received seven grievances regarding compliance with



### WHISTLE-BLOWING CHANNEL

In 2018

# 21 ENQUIRIES

were made with a maximum resolution time of 10 days



the Code of Ethics; four of them were resolved during the year and three are in the resolution phase. More accurate information on these grievances can be found in the *Annual Executive Management Report of the Code of Ethics* published in the annex to this report.

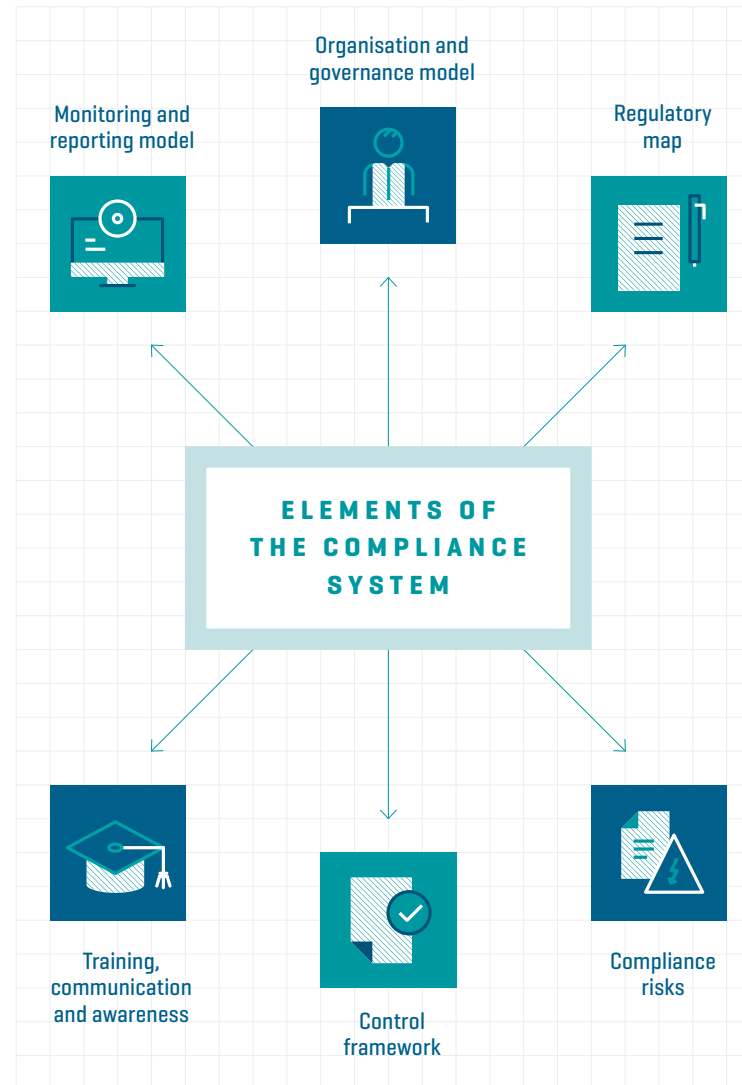
### COMPLIANCE SYSTEM

Red Eléctrica has a Compliance System aligned with the best practices in this area, so that the organisation adequately respects the established obligations and commitments undertaken.

The compliance function has the objective of promoting a global and anticipatory vision of compliance risks, ensuring an efficient control of said risks, guaranteeing the coordination and standardisation of its management with the corporate scope, as well as improving internal control in the organisation.

The Compliance area, part of the Internal Audit and Risk Control Management Area, is entrusted with the design, development, implementation and monitoring of the Compliance System of the Red Eléctrica Group.

## Compliance System



### Objectives of the Compliance System

Ensure that external obligations and internal obligations included in the regulations and voluntary commitments are both known and followed, as well as **provide due control** for their compliance.

Define and develop a **compliance risk map** for each of the defined regulatory areas.

Systematically identify, analyse and assess with uniform criteria the **key controls** that mitigate compliance risks.

Inform the control bodies of the Red Eléctrica Group of the status and evolution of compliance in each of the defined regulatory areas.

Promote a **corporate culture** based on ethics and compliance.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## Regulatory scope

• Cross-cutting / □ Specific

• Integrity and ethics management

• Criminal law

□ Protection of personal data and information

□ Corporate governance

□ Economic-Financial

□ Labour law

□ Industrial and intellectual property

□ Prevention of corruption and conflicts of interest

□ Tax

□ Occupational Health & Safety

□ Comprehensive corporate security

□ Transparency in the markets

□ Insurance

□ Environment

□ Procurement

□ Due diligence on third parties

**Red Eléctrica continuously promotes a culture based on ethics and compliance, as a fundamental element of due diligence in the management of compliance risks.**

### Development of a compliance culture

Awareness and training are key factors for the development of a compliance culture within the organisation. The Compliance area is responsible for promoting adequate awareness and dissemination actions to the entire organisation regarding the relevance and strategic nature of the Compliance System for the Red Eléctrica Group within the integrity culture of the organisation.

Within Red Eléctrica's commitment to ethics and compliance, noteworthy is its participation in the **Integrity Forum of Transparency International España**. This forum is a think tank platform for improving compliance and ethical management in Spanish companies, which is structured through different working groups and regular thematic sessions on business ethics.





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



Integrity Forum of Transparency International España

THINK TANK PLATFORM FOR BUSINESS ETHICS

*The Compliance area is responsible for promoting adequate awareness and dissemination actions throughout the entire organisation regarding the relevance and strategic nature of the compliance system within the Group's culture of integrity.*

In addition, Red Eléctrica is a member of the Spanish Compliance Association (ASCOM) and participates actively in the working groups regarding compliance with criminal law, data protection and new technologies, prevention of money laundering and compliance in the industrial sector. It has also joined the group of large companies that are part of Forética's Transparency, Good Governance and Integrity Cluster.





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## Noteworthy actions 2018

- Design and implementation of the data protection compliance system.
- Appointment of the Data Protection Delegate and creation of the Data Protection Advisory Body.
- Approval of the Guide for the Management of Conflicts of Interest of the Management Team.
- Creation of the consultative body regarding conflicts of interest.
- Design of a specific system for compliance with criminal law for the subsidiaries of the Red Eléctrica Group in Latin America.
- Definition of a specific methodology for the identification and assessment of compliance controls.
- Development of the awareness and dissemination plan regarding the 2018 Compliance System.

### Objectives for the near future

- Finalisation of the process to update the Code of Ethics of the Red Eléctrica Group to adapt it to best practices in the field of compliance.
- Review and update of the Supplier Code of Conduct.
- Completion of the process to update the System for compliance with criminal law of the Red Eléctrica Group.
- Design of a global due diligence system regarding compliance matters with third parties.
- Digital transformation of the compliance function.
- Development of the training and awareness raising plan for compliance culture for 2019.



## IN 2018, THE ADVISORY BODY

regarding conflicts of interest was created



*The training and awareness plan regarding the compliance culture is scheduled to be launched in 2019.*



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## SYSTEM FOR COMPLIANCE WITH CRIMINAL LAW

Red Eléctrica has a **Criminal Risk Prevention Programme** that aims to identify the rules, procedures and tools established within the Group to avoid a breach of official regulations that carry criminal implications applicable to the Company and its staff, and to adapt it to the regulatory environment. The management and prevention of criminal risks that could affect it, according to its activity and business sector, is thus incorporated

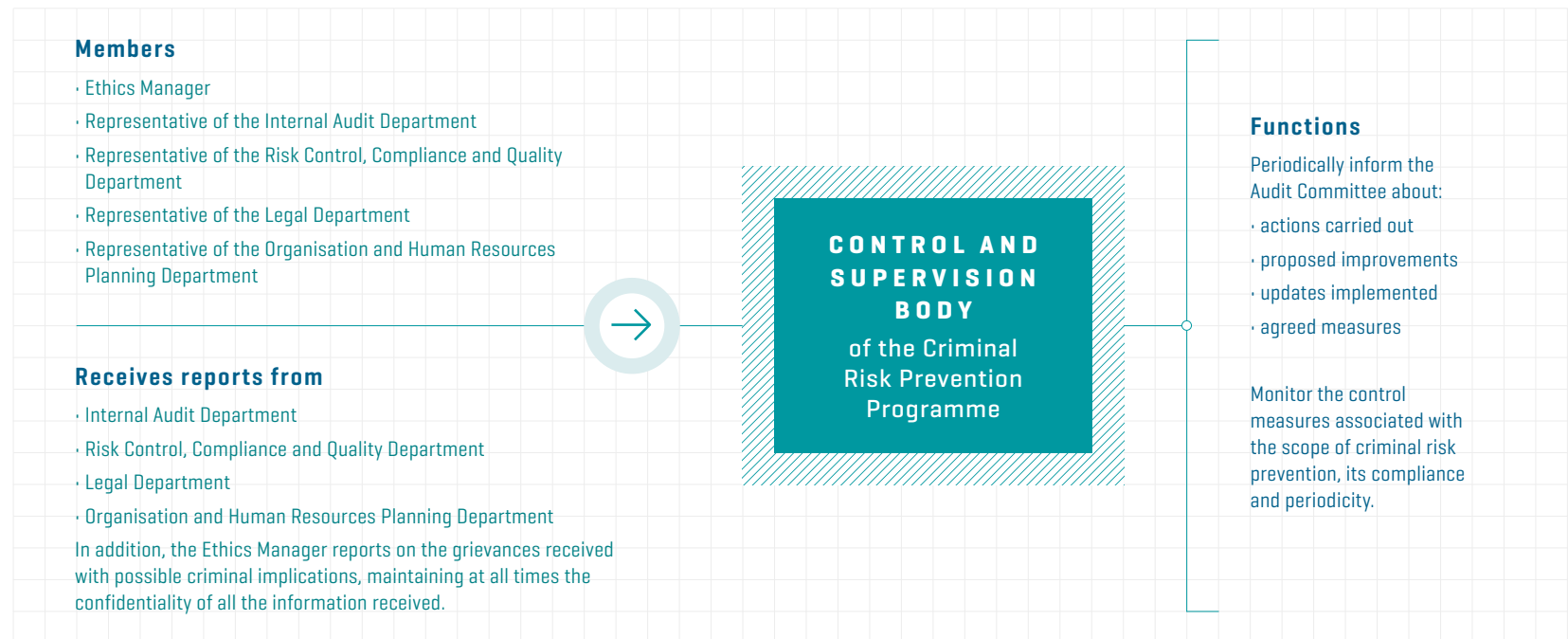
into the due diligence exercised by the Red Eléctrica Group.

This programme, approved by the Board of Directors of Red Eléctrica at its meeting on 24 November 2011, has a control body that monitors its compliance and undertakes specific measures to ensure it is adequately updated and implemented.

In 2018, the Ethics Manager received no grievance regarding non-compliances related to criminal risks, and none of

the companies of the Group have been investigated or convicted by any law court for breaches related to criminal risks of the organisation.

In this same year, the Company began the process of reviewing and updating the system for compliance with criminal law with the aim of adapting it to the criteria of the Global Compliance System of Red Eléctrica and the best practices in the management of compliance with criminal law, with its completion scheduled for 2019.







- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

***The Guide for the prevention of corruption: zero tolerance, sets out and details the corporate values and business conduct guidelines included in the Code of Ethics.***

**PREVENTION OF CORRUPTION AND CONFLICTS OF INTEREST  
103-1 / 103-2 / 103-3 / 205-1 / 205-2 / 205-3**

The Code of Ethics and the corresponding **management system for enquiries and grievances**, in which aspects related to the fight against corruption are included, are an effective mechanism for the detection and handling of possible cases of corruption and fraud. The Code of Ethics must be observed by, and is incumbent upon, the governance bodies and employees of Red Eléctrica. Suppliers must, in turn, fully embrace and undertake to respect the organisation's **Supplier Code of Conduct**.

The Red Eléctrica Group has a **Guide for the prevention of corruption: zero tolerance**, approved by the Board of Directors in 2015, which sets out in further detail the corporate values and business conduct guidelines included in the Code of Ethics related to the main manifestations of corruption.

All persons of the Red Eléctrica Group are obliged to know and accept the contents of this Guide and review their conduct based on the principles, commitments and controls established therein.

Additionally, with a specific nature, the Company periodically controls the processes considered susceptible to the risk of corruption and fraud through internal audits based on the risk prevention programmes for fraud and criminal risk as a basis, which incorporate specific controls on said risks.

In 2018, in accordance with the business conduct guidelines contained in the Code of Ethics, in which contributions to political parties or organisations is prohibited, no donations, grants or loans to political parties have been made on behalf of the Group.

In addition, in 2018 the Red Eléctrica Group approved a **Guide for the management of conflicts of interest**, for the execution of the commitments assumed in the Code of Ethics in this area, in order to detect and prevent potential conflicts of interest that may affect the management team of the Red Eléctrica Group. This Guide, the result of the due diligence of the Red Eléctrica Group in matters of conflicts of interest, incorporates preventive measures to minimise the risks in this scope.



THE  
**GUIDE**

for the management of conflicts of interest that may affect the management team was approved in 2018



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## HUMAN RIGHTS 103-1 / 103-2 / 103-3

Red Eléctrica formalised its **Human Rights Management Model** in 2017, which was approved by the Sustainability Steering Committee. The development of this model follows the methodology defined by the Guiding Principles on Business and Human Rights of the United Nations.

The model embodies the full scope of the activities of the Red Eléctrica Group, defining commitments and global grievance mechanisms for the main business activities and geographical areas in which the Group operates.

Although the activity of the Company, for the sector in which it belongs, has risks mainly linked to the areas of health and safety of people, working conditions, the supply chain and the impact on communities, the Red Eléctrica Group has control policies and mechanisms that minimise these risks and ensure respect for human rights.

### Commitment to human rights 407-1 / 408-1 / 409-1

The Red Eléctrica Group maintains an explicit and public commitment to respect and promote human rights in the undertaking of its activities in all the territories in which it operates, paying special attention to the liberties and rights of vulnerable groups, such as indigenous populations, women, children and ethnic minorities, among others, and

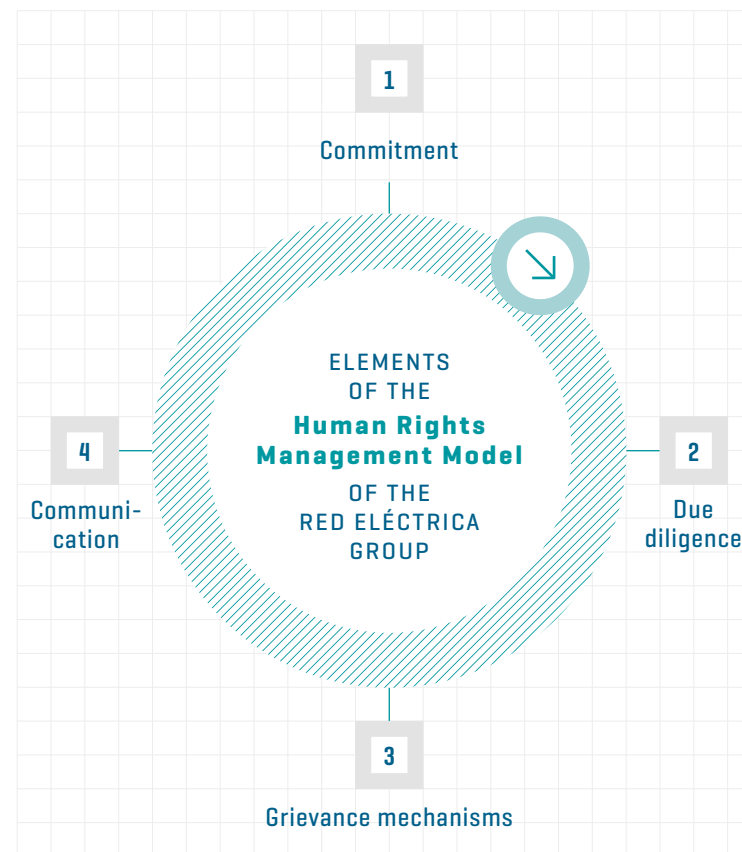


## HUMAN RIGHTS MANAGEMENT MODEL

Drafted using the methodology defined by the Guiding Principles on Business and Human Rights of the



*Red Eléctrica's commitment to human rights is reinforced by its adherence to the ten principles of the United Nations Global Compact.*





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## *The integration by Red Eléctrica of human rights factors into the supply chain has been recognised by the rating agency Vigeo Eiris.*

promotes the extension of this respect to its suppliers.

This commitment is included in the corporate values and in the business conduct guidelines established in the Code of Ethics. Similarly, the Group's Corporate Responsibility Policy establishes the promotion and respect of human rights as one of the basic principles and guidelines, implementing the necessary mechanisms to ensure the absence of child labour, forced or compulsory, freedom of association and collective bargaining and the elimination of any practice that may represent a violation of individual or collective dignity.

In the undertaking of these commitments, the Red Eléctrica Group takes into account the internationally recognised principles contained in the Universal Declaration on Human Rights and the binding provisions of the Declaration, the International Covenant on Economic, Social and Cultural Rights and the regulations of the International Labour Organisation.

Similarly, to extend the principles of sustainability throughout the supply chain, the Supplier Code of Conduct of the Red Eléctrica Group establishes the duty of this stakeholder group to respect the principles of the Universal Declaration on Human Rights, and its associated implementing conventions. Through the acceptance of the general conditions of contract, all suppliers of the Company undertake to comply with the Code of Conduct, which can be verified by carrying out social audits.

Noteworthy is that the study, 'Human rights in a globalised world: why do companies need to pay more attention?' carried out by the rating agency Vigeo Eiris, has placed Red Eléctrica among the 1% of the companies with the best rating due to the integration of human rights factors into its supply chain at a worldwide level.

### **Due diligence process 411-1 / 412-1 / 412-3**

Since 2013, Red Eléctrica conducts a **periodic due diligence analysis** to identify the human rights risks associated with its activities, encompassing all the companies of the Group. This analysis is completed by means of a process aimed at identifying specific risks associated with suppliers through the impact matrix of the supply chain.



RESPECT FOR HUMAN RIGHTS

One of the principles and

**BASIC GUIDELINES**

of the Company



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



The Company conducts its risk analysis based on compliance with the 108 recommendations proposed by the Global Compact, structured in the following areas: labour rights; civil and political rights; economic, social and cultural rights; rights of local communities, and management of the supply chain. The degree of compliance with these recommendations has been 99%. The result of this process shows that the Company has a **low level of risk**, applies the appropriate controls for its management and, therefore, it has not been necessary to implement corrective actions.

On the other hand, the certification of the corporate responsibility management system involves auditing all work centres in three-year cycles in aspects related to respect for human rights. In 2018, the Company conducted external audits at the head offices and in the work centres in the Central and Southern Regional Offices, which represents 30% of the total work centres.

Noteworthy is that the Company's activities in no way violate the human rights of any vulnerable group. Specifically, the activity carried out by the Group in Peru and Chile has no impact on indigenous populations.



## EXTERNAL AUDITS

Conducted in

**30**  
%

of the total number of work centres

**The 'Dígame' service manages enquiries and suggestions from external stakeholders and the ASA channel (Procurement Support and Helpdesk) provides specific helpdesk services to suppliers.**

**Grievance mechanisms**

The Red Eléctrica Group makes the **Whistle-Blowing Channel** available to all its stakeholders as a formal mechanism for responding to enquiries and grievances related to human rights.

Additionally, the Company has other communication channels with its stakeholders, where they can share their concerns regarding any breach in this area, such as the **Dígame service** that manages the enquiries and suggestions from external stakeholders and the **ASA channel** (Procurement Support and Helpdesk) for the specific attention to suppliers.

In 2018, the Company received a total of four grievances regarding human rights through the *Dígame* service. 50% of these grievances have been resolved; the rest are pending closure.



ALREADY RESOLVED

50

%

of the grievances regarding human rights received through the *Dígame* service in 2018



**Communication 412-2**

The Red Eléctrica Group makes its stakeholders participant in its performance on human rights issues through the Sustainability Report. In 2018, the Company has not carried out any new training activities for its employees in the field of human rights.

It should also be noted that the Company annually publishes its Report on the Management of the Code of Ethics, which includes an analysis of the possible grievances received in this matter and whose Executive Summary is included in the Annex to this report.





- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

F I N A N C I A L  
R E S U L T S  
A N D / E C O N O M I C  
S O U N D N E S S



# FINANCIAL RESULTS AND ECONOMIC SOUNDNESS

## Key financial indicators <sup>[1]</sup>

| millions € |

	2017	2018	Δ%
Revenue	1,941.2	1,948.5	0.4%
Gross operating profit (EBITDA)	1,519.5	1,539.7	1.3%
Net operating profit (EBIT)	1,031.4	1,069.8	3.7%
Net profit	669.8	704.6	5.2%
Non-current assets	9,214.2	9,303.5	1.0%
Net equity	3,093.4	3,361.4	8.7%
Operating cash flow after taxes	1,187.9	1,218.9	2.6%
Total investment <sup>[1]</sup>	510.2	546.6	7.1%
Net financial debt	4,791.8	4,682.7	-2.3%

<sup>[1]</sup> Investments for 2016 included 199.8 million euros corresponding to the acquisition of 50% of the Chilean company TEN.

## EVOLUTION OF RESULTS 103-1 / 103-2 / 103-3

For yet another year, the Red Eléctrica Group has been able to show stable growth. The Company has obtained sound results and a significant strengthening of its main solvency ratios, maintaining a clear orientation towards operational efficiency and the permanent generation of value.

## Economic value generated and distributed (Group) <sup>[1]</sup> | millions € | 201-1

	2016	2017	2018
<b>Economic value generated</b>	<b>2,014.3</b>	<b>2,065.8</b>	<b>2,041.1</b>
Net revenue	1,932.3	1,941.2	1,948.5
Other net profits and losses <sup>[1]</sup>	81.9	124.7	92.6
<b>Economic value distributed to stakeholders</b>	<b>-1,336.0</b>	<b>-1,378.0</b>	<b>-1,387.8</b>
Employees: personnel costs	-145.1	-148.7	-151.8
Company: Corporate Income Tax	-212.2	-220.4	-231.8
Investment in the community	-6.4	-6.5	-7.0
Suppliers: other operating expenses <sup>[2]</sup>	-356.4	-362.7	-331.7
Shareholders: dividends <sup>[3]</sup>	-464.6	-497.1	-531.9
Other Capital providers: net financial costs	-151.3	-142.6	-133.5
<b>Economic value retained</b>	<b>678.2</b>	<b>687.8</b>	<b>653.3</b>
Reserves	174.0	172.7	172.6
Amortisation and depreciation <sup>[4]</sup>	504.2	515.2	480.8

Note: Data obtained from the Consolidated Annual Accounts. / 201-4

<sup>[1]</sup> Includes: other operating income, net results obtained via equity method, results from divestment of non-current assets (divestitures), capital subsidies, other deferred incomes transferred to the fiscal year's results and works performed by the Company on its assets.

<sup>[2]</sup> Procurements and other operating costs (excluding investments in the community).

<sup>[3]</sup> Includes the interim dividend and complementary dividend.

<sup>[4]</sup> Includes: Amortisation / Depreciations (includes mainly provisions for deterioration in asset value).



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

# FINANCIAL STRATEGY

*The Company carries out a responsible and transparent management that promotes sustainable and innovative sources of financing.*



7 NOV 2018  
RED ELÉCTRICA  
**SIGNS**

the world's first multi-currency syndicated loan based on blockchain technology

The financial strategy traditionally followed by Red Eléctrica is geared towards reflecting the nature of the business it carries out while adapting to the legislation in force at each moment. The Company's strategic commitment to sustainability and digital transformation, cross-cutting and with a long-term vision, is also present through a responsible and transparent management that promotes sustainable and innovative sources of financing.

In this regard, two events stand out in particular. On the one hand, on 7 November 2018, Red Eléctrica signed the world's first multi-currency syndicated loan based on blockchain technology. In the contracting process, BBVA, BNP and MUFG participated. The use of this technology guarantees transparency and traceability and provides an immutable digital ledger of the entire process. On the other hand, on 21 December 2018, it achieved a reduction in the interest rate of its green syndicated loan issued in December 2017, thanks to compliance with the conditions associated with the evolution of the ESG parameters (environmental, social and good governance) in accordance with the rating of the Vigeo Eiris rating agency.

The transmission of electricity and the operation of the electricity system are highly capital-intensive activities, wherein investments mature over long periods. In addition, the remuneration of these assets

**Red Eléctrica maintains a liquidity policy that ensures compliance with the commitments acquired, diversifying the coverage of financing needs and the maturity of the debt.**

occurs over long periods. Therefore, our financial debt is primarily contracted long-term and is referenced mainly at fixed rates.

The net financial debt at the end of 2018 totalled 4,683 million euros. The average maturity date of the debt granted at year-end stood at 5.3 years. Based on interest rates, it can be classified as shown in the evolution chart shown on this page.

On the other hand, a liquidity policy is maintained to ensure compliance with the commitments acquired, diversifying the coverage of financing needs and the maturity of the debt. In this regard, noteworthy was the availability of credit

lines at the end of 2018, amounting to 1,826 million euros.

The classification of the financial debt according to its maturity can be seen in the structure charts shown, where all the debt whose maturity will occur in the next twelve months counted as of 31 December 2018 is classified as short-term.

**CREDIT RATING**

Red Eléctrica has been given a long-term credit rating of 'A-' by Standard & Poor's with a stable outlook and a short-term rating of 'A-2'. Meanwhile, Fitch has given Red Eléctrica a long-term rating of 'A' with a stable outlook, and 'F1' in the short term.

The rating agencies indicated the predictability and recurring nature of earnings as well as the financial soundness of the Company as its strengths.

**Financial Debt Structure: fixed vs. variable %**



**Financial Debt Structure: long term vs. short term %**



**Evolution of net financial debt M€**





- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



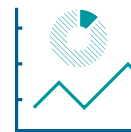
07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

# SHAREHOLDER RETURN

*2018 saw the worst performance of the equity markets since the financial crisis.*



The possible impact of the US trade tariff measures, the clear signs of a slowdown and the threat of a messy Brexit have dragged

## MARKETS DOWN

### STOCK MARKET PERFORMANCE

2018 registered a downward turning point compared to the sustained upward trend shown in previous years. The main stock market indexes recorded significant falls, around -6% in the US and -15% in Europe and Asia, most noteworthy was -25% in China. This negative trend represents the worst performance of the equity markets since the financial crisis. Among the factors that have marked this downward trend are trade wars, growing doubts about economic growth, institutional challenges, especially in Europe, and the difficulties of emerging economies; all this, in a context of withdrawal of monetary policy stimuli. In short, a mix of factors that have hindered the evolution of the markets.

In the US, the S&P 500 fell by 6.24% and the Dow Jones by 5.63%. For its part, the Nasdaq Composite registered a fall of 3.88%. After a negative start to the year, the middle months of the year were marked by new all-time highs. However, the weak stock market performance in the last quarter of the year wiped out the gains and led the indexes into negative territory, weighed down by the share price of technology companies - the FAANG [best performing tech stocks] fell between 13.4% for Google and 30.1% for Apple in this last quarter - in addition the increasingly clear signs of a slowdown in the global economy has also weighed down the markets.



The performance of the European stock markets has been more negative. The Eurostoxx 50 lost 14.34% and the Eurofirst 300 lost 12.96% during 2018. The biggest falls were recorded in Germany [-18.26%] and Italy [-16.15%]. On the other hand, the Portuguese index fell by 12.19% and that of London by 12.48%. The possible impact of the US trade tariff measures, the clear signs of slowdown and the threat of a messy Brexit have dragged markets down. The IBEX 35, on the other hand, fell 14.97%, in line with the main European stock exchanges, closing the year at 8,539.9 points and registering levels in December not seen since August 2016.

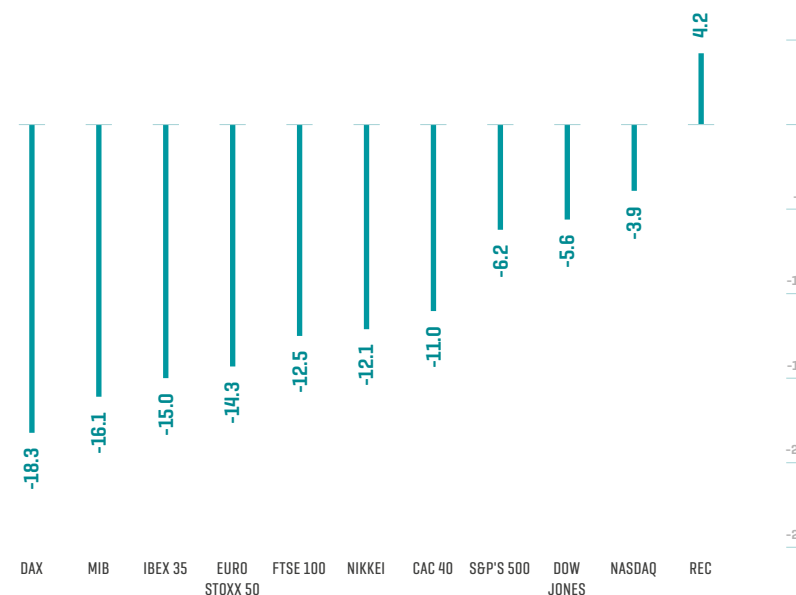
Equally negative was the performance of the Asian stock markets, where the Japanese TOPIX [Tokyo Price Index] fell by 17.8%, the Nikkei 225 by 12.08% and in Hong Kong the Hang Seng Index fell by 13.61%. Especially negative was the performance of the Shanghai Composite, which fell 24.59% due to the impact of the successive trade tariff increases imposed by the US.

### RED ELÉCTRICA'S SHARE PRICE

Throughout 2018, the share price of Red Eléctrica grew by 4.20%, ending the year at 19,495 euros per share, above and beyond increases shown by most regulated European energy companies. The expectation of an important investment plan in the second regulatory period to facilitate the energy transition, the progress made in setting

*The expectation of an important investment plan in the second regulatory period to facilitate the energy transition, the progress made in setting the regulatory parameters for the following period as well as the Company's shareholder remuneration policy have been positively valued by the markets.*

Evolution of Red Eléctrica and the main stock market indexes - 2018



GROWTH OF  
**4.20**  
%

in the share price of Red Eléctrica; ending the year at 19,495 euros per share



DIRECT SHAREHOLDER RETURN

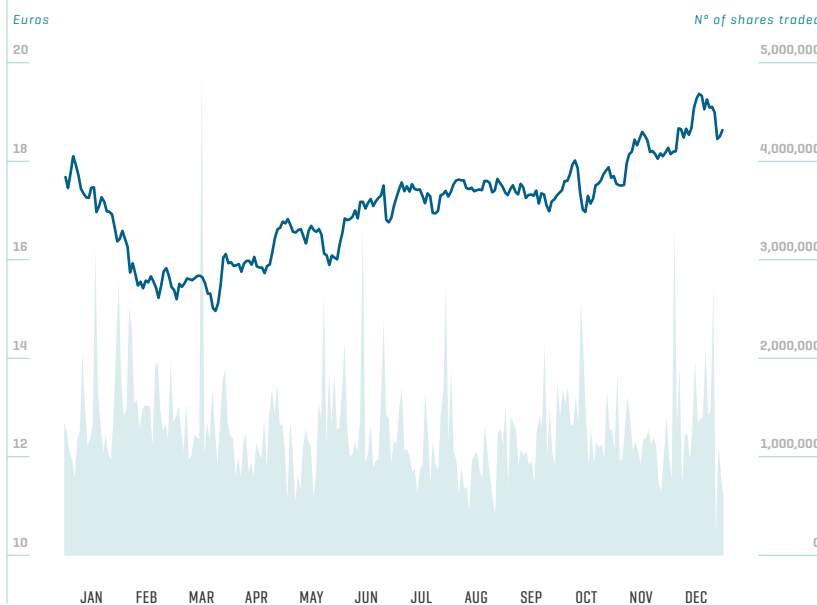
7

%

year on year growth

**In 2018 as a whole, 493.6 million shares were traded in the official secondary markets, representing 0.9 times the Company's share capital. Purchases made in cash totalled 8,735.3 million euros.**

Share price performance and daily volume



the regulatory parameters for the following period as well as the Company's shareholder remuneration policy have been positively valued by the markets.

In 2018 as a whole, 493.6 million shares were traded in the official secondary markets, representing 0.9 times the Company's share capital. Purchases made in cash totalled 8,735.3 million euros.

DISTRIBUTION OF DIVIDENDS

In 2018, the direct shareholder return in the form of dividends **increased by 7% over the previous year**. The gross dividend proposed at the General Shareholder's Meeting with a charge to 2018 profit, is 0.9831 euros per share. On 8 January 2019, a gross interim dividend payout of 0.2727 euros per share was made, with 0.7104 euros per share pending distribution, as part of a gross complementary dividend.

Main stock market indicators

	2018
Share price (in €)	
Maximum	20.48
Minimum	15.34
Year-end	19.495
Market capitalisation at the close of the year (in M€)	10,548.4
Earnings per share (EPS) (in €)	1.30
Share price/EPS (Nº of times)	14.97
Dividend per share (in €)	0.9831



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

# E M P L O Y E E S





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



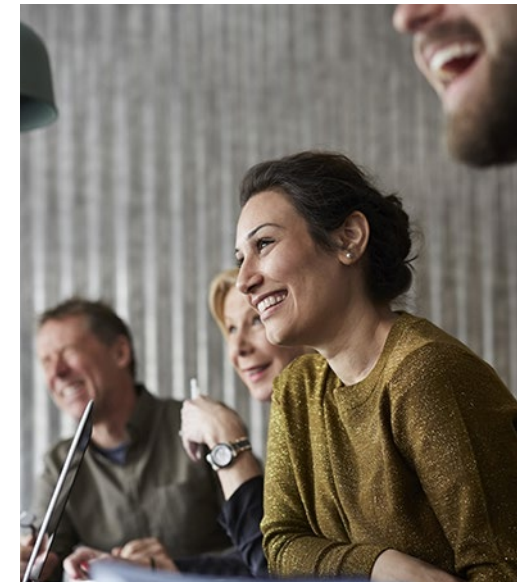
07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# STABILITY AND QUALITY OF EMPLOYMENT

103-1 / 103-2 / 103-3



The 2017-2019 Human Resources Master Plan of the Red Eléctrica Group is linked to the Company's strategy and is based on five essential principles that promote an atmosphere of commitment, sustainability and good social climate.

## Principles of the Human Resources Master Plan



EFFICIENCY



EQUAL OPPORTUNITIES



WORK-LIFE BALANCE



FAIR AND PERSONALISED TREATMENT FOR ALL PROFESSIONALS



RESPECT FOR DIVERSITY



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN

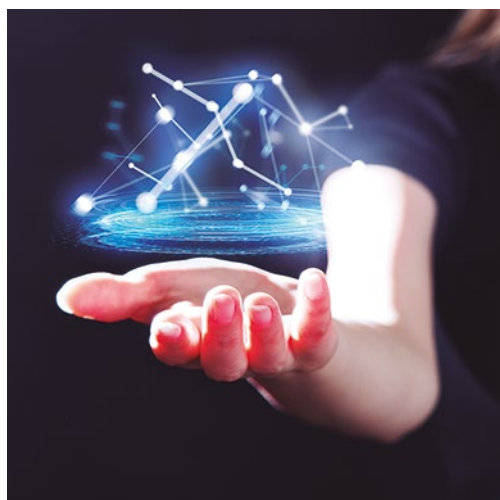


07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

**The Impúlsate project, started in 2018 with a 2020 horizon, will facilitate the transformation of the people management function.**



In 2018, the Red Eléctrica Group conducted the review and update of this Master Plan, which is based on four core principles developed through various key actions. During 2018, Red Eléctrica has focused its efforts on organisational transformation, the definition and development of a new people management model, the design and implementation of new efficient and simple processes, and the necessary actions for

the management of cultural change and digital transformation.

The **Impúlsate** project, started in 2018 with a 2020 horizon, will facilitate the transformation of the people management function to add value to the Red Eléctrica Group as a strategic partner for change and promote the achievement of its objectives.

### Core principles of the 2017-2019 Human Resources Master Plan

<p><b>Change management</b></p> <ul style="list-style-type: none"> <li>· Promote organisational transformation, adapting people and the organisation to the strategic challenges of the Company, so that these changes occur with joint responsibility and through sustainable models at a Group level.</li> </ul>
<p><b>Optimisation and simplification of processes</b></p> <ul style="list-style-type: none"> <li>· Guide the processes towards continuous improvement and with a cross-cutting focus.</li> </ul>
<p><b>Talent management and development</b></p> <ul style="list-style-type: none"> <li>· Promote the development of talent to guarantee the capabilities of current and future resources that are necessary for the fulfilment of the Company's strategy at a Group level.</li> </ul>
<p><b>Leadership in occupational health and safety: a healthy workplace</b></p> <ul style="list-style-type: none"> <li>· Facilitate compliance with professional goals and personal objectives (work-life balance) in a safe and healthy working environment.</li> </ul>

### Red Eléctrica's standing

<ul style="list-style-type: none"> <li>· Position 41 in the Universum ranking of the most attractive companies to work for.</li> </ul>
<ul style="list-style-type: none"> <li>· Position 32 in the Merco Talento ranking.</li> </ul>
<ul style="list-style-type: none"> <li>· Presence in the <b>Top 200 ranking of gender equality</b>, published in Equileap (2018 Gender Equality Global Report &amp; Ranking). Red Eléctrica is ranked 5th of the eight Spanish companies included.</li> </ul>
<ul style="list-style-type: none"> <li>· Certificate of "<b>Good Practices in Health Promotion</b>" granted by the National Institute of Health, Safety and Well-being at Work.</li> </ul>
<ul style="list-style-type: none"> <li>· <b>Brain Caring People Company seal</b> awarded by the Freno al Ictus Association (Stroke Prevention) and endorsed by the Spanish Neurological Society, for the stroke prevention campaign carried out by the Company on this disease.</li> </ul>





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## A STABLE, COMMITTED AND HIGHLY QUALIFIED TEAM

### 401-1

The Red Eléctrica Group had a total workforce of 1,799 as at 31 December 2018. 96% of the total (1,721 people) work in Spain and 4% in Peru and Chile.

Red Eléctrica offers its employees stable and quality employment (99.4% of workers are on permanent contracts), betting on employability and functional mobility as a lever for growth and professional development (8.9% functional mobility in 2018).

Red Eléctrica offers stable and quality employment with 99.4% of indefinite contracting among its professionals.

### Key employment indicators <sup>(1)</sup>

	2016	2017	2018
Total workforce	1,682	1,741	1,721
Women [%]	23.7	24.4	24.1
Men [%]	76.3	75.6	75.9
Women in managerial positions [%]	21.8	24.8	28.8
People with some type of disability [%]	0.77	0.83	0.88
Creation of net employment (Nº of job positions)	-15	35	-20
Average age	45	45	46
Average length of service (years)	16	16	17
Undesired external turnover [%] <sup>(2)</sup>	2.0	2.6	2.4
Total turnover [%] <sup>(2)</sup>	2.8	3.7	3.7
Permanent contracts [%]	99.8	98.3	99.4

<sup>(1)</sup> Data from REE + REC until 2016 and as of 2017 includes data from REE + REC + REINCAN + REI + REINTEL.

<sup>(2)</sup> Scope of the data REE + REC.



THE RED ELÉCTRICA GROUP WORKFORCE  
**1,799**  
PEOPLE

STABLE AND QUALITY EMPLOYMENT

**99.4**

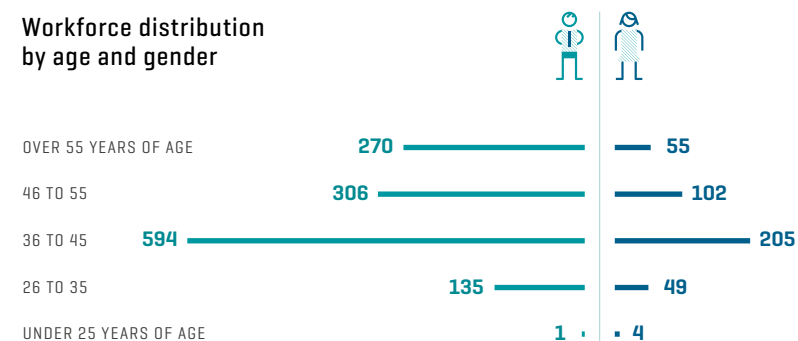
%

of employees are on permanent contracts

Workforce evolution in Spain  
Nº of employees



### Workforce distribution by age and gender



Data from Red Eléctrica de España + Red Eléctrica Corporación.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



## COMPENSATION AND REMUNERATION

The Red Eléctrica Group works to consolidate, in all the companies of the Group, a remuneration model that responds to the following universal principles:

- Internal equality and external competitiveness.
- Coherence with the organisational and development model.
- Offering opportunities for salary progression.
- Highlighting superior performance through recognition.

- Equal pay for men and women.

In this regard, the Company continues to advance in the **model of total compensation** defined in 2017 that includes different elements [economic, financial, intangible and emotional] and that facilitates and supports the organisational and the cultural transformation and new ways of working within the Red Eléctrica Group. With this same approach, Red Eléctrica has **recognition programmes** linked to both the definition and implementation of innovative ideas regarding efficiency and income generation in order to encourage participation among the Group's professionals.



## TOTAL REMUNERATION MODEL

Defined in 2017, includes economic, financial, intangible and emotional elements



ABOUT  
THIS  
REPORT



LETTER FROM  
THE CHAIRMAN  
LETTER FROM  
THE CHIEF  
EXECUTIVE  
OFFICER



KEY PERFORMANCE  
INDICATORS



01  
THE RED  
ELÉCTRICA GROUP



02  
STRATEGY



03  
COMMITMENT  
TO  
SUSTAINABILITY



04  
ANTICIPATING  
CHANGE AND  
TAKING ACTION



05  
DECARBONISATION  
OF THE ECONOMY



06  
RESPONSIBLE  
VALUE CHAIN



07  
CONTRIBUTION TO  
SOCIAL, ECONOMIC  
AND ENVIRONMENTAL  
DEVELOPMENT



ANNEXES



## GENDER PAY GAP

Planned for 2019, will quantify the gender gap and establish corrective plans

*The Company has strengthened its leadership objectives, linking variable remuneration to the strategy and leadership model of the management team.*

It should be noted that in 2019, the Company will conduct a study on the quantification and analysis of the **gender pay gap**, with the objective of analysing and quantifying it by gender and establishing corrective action plans where applicable.

Red Eléctrica's remuneration model for non-managerial staff is composed of monetary elements (a fixed salary scheme within broad salary bands that are wide enough to allow different salary scales to be established within the same group, along with a special bonus scheme that acknowledges the most outstanding contributions) and non-monetary elements, that allow the remuneration of the professionals to be personalised. Along with the aforementioned, the Company offers its professionals benefits such as medical insurance, training, life insurance, public transport card, restaurant vouchers and day-care vouchers, as well as the Company's share purchase schemes.

On the other hand, the remuneration model of the management team has an annual variable remuneration that assesses the contribution



to the achievement of individual objectives related to economic, efficiency, quality and managerial factors (such as corporate security and corporate responsibility). Within this model, senior management has a deferred variable, which aims to achieve high levels of motivation and commitment with regard to the fulfilment of the Company's Strategic Plan.

Similarly, following the best practices of the market, the Company has strengthened its **leadership objectives**, which incentivise and link variable remuneration to the leadership model of the management team, as well as to the Company's strategy.



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

# DIVERSITY

103-1 / 103-2 / 103-3

*The Diversity Management Model, defined in 2017, is aligned with the Company's Strategic Plan and the 2030 Sustainability Commitment.*



## COMPREHENSIVE DIVERSITY PLAN

Approved in 2018, seeks to become a reference, both inside and outside the Company, in terms of diversity

The Red Eléctrica Group demonstrates its commitment to diversity, inclusion and non-discrimination, through its **diversity management model**, defined in 2017 and aligned with the Company's Strategic Plan and the 2030 Sustainability Commitment. This model allows the previous models that served different areas of diversity to be incorporated under the same umbrella:

- **equality**, whose first plan was approved in 2009 and its management has been recognised with the Equality in the Workplace seal, still within its validity period;
- **disability**, managed within the framework of a model approved in 2015, and
- **age**, which initially had an age management model, adopted in 2015 and which was subsequently set out in the age management plan.

Similarly, noteworthy is the extension of the scope, incorporating other areas of diversity, such as LGTBI, diverse culture, rural, other vulnerable groups, etc.

This model is embodied in a **Comprehensive Diversity Plan**, approved in 2018, whose mission is to inspire and be a reference, both within the Company and in the social, work and personal environment, through commitment to the diversity of talent, socio-labour inclusion and non-discrimination, addressing stereotypes and cultural barriers.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

The objectives of the Comprehensive Diversity Plan are:

- Create a corporate culture that is favourable to diversity, both in the employees and in the rest of our stakeholders.
- Integrate diversity in all Company processes, especially in people management.



**Red Eléctrica de España maintains the Equality in the Workplace seal granted by the Ministry of Health, Social Services and Equality.**

- Involve, raise awareness and promote the Company's mission and focus on diversity within our collaborators and suppliers.
- Participate with official organisations, academic institutions and other social agents in campaigns and projects that enable the Company to be a benchmark as a social agent that will contribute to building a more diverse society.

**GENDER EQUALITY AND EQUAL OPPORTUNITIES**

Gender equality is one of the vectors included in the new Comprehensive Diversity Plan and addresses the principles of equal opportunities in employment, the promotion of women into positions of responsibility, equal pay for both men and women, fostering the equal sharing of family responsibilities between both women and men, the prevention of moral, sexual and gender-based harassment, and the prevention of gender violence. These aspects are monitored through indicators that measure the progress of the defined objectives.



**GENDER EQUALITY**

included in the Comprehensive Diversity Plan, with follow-up measures to gauge the progress of the defined objectives

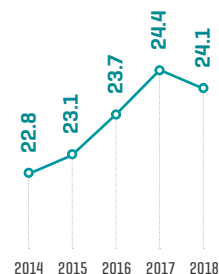


The percentage of women on Red Eléctrica's workforce stood at 24.1% in 2018 (24.4% in 2017). On the other hand, the number of women in managerial positions, for yet another year, has increased significantly, reaching 28.8% in 2018 (24.8% in 2017). These results exceed the objectives set, due to the equal opportunities in the training and development processes, and that of internal promotion, which has made it possible for 67% of the new appointments to managerial positions to be filled by women.

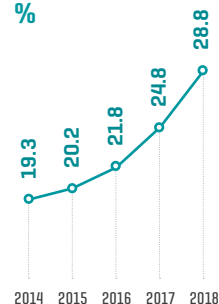
As for the indicator that measures equal opportunities in promotion (men/women), in 2018 this stood at 1.39 exceeding the target of 1.20 set for the year.

The difficulty of finding candidates in some of the recruitment processes has motivated Red Eléctrica to sign a collaboration agreement with the Royal Academy of Engineering for the creation of female STEM talent (Science, Technology, Engineering and Mathematics). Among other activities, within the Women and Engineering project, the Company actively participates in a mentoring programme for female university students studying technical degrees and has run the TECHMI competition in schools in the Community of Madrid to attract female talent to technical degrees.

### Evolution of women on the workforce %



### Evolution of women in managerial positions %



*Note: The data in these graphs show the evolution of women in Red Eléctrica de España and Red Eléctrica Corporación from 2014 to 2016, and as of 2017 the data is from REE + REC + RNC + REI + RTE.*

## Noteworthy initiatives for the promotion of equality in 2018

### Training and awareness

- Campaign to raise awareness regarding gender-based violence: conference held at the head offices.
- Employment school course for women at risk of exclusion.

### Forums and working groups

- Collaboration in roundtables on diversity and inclusion promoted by the Instituto de Empresa.
- Participation in the 'Gender Tension Gap', promoted by the IE Business School.
- Participation in the Diversity and Equality Roundtable of AICA, from which the Business for Equality Programme of the General Directorate for Women of the Community of Madrid is managed.

### Backing of initiatives and signatories of agreements with the Ministry of Health, Social Services and Equality

- Agreement to encourage the balanced participation of men and women on Boards of Directors.
- Collaboration agreement to promote a more balanced participation of women and men in positions of high responsibility.
- Participation in the Promociona Project, which promotes training and professional development as a strategy for women to access managerial positions.
- Collaboration agreement 'Network of companies for a society free of gender violence'.

### Collaboration agreements with other public and private entities

- Collaboration agreement with the Royal Academy of Engineers (RAI) to promote STEM degrees among women.
- Membership in the 'AHORA TÚ' programme (STEM women), internship programme promoted by SEPI.
- Creation and participation in the Observatory for the Work-life Balance and the Equal Sharing of Family Responsibilities between Women and Men promoted by the University of Comillas.



ABOUT  
THIS  
REPORT



LETTER FROM  
THE CHAIRMAN  
LETTER FROM  
THE CHIEF  
EXECUTIVE  
OFFICER



KEY PERFORMANCE  
INDICATORS



01  
THE RED  
ELÉCTRICA GROUP



02  
STRATEGY



03  
COMMITMENT  
TO  
SUSTAINABILITY



04  
ANTICIPATING  
CHANGE AND  
TAKING ACTION



05  
DECARBONISATION  
OF THE ECONOMY



06  
RESPONSIBLE  
VALUE CHAIN



07  
CONTRIBUTION TO  
SOCIAL, ECONOMIC  
AND ENVIRONMENTAL  
DEVELOPMENT



ANNEXES



## AGE MANAGEMENT PLAN

The Company's  
commitment  
to generational  
diversity



### AGE MANAGEMENT

Red Eléctrica has continued working on the **Age Management Plan** that responds to the challenge of ageing that the population is facing. This plan represents an important advance in the Company's commitment to generational diversity, as another vector of the Comprehensive Diversity Plan.

In 2018, the Company defined and put in place the initial steps for the implementation of multidisciplinary actions (occupational health and safety, talent and organisation) integrated into the life cycle of the employee:

- Generational change programme.
- Temporary mobility of specific job positions.
- Analysis and planning of staff according to age.

Similarly, in this financial year, Red Eléctrica conducted a study to assess the work capacity of technical experts in regional offices, a group considered to have greater occupational risks associated with age. The study involved the completion of the medical examination protocols and the assessment of physical condition.

In parallel, the Company has conducted an informative campaign for the promotion of healthy ageing, which stresses the importance of physical activity and participates with other entities in generational management projects, such as the Observatory on Demography and Generational Diversity, coordinated by the IE Business School and the Generation and Talent Observatory.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## INCLUSION OF PEOPLE WITH DISABILITIES

Red Eléctrica has continued to make progress on the action plan associated with the disability management model, embodied within the Comprehensive Diversity Plan. For its implementation, Red Eléctrica has the collaboration of the Adecco Foundation and maintains important contracts with Special Employment Centres for the acquisition of goods and services.

In 2018, **2.63% of full-time equivalent employment for people with disabilities** was achieved. Of this percentage, 0.88% corresponds to direct employment and the rest to LGD agreements (General Law on the Rights of Persons with Disabilities). Through the acquisition of goods and services offered

*The 2018-2020 Multi-Year Corporate Volunteering Plan has marked the beginning of a new line of support for diversity.*

by Special Employment Centres, Red Eléctrica contributed an amount equivalent to the contracting of 30 people with disabilities.

It should be noted that the impetus given to the inclusion of people with disabilities by **corporate volunteering** has marked the beginning of a new line of support for diversity that will be enhanced in the 2018-2020 Multi-Year Corporate Volunteering Plan.

### Main actions regarding disability

<b>Creation of employment:</b> acquisition of goods and services from Special Employment Centres	<b>Plan Aflora:</b> support for employees who may qualify for the disability certificate.	<b>Corporate volunteering:</b> support for the 2018-2020 diversity plan	<b>Description of an inclusive selection process</b>	<b>Plan Familia:</b> care programme for employees whose family members have some form of disability.	<b>Support for the 'Jobs for All' Programme</b> of the Adecco Foundation



EQUIVALENT EMPLOYMENT OF

**2.62**

%

of people with disabilities reached in 2018



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

# TALENT MANAGEMENT

103-1 / 103-2 / 103-3 / 404-2

*The Talent Management Model seeks to attract, nurture, develop, train, transform and retain talent, as well as to exchange knowledge.*



## LEADERSHIP MODEL

Defines the figure of the

## LEADER

as a benchmark for the organisation

The talent management model is an essential line of the Human Resources Master Plan. Aligned with the strategy of the Company and under a systemic approach, the model seeks to attract, nurture, develop, train, transform and retain talent, as well as to exchange knowledge. The model pursues excellence in the processes to keep the Company in a position of reference both nationally and internationally, through the deployment of the following courses of action:

- Employment (recruitment, selection and internal mobility).
- Training (technical and skills training).
- Development (programmes for professional growth).
- Knowledge management and leadership.
- Performance evaluation.

## TRANSFORMATIVE LEADERSHIP

The transmission of key knowledge of the Company and the involvement of leaders are levers that promote commitment, facilitate learning and ensure the employability of people. Based on the Human Resources Master Plan, the Red Eléctrica Leadership Model defines the figure of the leader as a benchmark for the




## THE LEADERSHIP AND STRATEGY INSTITUTE

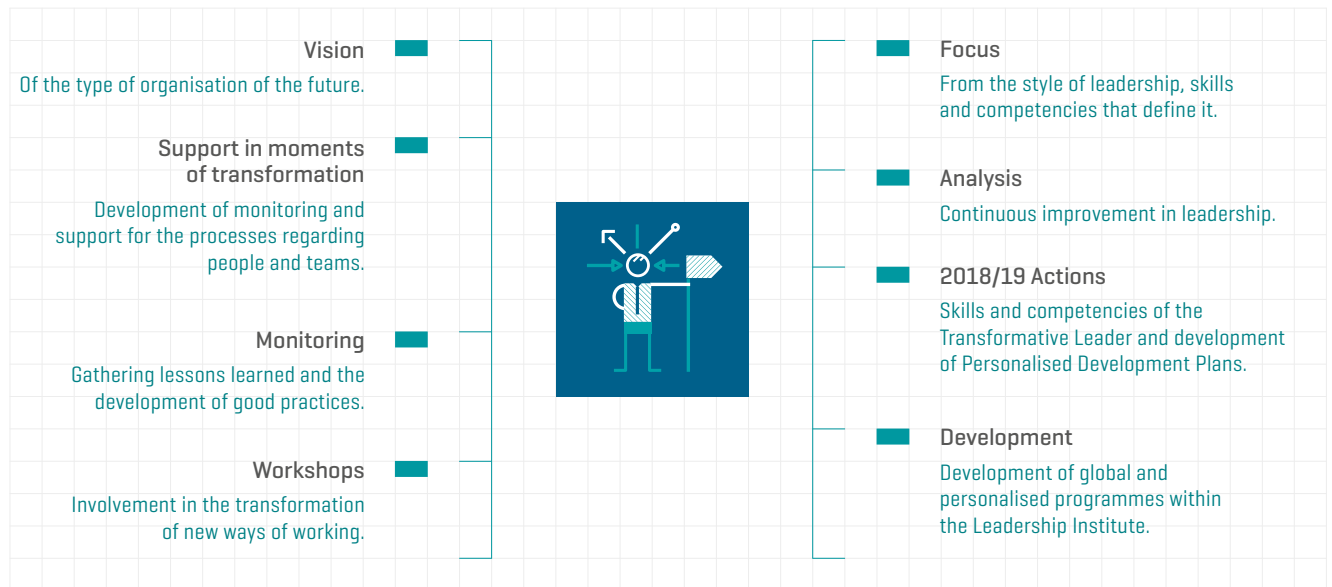
within the Red Eléctrica Campus, seeks to promote cultural transformation with a new leadership approach

organisation and values of the Company, a team developer and a driver of change.

In 2018, the Company consolidated, within the Red Eléctrica Group Campus, the Leadership and Strategy Institute whose objective is to promote cultural transformation with a new leadership approach. Under this concept, the definition of "**Transformative Leadership**" has been defined as a key element that responds to the strategic needs of the Red Eléctrica Group and through which new managerial skills are deployed:

- Development of leaders (directors) and team development (heads of department).
- Transformation and innovation.
- Impact, influence and management of stakeholders.
- Change management.
- Strategic vision.
- Business development.

### Deployment and implementation of Transformative Leadership







ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

In addition, Red Eléctrica has worked hard to define the behaviours associated with this new leadership style in order to ensure its implementation within the Company. Noteworthy among these behaviours are:

- Managing **complexity** and uncertainty and **creating and driving the vision**.
- Acting as an **agent of transformation**: setting examples regarding values and new attitudes. Driving **innovation**.
- Promoting **flexibility** and **agility**.
- Taking **risks**.
- Promoting a **cross-cutting** style and promoting **joint responsibility**: fostering trust and collaboration.
- Promoting the **development of people**: through continuous feedback.

Furthermore, in 2018, the training and development programme **LideraT** has promoted the implementation of personalised actions, focused on the integration and transition of people who, during the year, have taken up new or different managerial positions within Red Eléctrica. In addition, a set of multidisciplinary managerial roadmaps has been designed and these will be rolled out as of January 2019.



It should be noted that in the subsidiaries in Peru and Chile, leadership workshops have been held, aimed at the management team, in order to strengthen their managerial skills.

### KNOWLEDGE MANAGEMENT

The **knowledge management model**, linked to the Company's Strategic Plan, the Human Resources Master Plan and the digital transformation project, channels and manages new and existing knowledge, and facilitates the generation of new knowledge that allows the Company to innovate. In 2018, the Company extended the reach of the model by rolling it out to all employees, including Red Eléctrica Andina (Peru).



## TRAINING AND DEVELOPMENT PROGRAMME

In 2018

# LideraT

has promoted the integration of people who have taken up other managerial positions



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

***With REE Avanza, the Company aims to promote knowledge sharing between experts and encourage debate and the exchange of ideas.***

In 2018, within the framework of the knowledge management model, Red Eléctrica designed the REE Avanza initiative. This initiative, geared towards the sharing of technical expertise aims to encourage experts in each topic/field to disclose and share their knowledge and expertise, promote debate and the exchange of ideas, and create a network of contacts that helps generate new knowledge to be shared across the organisation. Similarly, REE Avanza allows the influence of new technologies on the Company's activity to be analysed and new opportunities to be identified.

Additionally, Red Eléctrica has made progress in 2018 in the drafting of the key knowledge map, the procedure for the transfer of knowledge for those members of staff who are about to take up retirement and making the lesson learned model available to the whole organisation.

**TRAINING AND DEVELOPMENT  
404-1**

In 2018, work was carried out by the Company on the design and optimisation of the training model, aligning the contents with the three



MORE THAN  
131,000

hours of  
training to  
employees  
in 2018

72  
HOURS

and an  
investment of

3,767  
€

Per employee

cornerstones of the Campus of the Red Eléctrica Group: business knowledge and technical training; strategy and leadership; and cultural transformation and innovation.

A key element, within the global talent management model, is the learning strategy and its standardisation. This strategy is based on the following principles, a 70-20-10 methodology, the Incorporation of technological advances (virtual classroom for online training), a series of standard professional development roadmaps and an assessment system that contemplates different levels: satisfaction regarding training; acquired and applicable knowledge and impact of the training, culminating in the calculation of the overall ROI and that associated with each programme.

The various training and development programmes are grouped into four areas: technical training, skills development, corporate training and training for specific groups.

In 2018, Red Eléctrica provided more than 131,000 hours of training to employees of all professional levels, representing an average of 72 hours of training and an investment of 3,767 euros per employee. Almost 10% of the total training hours were aimed at promoting the employability of workers in technical areas, languages, skills and abilities; not directly linked to the functions of the job currently being performed.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



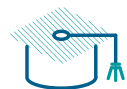
06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

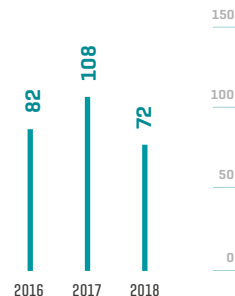


### INTERNAL TRAINERS

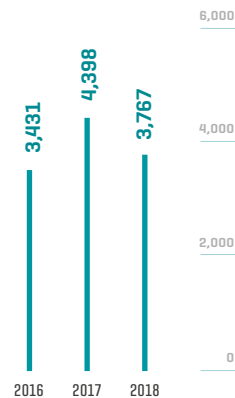
# 7.3 %

of employees with technical degrees and with relevant knowledge in their respective areas participate as internal trainers

### Training hours per employee



### Investment in training per employee M€



Note: data from Red Eléctrica de España + Red Eléctrica Corporación + REINCAN + Red Eléctrica Internacional + REINTEL.



Among the various training activities carried out during 2018, the following are noteworthy:

- Programme for the IT Systems and Technological Innovation Area recognised by the European Commission as a success story due to the definition of professional profiles in the field of information technology.
- Pool of Experts programme to apply and disseminate knowledge in the work environment and to train other employees as internal trainers.
- Hands-on training in electricity substations with actual facilities that are out of service.

- Development of hands-on training, in the Company's facilities, between control centre operators and future operators responsible for local manoeuvres operations.
- Pilot training project for virtual reality aimed at training regarding local operation.
- Information exchange sessions between distributors and SIMEL, and between electricity traders and SIMEL.

Noteworthy is that, given that internal training is a lever for the development and transmission of essential knowledge for Red Eléctrica, 7.3% of technical employees with relevant expertise in their respective areas participate as internal trainers.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## THE CAMPUS OF THE RED ELÉCTRICA GROUP

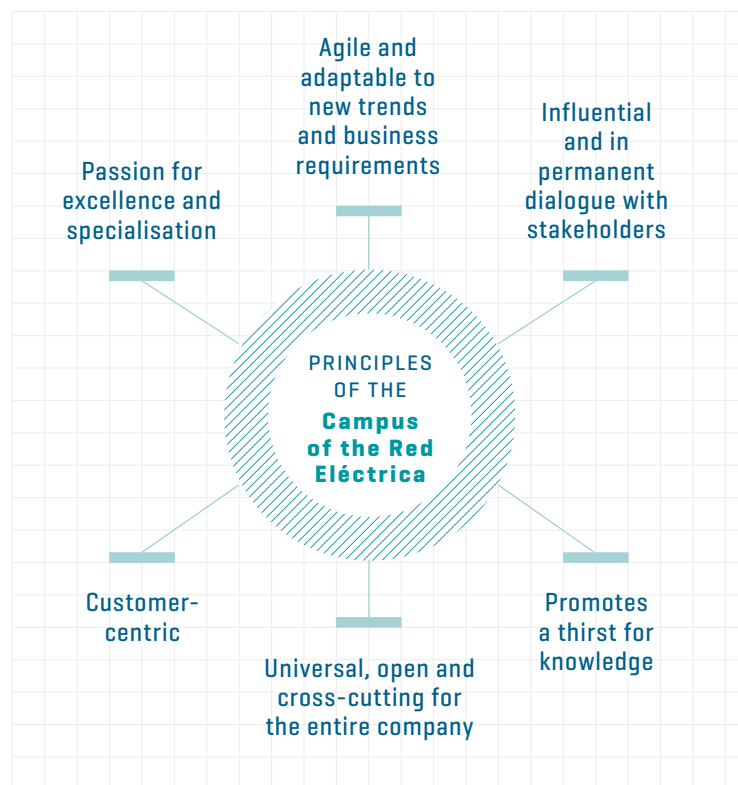
In 2018, the Campus of the Red Eléctrica Group has consolidated itself as the Company's corporate university. The mission of the Campus is to serve as a platform for the deployment of the strategy, values and culture of the Red Eléctrica Group that facilitates the achievement of business objectives, acting as a meeting space, and a catalyst for learning and for the management of knowledge regarding its stakeholders.

### Campus Motto: Creer, Crear y Crecer (C³) (Believe, Create and Grow)

The Campus of the Red Eléctrica Group is structured around three fundamental pillars called institutes and which have the capacity to continuously transform and learn through their permanent contact with the Company and the global environment:

- **Cultural Transformation and Innovation Institute;** focused on the development of the necessary competences to drive Red Eléctrica's organisational transformation with special emphasis on culture and innovation.
- **Strategy and Leadership Institute;** responsible for the deployment of the leadership model required to manage the change that is established by the strategy of the organisation.
- **Business Knowledge and Technical Training Institute;** linked to the core business and responsible for the training of specific skills and competencies necessary to achieve the business objectives of the Red Eléctrica Group.

The new Campus, located in the Technological Business Park in Tres Cantos (Madrid), represents a significant disruptive approach compared with previous internal training centres, going from a mainly technical approach to a more comprehensive approach and its design has followed the guidelines of the CLIP certification tool [Corporate Learning Improvement Process] of the European Foundation for Management Development [EFMD].



Consolidated in 2018

## CAMPUS OF THE RED ELÉCTRICA GROUP

Corporate university with a comprehensive approach

## ASSESSMENT AND MANAGEMENT OF PROFESSIONAL DEVELOPMENT 404-3

In 2018, Red Eléctrica set in motion the **transformation of the assessment model**, effectively separating the assessment of the contribution and the development of key skills, in order to increase its objectivity and facilitate the alignment of all employees with the Group's strategy to generate greater commitment, motivation and clear direction towards the overall objective of the Company.

The model incorporates continuous feedback as a key element and promotes internal dialogue as a basis for interpersonal

relationships, with a more cross-cutting, transparent and frequent communication.

During 2018, the Company launched a new feedback tool, through which the employees have been provided with multiple sources of information that will enable them to better understand how their contribution or their abilities are progressing, thus they can take ownership of their own development.

Similarly, a pilot project was launched to begin the implementation of a **management model based on challenges**, which will help each professional to have a clear roadmap



### Key skills and competencies. 'HOW it's done'

<p><b>Cross-cutting</b></p> <ul style="list-style-type: none"> <li>· Collaboration</li> <li>· Change management</li> </ul>	<p><b>Management personnel</b></p> <ul style="list-style-type: none"> <li>· Development of leaders</li> <li>· Impact and influence</li> <li>· Business development</li> <li>· Be a benchmark in the values of the Red Eléctrica Group</li> <li>· Team development</li> <li>· Transformation and innovation</li> <li>· Stakeholder management</li> <li>· Strategic vision</li> </ul>	<p><b>Non-managerial staff</b></p> <ul style="list-style-type: none"> <li>· Knowledge management</li> <li>· Innovation and continuous improvement</li> <li>· Initiative</li> <li>· Communication</li> <li>· People management</li> <li>· Planning and organisation</li> <li>· Customer orientation</li> <li>· Problem analysis and decision making</li> </ul>

of their work providing them with greater autonomy and flexibility. The model offers greater transparency for the employee through a more objective assessment of their contribution, based on results that will help them to better understand the degree of contribution and impact they have within the organisation.

Lastly, Red Eléctrica has conducted a review and update of the **key skills** included in the model, which are grouped into essential cross-cutting skills for management personnel and for non-managerial staff.





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



One of the new main aspects of the assessment of key skills is that the focus is no longer placed on obtaining a quantitative score, but on qualitative aspects through the identification of strengths and areas for improvement that must be developed, also including a self-assessment, on this aspect, made by the employees themselves. The result of the assessment of the contribution and of the key skills will be the basis for making decisions regarding talent based on consensual data and information, and which are more in line with the reality of the organisation.

### MOBILITY MODEL

The main objective of the internal mobility model is to strengthen the capabilities of the employees of the Red Eléctrica Group, increasing their versatility and employability,

in order to respond to the needs of the business in the short and medium term.

In 2018, the Company consolidated the Internal **Mobility Plan integrated** into the Talent Management Model and the Professional Development Model with the review of the associated policy and its communication through internal channels. Similarly, the **LinkRED** tool has consolidated itself within the organisation, and this can be accessed by 100% of the employees so they may share their experience and interests regarding the areas of development and mobility, showcasing their knowledge and expertise, as well as sharing their personal and professional interests.

During 2018, various initiatives were developed aimed at the ongoing promotion of internal mobility as an element for professional



INTERNAL MOBILITY IN 2018

8.87 %

of the workforce



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## The Red Eléctrica Group is a pioneer in Spain in the Dual Vocational Training programme for the Advanced Technical Expert in Power Stations Degree.

development: Interviews conducted regarding the interests posted on LinkRED, temporary mobility projects, functional exchanges, collaboration with international organisations (CORESO, ENTSO-E) and the promotion of 'Muévete y Cuéntalo' intranet space (Be proactive and Share).

As part of the commitment of the Red Eléctrica Group to employee mobility and development, an International Assignments Guide has been approved that promotes the international mobility of professionals from a perspective of salary progression, equality, career development and by looking after the employee from both a professional and family point of view.

### COLLABORATION WITH THE EDUCATIONAL SECTOR 404-2

The training programmes for **young graduates** are proof of Red Eléctrica's firm commitment to society. The objective of these programmes is to provide qualified professionals with access to the labour market.

In 2018, 55 people took part in the **Práctica +** programme in different units of the Company. These people have had the support of a tutor who has accompanied them through the period of their stay in the Company, from November 2017 to July 2018, providing professional guidance and ongoing support.

#### DescubRE - Young Talents Programme

This programme, an evolution of Práctica + programme, aims to be a driver towards new ways of working and cultural transformation in which the Company is immersed, through the incorporation of young, diverse, creative and innovative talent.

DescubRE is aimed at talented young university students who, for a period of one year, will be part of the Red Eléctrica team and will be able to develop their skills by collaborating in 29 cross-cutting transformation projects

of the Group. In parallel, they will have the opportunity to complement the internship with a 100% online degree in English: Masters in Decision Making and Innovation.

The course begins in January 2019 at the Campus of the Red Eléctrica Group. Each participant will have an assigned tutor who will work on helping them achieve objectives and will review their work. In addition, the tutors will be the people in charge of their professional development and guidance.

#### Opera Internship

In 2018, a group of 16 people took part in this nine-month programme, which qualifies people for the position of Electricity Control Centre Operator, through

a theoretical-practical programme imparted personally by the Company's control centre operators.

#### Advanced Technical Expert in Power Stations Degree from the Dual FP Professional Vocational Training programme

To encourage the qualification of students in higher degrees of Vocational Training, Red Eléctrica has been actively involved in the definition and setting up of a theoretical-practical programme of professional training, within the Dual FP system for the Advanced Technical Expert in Power Stations Degree.

This initiative pursues the following objectives: to have professionals of this degree for their immediate incorporation into positions of technical maintenance experts; provide the sector with trained professionals with the know-how of Red Eléctrica and increase the employability of young people for their incorporation into the working world in Spain.



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

# DIALOGUE AND TRANSPARENCY

*The 2017 climate survey has led to the development of more than 150 action plans with the aim of complying with a defined improvement plan.*

## SOCIAL CLIMATE

In 2017, the Company conducted its latest **climate and sustainable commitment survey of the Red Eléctrica Group** to have a better understanding of the situation regarding different aspects related to the development of the Company's activities and identify opportunities for improvement. 86% of the staff took part in the survey.

During 2018, work has been done on the design, implementation and communication of more than 150 action plans with the aim of complying with a defined improvement plan. The action plans have been designed based on two approaches:

- **General approach**, aimed at the whole organisation in aspects such as the improvement of internal communication, leadership and recognition.
- **Individual focus by organisational unit**, designed and managed by the members of each organisational unit to work on those areas requiring improvement that were detected in their individual results.



### WORKING CLIMATE SURVEY / 2017





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

At the end of 2018, a brief consultation was held to find out the degree of satisfaction regarding the implementation of the action plans designed throughout this period, the result of which is linked to the fulfilment of a leadership objective of the management team.

### SOCIAL DIALOGUE 102-41 / 103-1 / 103-2 / 103-3 / 402-1

Red Eléctrica guarantees its employees the right to union-affiliation, association and collective bargaining within the framework of existing labour laws and the Collective Bargaining Agreement which is applicable at all times.

In 2018, the 11<sup>th</sup> Collective Bargaining Agreement of Red Eléctrica de España was negotiated, as the 10<sup>th</sup> Agreement was scheduled to expire on 31 December 2017.

Consequently, the relationship of the Company with the social representation has been marked by the negotiations of a new agreement through the Negotiating Committee which was set up for this purpose. At this moment, no agreement has been reached in this regard; the platforms of each trade union detailing employee demands are being assessed and analysed in order to find common ground for negotiation. Negotiations will be ongoing during 2019.

*Red Eléctrica guarantees its employees the right to union-affiliation, association and collective bargaining within the framework of existing labour laws and the Collective Bargaining Agreement.*

### Committees contemplated within the 10<sup>th</sup> collective bargaining agreement

Occupational health and safety committee	Committee on social affairs	Professional classification committee
Training committee	Inter-work centre committee	Committee for facilities personnel (transmission grid)
Equality committee	Geographical mobility committee	joint committee on monitoring and interpretation of the collective bargaining agreement



Communication with the social representation

### CREATION OF TWO COLLABORATIVE SPACES

on the internal website to manage the relationship with the workers' representatives



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



Independently of the negotiation of the new collective bargaining agreement, it should be noted that, as an additional measure regarding communication with the social representation, two collaborative spaces have been created on the internal website in which the Company manages the relationship with the workers' representatives.

The majority of the workforce is covered by the collective agreement, excluded



### COLLECTIVE BARGAINING AGREEMENT

covers almost the whole workforce except the

### MANAGEMENT TEAM

**7.26**

%

and, in a voluntary manner,

**1.37**

%

**OF THE EMPLOYEES**

from its scope are: the management team (7.26%) and the employees who voluntarily and reversibly accept the proposal of the management of the Company to be excluded from the agreement (1.37%).

In 2018, 10 legal grievance cases against REE S.A.U. on labour practices, received through formal mechanisms, were processed. All were addressed in the year, six are pending resolution due to the corresponding appeals and four have been resolved.

Continuing with the positive trend of previous years, there have been no cases of discrimination in the Company during 2018. As a consequence, it has not been necessary to apply corrective measures within this period.

Regarding organisational changes, it should be noted that they are carried out according to current legislation. In this regard, the organisational changes that entail geographical mobility of the workers are carried out with thirty-days' notice, both to the worker and to the social representation. In all cases, a consultation process is conducted.

As for substantial modifications to employment contracts, in the case of changes to a specific employee's contract, these shall be communicated fifteen days in advance to both the worker concerned and to the social representatives.





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



*The communication plan aimed at supporting change management, especially in strategic projects such as Imagina, Integra and Transformación Digital is scheduled to be launched in 2019.*

If it concerns company-wide changes, a consultation period will be opened with legal representatives which may be replaced by a mediation or arbitration procedure

### INTERNAL COMMUNICATION

Red Eléctrica considers internal communication instrumental to sharing the mission and goals of the Company, involving employees in various projects and improving the working climate by increasing their pride of belonging.

Top-down communication has been reinforced this year through the incorporation of **leadership objectives**, linking them all to communication milestones: generating a common vision regarding the 2030 Sustainability Commitment of the Red Eléctrica Group, raising awareness among all professionals to bring all the activities together under this shared vision in this matter and involve the management team in the design and execution of the action plans derived from the climate survey.

In addition, the Company has continued to work on improving communication as a competency of the management team with the initiative (known as REE Leaders) incorporating more participatory and innovative approaches.

Within the framework of the various internal channels of communication, work has continued to promote new collaborative tools on the intranet (surveys and 'Questions and Answers') with which to encourage participation and dialogue among all users. The **Impúlsate** platform has been launched, which was conceived with the aim of becoming a unique space in which to 'talk' about the talent of all employees.

Among the actions planned for 2019, noteworthy is the communication aimed at supporting change management, especially in strategic projects such as Imagina, Integra and Digital Transformation.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# HEALTHY WORKPLACE

103-1 / 103-2 / 103-3

H E A L T H Y / W O R K P L A C E  
M O D E L / P R I N C I P L E S

## Physical work environment

Provide the necessary means to perform the tasks associated with the job position under the optimal health and safety conditions.



## Community involvement

Actions carried out by the Company that can impact on the improvement of the health and well-being of the families of their employees and the local communities in which the Company's facilities are located.

## Health resources

Provide the workforce with tools to improve their state of physical and mental health, contributing to their well-being and quality of life.



## Psychosocial work environment

Implement tools and resources regarding the management and organisation of work that promotes the physical and psychosocial well-being of employees.

Red Eléctrica promotes, with the commitment and leadership of the management team, the best practices in occupational health and safety and well-being. Its healthy workplace management model, deployed through a multi-year plan, is aligned with the Company's Strategic Plan, with the Human Resources Master Plan and with the 2030 Sustainability Commitment of the Red Eléctrica Group.

Within this framework, the healthy workplace model is based on four main cornerstones represented in the diagram on the left.

The annual programmes aim to consolidate Red Eléctrica as a leading company in good practices regarding health promotion and prevention. This plan is structured on three main cornerstones:

- a culture of prevention.
- training and skills of people.
- operational control of the work undertaken.

Within the actions defined for each of the cornerstones, in 2018, noteworthy is the assessment of the physical condition of employees. The objective is to know and measure the parameters of the physical condition of all interested parties with special emphasis on those jobs that, due to their nature, require the employee to be in a better physical shape in order



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

to be able to carry out their work as they get older; these parameters will subsequently be used to design individualised action plans.

In 2018, the Company made progress in the implementation of a new dashboard regarding prevention and the establishment of new performance assessment criteria for suppliers regarding prevention.

Lastly, in order to raise the awareness of people and stakeholders regarding occupational health and safety and well-being, the Company has launched a Health and Safety Bulletin, distributed through various communication channels, both internal and external.

### CONSULTATION AND PARTICIPATION 403-1 / 403-4

Red Eléctrica has an **Occupational Health and Safety Committee** whose composition and functions are set out in Chapter 7 of the 10<sup>th</sup> Collective Bargaining Agreement.

This Committee is a joint and collective body set up for regular and periodic consultation regarding the Company's actions on the prevention of occupational risks. The Committee consists of six representatives nominated by the Company and six prevention delegates chosen from representatives of the workers, representing 100% of the employees. In addition, the Company's Risk Prevention Service experts attend the meetings of this Committee.



Meetings are held quarterly (in accordance with Law 31/95 on the prevention of occupational risks), but also may be held as and when requested by any of the parties concerned. In 2018, the Committee met on four occasions thus fulfilling the foreseen objectives.

During these meetings, monitoring is carried out on the following: all occupational health and safety activities, the new applicable legislation, the review of processes and internal regulations, and the analysis and monitoring of the occupational health and safety programmes and their results in addition to monitoring safety equipment and materials. The minutes of these meetings are available to all employees in a specific section



### OCCUPATIONAL HEALTH & SAFETY COMMITTEE

4 meetings held in 2018, fulfilling the planned objectives



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICIA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

***In 2018, the implementation of internal safety audits was carried out in works on site by the management team.***

of the corporate intranet, 'miRED'. Also, this Committee is made aware of the results of internal and external audits conducted and the improvement actions implemented.

On the other hand, to encourage employee participation, a specific community in this field has been created on the corporate intranet through which consultations and suggestions regarding safety can be made and any doubts can be resolved.

**PHYSICAL WORK ENVIRONMENT**

For Red Eléctrica, the **prevention of occupational risks** constitutes a differentiating element and an indispensable requirement to guarantee the health and safety of employees and collaborators.

Red Eléctrica has a strategy and a specific action plan that promotes best practices in the field of occupational health and safety risks during the execution of activities and



work in its facilities. Its objective is to go one step further than merely complying with legal requirements; train, inform and make everyone aware of the obligations and responsibilities, and seek the full commitment of the entire organisation for its fulfilment.

To minimise the risks involved in the construction and maintenance of electricity infrastructure, special emphasis is placed on training, raising awareness, consultation and participation (OHAS Committee, internal audits, working groups), improving safety behaviour and measures during the works carried out both by own personnel as well as external staff (contracted).

In terms of risk prevention, the continual monitoring of work and activities of greater

risk through safety inspection programmes, is key to achieving the high levels of safety required by Red Eléctrica. In this regard, in 2018, 10,748 safety inspections were carried out in works in facilities, which involved 2,400 corrective actions, of which 92% were resolved. In addition, 2018 has seen the implementation of **internal security audits** by the management team in worksites where works are being carried out.

Due to the unique geographical characteristics of both Chile and Peru, the subsidiaries in these countries have teams of specially-trained brigades to deal with emergency cases in the event of seismic activity. In 2018, six simulations were conducted in which the majority of the workforce in these subsidiaries took part.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN

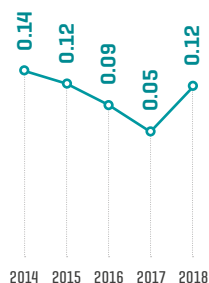


07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT

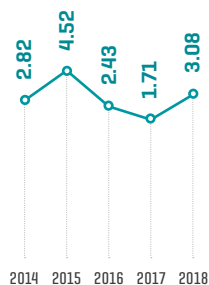


ANNEXES

### Accident severity rate 403-2 Employees



### Accident frequency rate 403-2 Employees



Note: Data from REE + REC + REI + REINTEL + REINCAN.

**In 2018, almost 11,000 safety inspections were carried out regarding works on facilities, which led to 2,400 corrective actions, of which 92% have been resolved.**

The measures implemented as part of the **Occupational Health and Safety Improvement Action Plan** have helped to increase the control and monitoring of work through internal inspections and audits, as well as tightening controls regarding compliance with Occupational Health and Safety measures carried out on all stakeholders, together with the improvement in the training and awareness of the intervening agents.

However, during 2018, a fatal accident unfortunately occurred that involved a worker of one of our contractors. Although the causes are still pending clarification by the Labour Authority, initial investigations conclude that all the legal requirements and measures defined in the corresponding safety plan had been met, and that the worker had the correct training and experience, and the individual protection equipment required by law was in perfect condition.

## THE PROMOTION OF HEALTH

Based on Red Eléctrica's holistic definition of health, the promotion of health at work is a commitment for the Company that is evidenced internally through the varied and diverse campaigns that have been carried out for several years and that position Red Eléctrica as a reference in this field, due to its collaboration as an expert on projects led by official entities, such as the **project 'Benefits gained in terms of improving health, wellbeing and business productivity through the promotion of physical and sporting activities'**, spearheaded by the National Institute of Occupational Health and Safety at Work, and the Ministry of Employment and Social Security.

Red Eléctrica, on an ongoing basis, conducts **preventive monitoring of the health of its workers** through an in-house medical service, responsible for monitoring employee health through periodic medical examinations and healthcare consultations. Thanks to the preventive measures applied, no incidence or risk of certain occupational or work-related illnesses have been identified. / 403-3

**Health campaigns** respond to needs previously identified and whose main objective is the incorporation of healthy lifestyles. In 2018, previous campaigns have been continued, extending them to more people from other work centres and other groups.



On 28 April, World Day for Safety and Health at Work, an awareness-raising campaign was held to promote occupational health and safety at the Red Eléctrica Group offices in Peru and Chile.

Similarly, with the aim of preventing musculoskeletal diseases and work-related stress, it is worth noting that in Peru active breaks are taken, which is a short break in the activity to perform some type of physical exercise.

### TRAINING AND AWARENESS 404-1

Red Eléctrica considers training and awareness-raising in the field of occupational health and safety risk prevention essential to reduce accidents and to protect the health and safety of its entire workforce.

During 2018, a **new training management model** was developed based on certifications according to the business activity carried out, which represents a significant improvement compared to the current model, it favours cross-cutting actions in the field of prevention training and ensures that people will improve the necessary competencies regardless of the job position to which they are associated.



## OCCUPATIONAL HEALTH AND SAFETY TRAINING

During 2018

# 5,612 HOURS

of occupational health and safety training were given to a total of 907 people

## Main campaigns for health promotion and prevention in 2018

	Medical examinations Medical and nursing consultations		Healthy nutrition
	Physical examinations		Promotion of physical activity
	Prevention of cancer: breast, colon, prostate		Stroke prevention
	Active ageing		Psychosocial risks: emotional fitness and mindfulness workshops
	Flu vaccinations		Stress management
	Energy space		Physiotherapy consultations



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

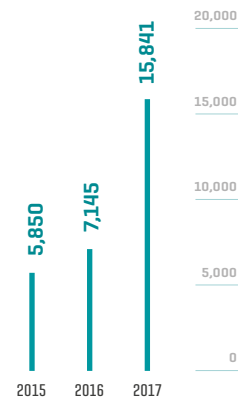


## HEALTH PROMOTION

# 700 HOURS

dedicated to awareness and training in 2018

Hours of training in occupational health and safety N°



As a fundamental aspect of health promotion, in 2018, various awareness and training initiatives were carried out aimed at improving knowledge on different health issues, with an investment of 700 hours in health promotion activities.

### Nutrition campaign

- Reading food labels - workshops in Madrid, Vitoria and Bilbao, which have involved 100 hours of training and 50 people took part.

### Stroke prevention campaign

- Face to face informative actions in Madrid, Seville, Zaragoza, Valencia and Palma de Mallorca with 200 attendees, as well as people following via live streaming.
- Training pill "Passport for life" for all Group employees.
- Training in first aid for prevention delegates and people interested in learning more about how to deal with strokes, with the involvement of 20 people.
- "Heroes at home" action carried out within REE's 'days without school' geared towards to the children of the employees.

### Campaign for the promotion of active ageing

- Informative actions in Madrid, Seville, Zaragoza, Valencia and Palma de Mallorca with 200 attendees.



## WORKPLACE SAFETY IN THE SUPPLY CHAIN EU18

All suppliers who work in the facilities and work centres of Red Eléctrica are approved and qualified in occupational health and safety and, in the case of carrying out activities with risk, these activities are managed by the supplier's works supervisors who have been previously qualified by the Red Eléctrica prevention service. Over recent years, Red Eléctrica has certified more than 2,000 works supervisors, and more than 400 worksite managers belonging to contractors.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



In addition, Red Eléctrica randomly requests, from its suppliers, proof of the health and safety training of its employees. It also requests proof of training in occupational health and safety for any new incorporations into the suppliers' database in the corporate occupational health and safety application (PRER).

In 2018, the Company initiated the design and implementation of a **new supplier evaluation model** that includes the joint evaluations of all the organisational units involved in the work execution phase, so that all the points of view can be taken into account regarding the safety conduct of suppliers so as to be able to take a more objective stance regarding such behaviour.

### *The new supplier evaluation model includes the overall combined evaluation of all the organisational units involved in the work execution phase.*

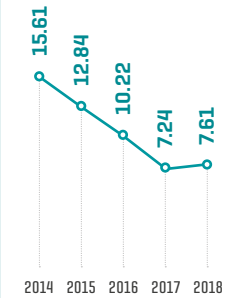
In 2019, a pilot test will begin with the contracts of the brigades responsible for the maintenance of substations and the painting of structures, aimed at excellence and risk control of the qualified suppliers, and the monitoring of the contract based on indicators that facilitate the development of the supplier and the implementation of best practices in prevention.

### THE WORK-LIFE BALANCE 401-2

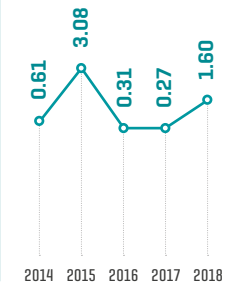
Work-life balance is a strategy aimed at achieving balance between work life, family life [family and home] and personal life [health, leisure, social relationships, personal development, etc.].

The work-life management model of the Red Eléctrica Group has evolved and matured over the nine years it has been in place and represents one of the main areas of action of the Company's Diversity Plan and Healthy Workplace model. It is, therefore, a key element

Accident Frequency Rate of Red Eléctrica contractors EU17



Accident Severity Rate of Red Eléctrica contractors EU17





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

of the management style, in order to attract and retain the best professionals and to create a framework that motivates them and therefore has a greater impact on the overall objectives of the Company.

Within this framework and after the completion of the previous action plan, in 2018, the Company approved the **3<sup>rd</sup> Comprehensive Work-life Balance Plan** for the 2018-2021 horizon, which includes the objectives and actions that, in terms of work-life balance, are going to be carried out, including mechanisms for monitoring, measuring and evaluating the degree of fulfilment.

The **Work-life Balance Guide**, published on the internal website, contains more than 60 measures, set out in seven blocks:

- Flexible working timetable.
- Holidays, authorised leave and career breaks.
- Maternity and paternity leave.
- Disability and dependent family members.
- Social benefits and benefit in kind.
- Services.
- Events and activities.

Noteworthy is that Red Eléctrica Internacional participates in the Inter-company Soccer Championship organised in the city of Arequipa in Peru.

In 2018, in response to the periodic evaluation of the model, based on the certified process



## THE WORK-LIFE BALANCE GUIDE

More than

# 60

## MEASURES

published on the internal website

of **Family Responsible Company (EFR)** and its associated rules, Red Eléctrica de España has renewed its certification and remains a proactive company [B+].

It should be noted that Red Eléctrica shares its experience as an expert in the Observatory for the Work-life Balance and the Equal Sharing of Family Responsibilities between Women and Men, led by the ICADE-ICAI University. The objective is to work through applied, interdisciplinary and high-quality research, to offer companies and institutions relevant information, reliable data collated with international standards that help other organisations to guide their active work-life balance policies, based on proven specific sectorial studies.

# EMPLOYMENT INDICATORS

## Information regarding employees and other workers / Spain <sup>(1)</sup> 102-8

	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Workforce (n° of people)	1,284	398	1,682	1,317	424	1,741	1,306	415	1,721
Employees with permanent contracts (n°)	1,282	397	1,679	1,302	409	1,711	1,302	408	1,710
Employees with temporary contracts (n°) <sup>(2)</sup>	2	1	3	15	15	30	4	7	11
Permanent contracts (%)	99.8	99.7	99.8	98.9	96.5	98.3	99.7	98.3	99.4
Part-time contracts (n°)	0	0	0	0	0	0	0	0	0
Workers from temporary employment agencies (n°) <sup>(3)</sup>	6	9	15	6	9	15	8	6	14
Interns (n°) <sup>(3)</sup>	35	32	37	35	32	67	11	5	16

<sup>(1)</sup> Data regarding REE + REC up to 2016 and as of 2017 data for REE + REC + REI + REINTEL + REINCAN.

<sup>(2)</sup> The increase of temporary contracts in 2017 is due to the promotion of the development of young professionals. Some of these contracts were extended in 2018.

<sup>(3)</sup> These workers are not included in the workforce count as they are not employees of Red Eléctrica.

**Note:** Red Eléctrica has no self-employed workers that are legally recognised.

## Employees covered by the collective bargaining agreement / Spain <sup>(1)</sup> 102-41

	2016	2017	2018
Employees included in the Collective Bargaining Agreement (%)	98.8	98.6	98.6
Employees excluded from the Collective Bargaining Agreement (%) <sup>(2)</sup>	1.2	1.4	1.4

<sup>(1)</sup> Data regarding REE + REC up to 2016 and as of 2017 data for REE + REC + REI + REINTEL + REINCAN.

<sup>(2)</sup> Employees who voluntarily and reversibly accept the proposal of the management of the Company to be excluded from the agreement. The management team was not taken into account in the overall calculation and represents 7.26% of the total workforce.





ABOUT  
THIS  
REPORT



LETTER FROM  
THE CHAIRMAN  
LETTER FROM  
THE CHIEF  
EXECUTIVE  
OFFICER



KEY PERFORMANCE  
INDICATORS



01  
THE RED  
ELECTRICA GROUP



02  
STRATEGY



03  
COMMITMENT  
TO  
SUSTAINABILITY



04  
ANTICIPATING  
CHANGE AND  
TAKING ACTION



05  
DECARBONISATION  
OF THE ECONOMY



06  
RESPONSIBLE  
VALUE CHAIN



07  
CONTRIBUTION TO  
SOCIAL, ECONOMIC  
AND ENVIRONMENTAL  
DEVELOPMENT



ANNEXES

## New hires by age and gender / Spain <sup>(1)</sup>

401-1

	2016						2017						2018					
	N° of new hires			Recruitment rate [%]			N° of new hires			Recruitment rate [%]			N° of new hires			Recruitment rate [%]		
	M	W	Total	M	W	Total	M	W	Total	M	W	Total	M	W	Total	M	W	Total
Less than 30	4	3	7	16.0	27.3	43.3	18	15	33	45.0	57.7	50.0	5	2	7	14.3	10.0	12.7
30 to 50	11	15	26	1.3	5.1	6.4	28	13	41	3.3	4.3	3.5	19	5	24	2.4	1.9	2.3
Over 50	0	0	0	0.0	0.0	0.0	2	0	2	0.5	0.0	0.4	4	1	5	0.8	0.8	0.8
Total recruitment	15	18	33	1.2	4.5	5.7	48	28	76	3.6	6.6	4.4	28	8	36	2.1	1.9	2.1

[1] Data regarding REE+REC up to 2016 and as of 2017 data for REE+REC+REI+REINTEL+REINCAN (includes new hires still on the workforce as at 31 December 2018).

M: Men, W: women.

## Employee turnover by age and gender / Spain <sup>(1)</sup>

401-1

	2016				2017				2018			
	N° of people leaving		Turnover rate [%]		N° of people leaving		Turnover rate [%]		N° of people leaving		Turnover rate [%]	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Less than 30	0	1	0.0	9.1	7	10	38.5	25.8	5	8	14.3	40.0
30 to 50	7	8	0.8	2.7	8	5	1.7	1.1	13	3	1.6	1.1
Over 50	29	3	7.0	3.7	27	3	3.1	5.8	22	3	4.6	2.3
Total turnover	36	12	2.8	3.1	42	18	4.2	3.4	40	14	3.1	3.4

[1] Data regarding REE + REC up to 2016 and as of 2017 data for REE + REC + REI + REINTEL + REINCAN.

Note: Average length of service of those leaving is 14 years.

## Maternity/paternity leave rates (M/P) / Spain <sup>(1)</sup>

401-3

	2016		2017		2018	
	Men	Women	Men	Women	Men	Women
Employees with the right to M/P leave [n°]	69	26	67	29	51	30
Employees who have taken M/P leave [n°]	69	26	67	29	51	30
Re-incorporations at the end of M/P leave [n°] <sup>(2)</sup>	69	23	66	27	51	25
Employees with M/P leave who remain on the workforce [%] <sup>(3)</sup>	100	89	99	93	100	83

<sup>(1)</sup> Data for REE + REC.

<sup>(2)</sup> The difference between the number of re-incorporations of women and men in relation to those who have enjoyed leave is due to authorised leaves due to childcare.

<sup>(3)</sup> Employees who returned to work after M/P leave and continued at work in the twelve months after their reincorporation. Data as at year end.

## Occupational health and safety indicators / Spain <sup>(1)</sup>

403-2

	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Average workforce	1,306	398	1,704	1,313	418	1,731	1,309	418	1,727
Hours worked (thousands)	2,207	673	2,880	2,219	706	2,925	2,213	706	2,919
Accidents with sick leave	7	0	7	5	0	5	8	1	9
Fatal accidents	0	0	0	0	0	0	0	0	0
Days lost due to accidents <sup>(2)</sup>	255	0	255	139	0	139	333	19	352
Accident frequency rate	3.17	0	2.43	2.25	0	1.71	3.62	1.42	3.08
Accident severity rate	0.12	0	0.09	0.06	0	0.05	0.15	0.03	0.12
Incidence rate	5.36	0	4.11	3.81	0	2.89	6.11	2.39	5.21
Absenteeism rate due to common illness <sup>(a)</sup>	1.87	2.34	1.98	1.53	3.24	1.94	1.95	3.74	2.38
Absenteeism rate due to occupational illness <sup>(b)</sup>	1.95	2.35	2.05	1.64	3.26	2.03	2.06	3.79	2.48

<sup>(1)</sup> REE + REC + REI + REINTEL + REINCAN.

<sup>(2)</sup> The calculation is based on 6,000 working days per fatal accident and 4,500 for total permanent incapacity.

**Serious accident:** Those classified as severe by each doctor that issued the sick leave certificate.

**Accident frequency rate:** The number of work-related accidents with leave of absence per million hours worked.

**Accident severity rate:** The number of work days lost due to work-related accidents + incapacity scale, per thousand hours worked.

**Incidence rate:** The number of accidents with sick leave x 1,000 / average workforce.

**Absenteeism rate:**

<sup>(a)</sup> Days absent due to common TI [temporary incapacity] > 3 days + days absent TI < 3 days / average workforce x 365 x 100

<sup>(b)</sup> Days absent due to common TI [temporary incapacity] > 3 days + days absent TI < 3 days + days absent due to work-related accidents + work-related illness / average workforce x 365 x 100.

**Note.** The registering and reporting of accidents is done based on Spanish law and as set out in the Red Eléctrica management system, certified according to OHSAS 18001.

## Average hours of training by professional group and gender / Spain <sup>[1]</sup>

401-1

	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Management team	110	120	112	112	95	104	64	67	65
Specialist / technical experts (G1 + G2 + G3)	83	90	84	108	115	111	74	88	77
Administrative personnel (G4)	23	36	32	15	50	33	24	39	36
<b>Total</b>	<b>83</b>	<b>79</b>	<b>82</b>	<b>109</b>	<b>105</b>	<b>108</b>	<b>71</b>	<b>75</b>	<b>72</b>

[1] Data for REE + REC + REI + REINTEL + REINCAN.

## Percentage of employees whose work performance and professional development is appraised periodically / Spain <sup>[1]</sup>

404-3

	2016		2017		2018	
	Men	Women	Men	Women	Men	Women
Employees with a performance appraisal [%]	100	100	100	100	100	100

[1] Data for REE + REC + REI + REINCAN + REINTEL.

## Composition of the corporate governance bodies

405-1

	2016				2017				2018			
	M	W	Total	% W	M	W	Total	% W	M	W	Total	% W
Board of Directors	7	5	12	41.7	7	4	11	36.4	7	5	12	41.7
Audit Committee	4	1	5	20.0	4	1	5	20.0	2	2	4	50.0
Appointments and Remuneration Committee	0	4	4	100.0	1	3	4	75.0	2	1	3	33.3
Sustainability Committee	-	-	-	-	-	-	-	-	1	2	3	66.7

**Note:** The Board of Directors is composed of 12 directors, although at the end of 2016 there was a vacancy. Similarly, in 2016 there was also a vacancy in the Appointments and Remuneration Committee.  
M: Men, W: women.

## Composition of the corporate governance bodies by age 405-1

	2018		
	Under 30	30 to 50	Over 50
Board of Directors	0	2	10
Audit Committee	0	1	3
Appointments and Remuneration Committee	0	0	3
Sustainability Committee	0	1	2

## Workforce distribution by age, gender and professional group / Spain (1)

	405-1																	
	2016						2017						2018					
	Under 30		30 to 50		Over 50		Under 30		30 to 50		Over 50		Under 30		30 to 50		Over 50	
	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W	M	W
Management team	0.0	0.0	69.4	30.6	87.7	12.3	0.0	0.0	62.9	37.1	87.0	13.0	0.0	0.0	60.0	40.0	81.5	18.5
Specialist / technical experts (G1 + G2 + G3)	69.4	30.6	76.9	23.1	90.8	9.2	60.0	40.0	77.3	22.7	90.4	9.6	63.6	36.4	78.0	22.0	87.5	12.5
Administrative personnel (G4)	0.0	0.0	18.4	81.6	28.2	71.8	0.0	0.0	15.9	84.1	29.7	70.3	0.0	0.0	7.1	92.9	30.0	70.0
Total	69.4	30.6	74.0	26.0	82.0	18.0	60.0	40.0	74.1	25.9	81.3	18.8	63.6	36.4	75.1	24.9	78.4	21.6

(1) Data regarding REE + REC up to 2016 and as of 2017 data for REE + REC + REI + REINTEL + REINCAN.  
M: Men, W: women.

## Workforce breakdown by age and gender / Spain (1)

	405-1								
	2016			2017			2018		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Less than 30	25	11	36	40	26	66	35	20	55
30 to 50	832	293	1,125	858	300	1,158	793	263	1,056
Over 50	427	94	521	419	98	517	478	132	610
Total	1,284	398	1,682	1,317	424	1,741	1,306	415	1,721

(1) Data regarding REE + REC up to 2016 and as of 2017 data for REE + REC + REI + REINTEL + REINCAN.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

**Ratio of base salaries of men compared to women / Spain <sup>[1]</sup>** | **Men/Women**

405-2

	2016	2017	2018
Management team	1.03	1.05	1.06
Specialist / technical experts (G1 + G2 + G3)	0.94	0.98	0.95
Administrative personnel (G4)	1.01	1.06	1.00
<b>Total</b>	<b>1.01</b>	<b>1.02</b>	<b>0.99</b>

[1] Data from REE + REC.

**Occupational health and safety indicators. REE contractors <sup>[1]</sup>** | **N°**

EU17

	2016	2017	2018
Average workforce <sup>[1]</sup>	2,666	2,940	2,720
Hours worked (thousands)	4,502	4,969	4,598
Accidents with sick leave	46	36	34
Fatal accidents	0	0	1
Days lost due to accidents <sup>[2]</sup>	1,402	1,366	7,376
Accident frequency rate	10.22	7.24	7.61
Accident severity rate	0.31	0.27	1.6
Incidence rate	17.26	12.24	12.86

[1] Based on hours worked, considering 1,690 hours per worker.

[2] Calculation based on 6,000 working days per fatal accident and 4,500 for total permanent incapacity.

**Employees with the possibility of retirement in the next 5 or 10 years / Spain <sup>[1]</sup>** | **%**

EU15

	In the next 5 years (2019-2023)	In the following 5 years (2024-2028)
Management team	0.8	2.4
Specialist / technical experts (G1 + G2 + G3)	3.0	19.1
Administrative personnel (G4)	0.5	4.1
<b>Total</b>	<b>4.4</b>	<b>25.6</b>

[1] Data from REE + REC + REI + REINTEL + REINCAN.

Note. Considering retirement age as a sole requirement and estimating this as 65 years of age.







ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# RESPONSIBLE ENVIRONMENTAL MANAGEMENT

103-1 / 103-2 / 103-3

*Red Eléctrica is a key player in the energy transition towards a more sustainable model.*



ENVIRONMENTAL EXPENDITURE

24.7 M€

earmarked for environmental issues by Red Eléctrica in 2018

Red Eléctrica carries out all its activities taking into account environmental protection, in accordance with the principles established in its **environmental policy**, including the commitment to prevent pollution and the principle of precaution. / 102-11

The main environmental impacts of Red Eléctrica are those that arise from the presence of the facilities in the territory, which is why the Company works intensively to make its facilities compatible with the environment, considering their entire life cycle and paying special attention to the conservation of biodiversity.

In addition, Red Eléctrica is a key player in the energy transition towards a more sustainable model, thus acquiring a specific commitment to climate change and energy efficiency.

Red Eléctrica's commitment not only covers its own activities, but also extends to those of its supply chain.

## ENVIRONMENTAL MANAGEMENT Management system

In order to carry out a continuous improvement of environmental performance, Red Eléctrica has implemented an environmental management system certified according to **ISO14001** and registered, since October

2001, in the **Community Eco-Management and Audit System (EMAS)**. This system covers all the activities of Red Eléctrica de España S.A.U. In addition, Red Eléctrica Andina also has an environmental management system certified according to ISO 14001: 2015.

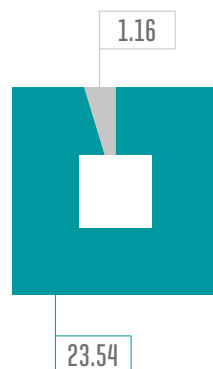
One of the fundamental elements of the management system is the **annual environmental Plan**, whose scope includes all the activities with an environmental component, in a global and cross-cutting way to the entire company.

The Environmental Plan is divided into three vectors: environmental management of facilities, biodiversity and climate change. The Plan contains the main challenges identified by each vector and the goals that must be reached in the 2020 horizon for each of them. Similarly, it includes all the actions programmed for each year in order to contribute to the achievement of said challenges. The fulfilment of the 2018 Environmental Plan was 75.5%.

### Environmental expenditure

Red Eléctrica dedicates significant financial resources to environmental protection. In 2018, the Company earmarked 24.7 million euros to environmental issues.

### Environmental expenditure M€



1.16 INVESTMENT  
23.54 OTHER COSTS

### 1.16 M€

- Implementation of new projects:
  - Environmental Impact Studies
  - Corrective and preventive measures
  - Works supervision
  - Environmental improvement measures

### 23.54 M€

- Improvements in in-service facilities geared towards the prevention of contamination
- Fire prevention
- Projects for the protection and conservation of biodiversity
- Minimisation and management of waste
- Activities related to climate change and energy efficiency
- Training
- Communication
- Other

### Extending the commitment to the supply chain

#### 308-1 / 308-2

Red Eléctrica requires that all those suppliers (100% of suppliers that provide services or goods that may have an environmental impact) have an environmental management system documented or certified by a third party.

Furthermore, in order to improve the environmental performance of the supply chain, Red Eléctrica is working on adjusting the requirements demanded from the various suppliers regarding the impacts associated with each one of them (climate change, biodiversity, impact on the soil and water, and waste generation, among others).

The environmental requirements, in terms of training and specifications, for the execution of works are part of the contractual documentation for those services where it has been deemed necessary. In the case of the activities with the greatest potential impact, such as construction, refurbishment of facilities and some maintenance activities, a part of the payment for the contracted work is conditional on the result of the environmental certification process of the works, which implies a meticulous monitoring of the established environmental requirements. This information is outlined and detailed in the 'Supply Chain' section of this Report.



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

# INTEGRATING FACILITIES INTO THE ENVIRONMENT

103-1 / 103-2 / 103-3

*When the law does not require a regulated procedure, Red Eléctrica also carries out an environmental assessment and establishes voluntary communication with the competent administration.*



## ENVIRONMENTAL MONITORING PROGRAMMES

Are applied in the construction of facilities and in the first few years of their operation

The main measure to reduce and even avoid the undesired effects of Red Eléctrica's facilities in the environment and in local communities is the selection of the site where facilities will be located. For this reason, the Company carries out a detailed study of the territory and works in coordination with the public administrations and the main stakeholders in the definition of the substation sites and the routes of the lines.

In addition, Red Eléctrica establishes the appropriate preventive and corrective measures that need to be applied in the execution of the construction or maintenance works, in order to reduce, as much as possible, the potential impacts that these activities may have on the territory.

The best tool to carry out the definition of the best project and the appropriate preventive and corrective measures is the procedure of Environmental Impact Assessment, to which most of Red Eléctrica's projects are subject to by law.

To ensure the commencement and effectiveness of the established measures, environmental monitoring programmes are defined and carried out. These are applied in the construction of the facilities and in the first years of operation and facilitate the definition of new measures if necessary.

For facilities in service, the Company carries out periodic inspections in order to verify compliance with environmental standards



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



**60**  
**%**  
**OF THE INVESTMENT ASSOCIATED**

to the projects processed in 2018 is accompanied by initiatives that seek their social acceptance

These measures are outlined in the following sections of this chapter.



and identify the necessary improvement actions. Noteworthy, during 2018 was the fact that work began on a maintenance management project, which consisted of compiling information and integrating it into the comprehensive corporate management system. The information includes all the environmental factors that must be taken into account when processing and undertaking maintenance works on facilities (more than 50 factors within 200 m on either side of each line), in order to ensure that all of them are analysed before carrying out any activity.

Among the preventive and corrective measures applied, noteworthy are those aimed at the protection of habitats and species (measures for the protection of biodiversity) or those geared towards reducing potential impacts on the socioeconomic environment.

### PUBLIC PARTICIPATION AND CONSULTATION

Currently, one of the most relevant issues in relation to the integration of facilities into the environment is how to improve their social acceptance. The development of public participation processes is a key tool for this and pursues the following objectives:

- Strengthen information for the stakeholders involved regarding the need for the projects and their environmental and social impact.
- Collate information that serves to enrich the environmental impact assessment process of each project.
- Foresee and minimise potential conflicts.

Red Eléctrica has various public participation and consultation processes underway, noteworthy among which are: the submarine interconnection with France across the Bay of Biscay, the 400-kV link between the Basque Country and the Autonomous Community of Navarre, and the Chira-Soria pumped-storage hydroelectric

power station. In addition, the Company is working to standardise the management of the stakeholders involved in transmission grid development, through the drafting of a methodology that has been applied in twelve pilot projects, as set out in the section of this report entitled 'Stakeholder Management Model'.

## Development and implementation phases for transmission grid infrastructure

	<b>Infrastructure proposal</b> (Drawn up by REE)	<b>Transmission grid planning</b> (Drawn up by MITECO)	<b>Project design</b> [New facilities and modifications]	<b>Construction or modifications of facilities</b>	<b>Maintenance</b>
	<p><b>Environmental Feasibility Study</b></p> <ul style="list-style-type: none"> <li>Analysis of all proposals from an environmental point of view.</li> <li>Only includes environmentally feasible projects.</li> </ul>	<p><b>Strategic environmental assessment of plans and programmes.</b></p> <p><b>Public participation of stakeholder groups (SGs)</b> through the submission of comments or arguments.</p>	<p><b>Prior dialogue with stakeholders before defining the project (Autonomous Communities, local councils and NGOs).</b></p> <p><b>Environmental Impact Assessment.</b></p> <ol style="list-style-type: none"> <li>Prior consultation with SGs.</li> <li>Defining the alternative of least impact.</li> <li>Public information. Submission of arguments by SGs.</li> <li>Proposal for preventive and corrective measures.</li> <li>Publication of results. Environmental authorisation.</li> </ol>	<p><b>Implementation of preventive and corrective measures.</b></p> <p><b>Environmental monitoring</b> (monitoring of preventive and corrective measures).</p> <p><b>Monitoring the work of contractors</b> regarding compliance with environmental requirements.</p> <p><b>Environmental certification of works</b> taking into account compliance with environmental requirements.</p>	<p><b>Environmental monitoring programmes</b> in the initial years of operation of a facility.</p> <p><b>Periodic inspections</b> of facilities to verify compliance with standards and identify improvement measures.</p> <p><b>Application of environmental improvement measures.</b></p>





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## SOCIO-ECONOMIC ENVIRONMENT 413-2

The presence of electricity infrastructure in no case represents a significant alteration in the way of life of the communities affected. In the case of substations, these produce a total and irreversible occupation of land. Nonetheless, in the case of electricity lines, land use is

### Main conditioning factors in the definition of siting locations of facilities and the design of access routes

- Incompatible use of the land
- Areas of high agricultural yield and agroforestry plantations
- Touristic resources
- Cultural resources
- Landscape

### Main preventive and corrective measures

- Use of existing accesses
- Use of special techniques [e.g. use of boom crane or helicopter] for assembling towers
- Restoration of areas affected by the works: slopes, roads, accesses, enclosures and the replanting of crops.
- Periodic watering down of the work areas to reduce and control the emission of dust.

*These restoration actions may be accompanied by other measures agreed with the landowners, such as improvement of forest trails or roads, construction of waterways, piped irrigation channels, clearing of farmland, planting of trees and other one-off actions that may involve a greater scope of work.*



## PRESENCE IN THE COMMUNITIES

Electricity infrastructure

## DOES NOT REPRESENT A SIGNIFICANT CHANGE

in the way of life of the communities in which they are installed



limited to the feet of the towers and the newly created accesses to the infrastructure. The land surface with overhead electricity lines is subject to a right of way easement during the useful life of the infrastructure.

Livestock and agricultural activities are compatible with the lines, allowing all kinds of agricultural crops to be grown under them and the free movement of the machinery necessary for its management.

The social aspects are integrated into the environmental assessment that takes place in the design phase of facilities.

***In 2016, the ACURED innovation project was launched to improve knowledge of the nature of the noise generated and to evaluate the different technical solutions to mitigate it.***

### NOISE

On occasions, electricity substations can be an annoyance for the neighbours, due to the noise generated by some of its elements. Red Eléctrica works on the implementation of the most effective measures for mitigating noise pollution.

In 2016, the **ACURED Innovation project** was launched to improve knowledge of the nature of the noise generated and to evaluate the different technical solutions to mitigate it. So far, the phases of prior study, assessment, classification and prioritisation of noise sources and the proposal and simulation of corrective measures have been conducted.

### LIGHT POLLUTION

In certain locations, the night-time lighting of substations could be a source of light pollution. Since 2017, Red Eléctrica has been working on the implementation of the necessary measures to be able to proceed

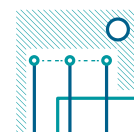
with the nightly shutdown of the lighting of 72% of the substations, reducing potential light pollution as much as possible. Over the next year, the Company will continue working to increase this percentage.

In 2018, two light pollution audits were carried out at the Begues and Bescanó substations, and it was verified in both substations that current regulations are being complied with.

### BLENDING FACILITIES INTO THE LANDSCAPE

One of the principal challenges regarding the integration of electricity transmission infrastructure into the environment is the ability to blend them into the landscape. In order to progress in this integration, it is essential to improve the **tools for evaluating the visual impact** of the facilities. For this reason, in recent years, Red Eléctrica has been promoting different projects in this field, of which the following are noteworthy:

- **Incorporation of the landscape as a factor in the environmental impact studies for electricity lines.** Since 2016, a methodology for the analysis and integration of the landscape has been applied, which makes it possible to evaluate the landscape impact of future facilities and systematically integrate the landscape variable into the decision-making process.



NIGHTLY SHUTDOWN OF THE LIGHTING IN

72

%

of the substations, as a measure to reduce light pollution



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



• **Application of a landscape analysis methodology** for all the new lines processed in 2018, which represent 47.7% of the total actions processed during the year.

• **Landscape assessment system for Red Eléctrica facilities.** The Company is working on the development of a system that incorporates social variables related to the visual perception of the facilities. This methodology has already been applied as a pilot in the autonomous communities of Asturias, Galicia and León.

• **Methodology for analysis of the visibility of electricity lines.** This permits the drafting of inter-visibility maps and visual basins, and a view of existing or planned

lines, through 3D simulations, using the corporate geographical information system [GeoRed]. Therefore, it is very useful for making comparisons between alternative solutions or for presentations to different stakeholder groups.

In addition to the development of assessment tools, Red Eléctrica continues to work on the application of various **integration measures** that reduce the impact of facilities on the landscape:

• **Standardisation and design of towers that blend better into the landscape.** Noteworthy is the innovation project 'Study on the use of specially-designed towers in environmental and/or socially



### VISIBILITY ANALYSIS

Allows intervisibility maps to be drafted through

### 3D SIMULATIONS

Using the corporate geographical information system [GeoRed]



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



100  
%

OF REE'S  
SUBSTATIONS

processed  
in 2018 have  
landscape  
integration  
measures  
included

***In 2018, archaeological supervision was necessary in the construction of two new substations, in six works for the enlargement of existing substations and in 19 works for new and existing lines.***

sensitive environments. Economic impact throughout its useful life'. The project proposes the study of non-conventional towers, with a different aesthetic design (frustoconical section), manufactured with reinforced fibreglass polymers, which imply a reduced occupation of the land and a reduced visual impact. In addition, the use of this material entails other advantages linked to its resistance to corrosion, greater durability and recyclability.

- **Landscape integration of substation buildings** through the development of designs adapted to the environment in which the facilities are located.
- **Restoration of the areas affected** by the works: supply of topsoil, adaptation of slopes and work camps and carrying out sowing and planting works.
- **Creation of vegetation screens and gardened areas** in the vicinity of the facilities.

## PROTECTION OF ARCHAEOLOGICAL AND ETHNOLOGICAL HERITAGE

The protection of archaeological and ethnological heritage is an important factor in the design and construction of Red Eléctrica facilities.

Before carrying out any earthworks, the Company carries out an archaeological survey of the land/terrain, the intensity and scope of which depend on the probability that there is material of interest in the area. According to the results, the need for the continuous presence of an archaeologist during the works is determined and, if necessary, the preventive measures to be applied during the works are defined.

In 2018, archaeological supervision was necessary in the construction of two new substations, in six works for the enlargement of existing substations and in 19 works for new and existing lines. In addition, two archaeological surveys and one paleontological survey were carried out. The latter included intensive monitoring in the subsequent construction phase of the new substation.

On the other hand, in 2014 the Company began working on the **ArqueoRED project**, whose objective is to have the information regarding catalogued cultural heritage digitally mapped for the entire national territory. The consultation of this information prior to the execution of works in the facilities





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

**Red Eléctrica actively collaborates with the administration in the conservation of heritage by carrying out cultural projects in the areas where its facilities are located.**

enables the necessary measures to be defined in each case and thus avoid potential impacts. We have proceeded to compile all available documented information, which has been corrected and contrasted in the field for six autonomous communities. The revision process that encompasses all the autonomous communities is expected to be completed by the end of 2020.

It should be noted that Red Eléctrica undertook some special actions after the discovery of remains and materials of ethnological value during the development of its activities, such as the excavation of a necropolis and the dating of the human bone remains (between the seventh and eighth centuries) found in El Forcall (Castellón), and the cataloguing of ichnites (fossilised dinosaur footprints) found in Magaña (Soria). In this last case, it has been necessary to



**PERMANENT PRESENCE OF AN ARCHAEOLOGIST**

for **60** %

of the substations and 72% of the lines



modify the substation project in order to protect them.

In addition, Red Eléctrica actively collaborates with the administration in the conservation of heritage by developing cultural projects in the areas surrounding its facilities. An example of this is the creation of a cultural route in the La Vallesa de Mandor agricultural area, within the Turia Natural Park, where you can see different military structures dating back to the Spanish Civil War, catalogued as an archaeological site under the Cultural Heritage Law of Valencia.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

**In order to verify compliance with the recommendation regarding EMF exposure, Red Eléctrica has a tool that accurately calculates the maximum EMF levels that said facilities can generate.**

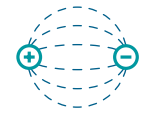


### ELECTRIC AND MAGNETIC FIELDS 103-1 / 103-2 / 103-3 / 416-1

Thanks to the criteria applied by Red Eléctrica in the design of its facilities, the levels of electric and magnetic fields (EMFs) stay below those recommended by the Council of the European Union [The Official Journal of the European Communities 1999/519/EC: establishes exposure limit values for the general public in sites where they may remain for a period of time at 5 kV/m for electric fields and

100µT for magnetic fields]. The main criteria applied are the following:

- Construction of double circuits and transposition of phases in lines.
- Increasing the height of towers, thus increasing the safety distances.
- Establishing the minimum distance of electricity lines from population nuclei and isolated houses.



## EMF LEVELS

[ELECTROMAGNETIC FIELDS]

in facilities are below those values recommended by the Council of the European Union



### REGULATIONS

Red Eléctrica has assessed and validated compliance with regulations for

# 100%

of its facilities





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



## ZERO INCIDENTS

Regarding non-compliance with regulations

***The company gives special relevance to electromagnetic fields in the informative sessions regarding future projects, as has been the case with the sessions conducted in 2018 as part of the Conceptual Plan for public participation for the Bay of Biscay project.***

In order to verify compliance with the recommendation, Red Eléctrica has a tool that uses specific line parameters to accurately calculate the maximum EMF levels that said facilities could generate.

It is only necessary to make measurements in situ when the values of the parameters required for the calculation are not available. This is the case of some facilities acquired by the Company in 2010 in the island systems, for which a specific plan of measures was developed during 2015 and 2016, all the values were found to be within the recommended exposure limit values.

Furthermore, in specific cases, Red Eléctrica conducts some measurements at the request of interested parties. In 2018, measurements have been taken for two lines and one substation, in all

cases with results being below the limit values recommended by the European Union.

During the year, there were no incidents registered due to non-compliance with the regulations in this matter. / [416-2](#)

Nonetheless, aware that electromagnetic fields are an aspect that generate significant interest in the territories where electricity facilities are located, the Company gives special relevance to this aspect in the informative sessions regarding future projects, as has been the case with those carried out in 2018 as part of the Conceptual Plan for public participation and consultation regarding the interconnection project across the Bay of Biscay. In response to the communication needs of this project, the information related to EMFs published on the corporate website has been updated, specifically the content related to the fields generated by direct current.

On the other hand, Red Eléctrica considers it of utmost importance to keep abreast of all new developments regarding electromagnetic fields, participating in different working groups and actively supporting research projects in this field.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# BIODIVERSITY

103-1 / 103-2 / 103-3

*The Red Eléctrica Group has a specific commitment for the management of biodiversity and a multi-year Action Plan (2017-2021).*



## RED ELÉCTRICA MAINTAINS ALLIANCES

in the field of biodiversity conservation with the competent areas of the public administration and other organisations in the various autonomous communities

The protection and conservation of biodiversity have always been essential elements in Red Eléctrica's environmental management. The Group has a specific commitment to the protection of biodiversity and a **multi-year Action Plan (2017-2021)**, which includes the main actions to be carried out in this period.

### Noteworthy alliances

- Adhered to the **Biodiversity Pact (2013-2018)**. Red Eléctrica is part of the Spanish Initiative for Business and Biodiversity (IEBB) promoted by the Ministry for Ecological Transition.
- IUCN** (International Union for the Conservation of Nature) through a framework of relations with the Centre for Mediterranean Cooperation (2018-2021).
- SEO Birdlife** (Spanish Ornithology Society) through a framework agreement for the conservation and protection of biodiversity (2018-2021).

In addition, Red Eléctrica maintains alliances in the field of biodiversity conservation with the competent areas of the administration and other organisations in the various **autonomous communities**.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

**Red Eléctrica's current facilities occupy just 0.08% of the Spanish Natura Network. Of the total infrastructure existing in 2018, only 15% of the lines and 5.9% of the substations are in protected areas [Red Natura].**

### BIODIVERSITY MANAGEMENT 103-2

Red Eléctrica's facilities are distributed nationwide, as the aim of the electricity transmission grid is to connect the points

of energy generation with those of consumption. Avoiding areas rich in biodiversity is one of the priority criteria taken into account both in the grid planning phase as well as in the definition of each project.

### Hierarchy of mitigation of impacts on biodiversity

<b>AVOID</b> <i>areas rich in biodiversity</i>	<b>MINIMISE</b> <i>impacts</i> <b>RESTORE</b> <i>affected areas</i>	<b>OFFSET</b> <i>part of the impacts caused on biodiversity</i>
<p>Through an adequate design of the facilities in the planning and project phases.</p>	<p>Through the definition and application of preventive and corrective measures [among which noteworthy are the protection measures for habitats and species during the works, those that minimise risk collision and those regarding the management of the safety corridors].</p>	<p>Through complementary measures for environmental improvement, the development of biodiversity conservation projects and the development of actions linked to fire prevention agreements.</p>



AVOIDING AREAS RICH in biodiversity

### PRIORITY CRITERIA

in the grid planning phase as well as in the definition of each project



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES



## Creating a positive impact on natural capital

Red Eléctrica has begun to work on the incorporation of the concept of **natural capital** in its management.

In a first phase, the project has focused on the quantification of the impacts on biodiversity, so that the performance of the company can be evaluated with respect to the net loss of biodiversity. During 2018, the most relevant components of biodiversity have been identified in relation to the Company's activities (birdlife, forested areas and habitats) and progress has been made in determining the performance indicators, as well as in the definition of one specific baseline reference for the calculation.

## THE MOST RELEVANT

components of biodiversity have been identified in relation to the Company's activities (birdlife, forested areas and habitats)

However, considering that 25% of the area of Spain has some form of environmental protection, it is inevitable that in some cases infrastructure crosses, or is located in protected areas or areas with species of interest.

On these occasions, Red Eléctrica implements all the preventive and corrective measures required to minimise the possible impacts on habitats and species (impacts associated with construction work and the modification of facilities, impacts on birdlife as a result of collisions and fire risks). These measures also include the **restoration** of affected areas, when possible. Moreover, they are complemented by **environmental improvement actions** to enhance biodiversity in those areas where the facilities are located, and which seek to offset some of the impacts that may have occurred.

Lastly, Red Eléctrica promotes and collaborates with the public administration, non-governmental organisations, research organisations and other interested parties in the development of biodiversity **conservation projects**, mainly focused on the species most related to the Company's activities.

# B I O D I V E R S I T Y / A C T I O N / P L A N ( 2 0 1 7 - 2 0 2 1 )

## B I O D I V E R S I T Y / C H A L L E N G E S

MOST RELEVANT ACTIONS	PROGRESS MADE IN 2017	PROGRESS MADE IN 2018	2021 GOALS
-----------------------	-----------------------	-----------------------	------------

### Improve the management of biodiversity in the Company, incorporating new approaches and expanding the scope

<ul style="list-style-type: none"> <li>· Definition of a new assessment methodology for investment projects.</li> <li>· Promoting the management of biodiversity in the Group's subsidiaries.</li> <li>· Extending commitment to the supply chain.</li> </ul>	<p>Actions underway.</p>	<ul style="list-style-type: none"> <li>· Definition of a new methodology for assessing the impact of investment projects on natural capital.</li> <li>· Definition of biodiversity conservation criteria for the selection of suppliers.</li> </ul>	<p>Completion of the three proposed actions.</p>
---	--------------------------	---	--

### Make facilities compatible with biodiversity

<ul style="list-style-type: none"> <li>· Birdlife: Multi-year line marking plan.</li> <li>· Forested areas: Signing of agreements for the prevention of forest fires.</li> <li>· Habitat of high ecological value: HABITAT Project.</li> </ul>	<ul style="list-style-type: none"> <li>· 38% of the critical priority area marked (corrected data).</li> <li>· 12 agreements in force.</li> <li>· Obtaining field-validated mapping for 16 Autonomous Communities.</li> </ul>	<ul style="list-style-type: none"> <li>· 51% of critical priority areas marked.</li> <li>· 13 agreements in force.</li> <li>· Mapping designed, field-validated for all the Autonomous Communities, 30,361 ha of Priority Habitats of Community Interest under electricity lines, 11,000 ha with a high conservation status.</li> </ul>	<ul style="list-style-type: none"> <li>· 100% critical priority areas marked by 2023.</li> <li>· 21 agreements in force (nationwide).</li> <li>· Mapping designed, field-validated state of conservation and management plans for the conservation of the habitats identified in all the Autonomous Communities.</li> </ul>
--	---	---	---

### Promote the conservation of biodiversity

<ul style="list-style-type: none"> <li>· Participation in wildlife conservation projects (especially birdlife) and flora.</li> <li>· REE Forest.</li> <li>· REE Marine Forest.</li> </ul>	<ul style="list-style-type: none"> <li>· 11 birdlife projects in force, all of them on focal species.</li> <li>· Surface area recovered: 778 ha recovered. Investment: 1,843,941 euros</li> <li>· Signed agreements with the CSIC and the Government of the Balearic Islands for the planting of a marine forest of 2 ha.</li> </ul>	<ul style="list-style-type: none"> <li>· 12 birdlife projects in force, all of them on focal species.</li> <li>· 843 ha recovered.</li> <li>· Investment: 2,126,327 euros.</li> <li>· Planted area of 1 ha.</li> </ul>	<ul style="list-style-type: none"> <li>· 6 annual projects in force, 5 of them on focal species.</li> <li>· Exceed 1,000 ha recovered and reach a total investment of 2,500,000 euros.</li> <li>· Development of the Posidonia forest: 2 ha.</li> </ul>
---	--	--	---



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# B I O D I V E R S I T Y / A C T I O N / P L A N ( 2 0 1 7 - 2 0 2 1 )

## B I O D I V E R S I T Y / C H A L L E N G E S

### MOST RELEVANT ACTIONS

### PROGRESS MADE IN 2017

### PROGRESS MADE IN 2018

### 2021 GOALS

#### Raise awareness on Red Eléctrica's stance on biodiversity matters

- Increase employee awareness.
- Promote corporate volunteering in the field of biodiversity.
- Increase the visibility of Red Eléctrica externally with regard to biodiversity.

Publication of information related to biodiversity on the corporate intranet.

Volunteering actions within the Red Natura 2000 Day.

Volunteering actions: European Red Natura 2000 day; Libera Project campaigns; REE Asturias Forest; Workday for the removal of invasive flora in Valencia.

Dissemination of projects in the press and on social networks, publication of brochures and videos and participation in forums and specialised working groups.

- Publication of internal news and the carrying out of specific campaigns.
- Development of new actions [at least one a year].
- New informative products and participation in events related to biodiversity [at least 2 per year].

#### Promote innovation in biodiversity matters

- Implementation of innovation projects that contribute to the achievement of biodiversity challenges.

- Biotransporte Project.
- Vegeta Project.

- Biotransporte Project
- Vegeta Project
- Prodint Project.

- A minimum of three innovation projects implemented in the period.



## PROTECTION OF HABITATS AND SPECIES DURING WORKS

### 304-2

In works associated with the construction of lines or the modification of facilities, the main impacts to be avoided are the alteration of the habitat of certain species of fauna and flora, and also the impact on vegetation due to the opening up of safety corridors, necessary to prevent fires in the operation of the line.

Among the **preventive and corrective measures** applied, noteworthy are the following:

- Detailed field studies on specific issues, such as impact reports for Red Natura and surveys to identify the presence of protected flora and fauna.
- Introduction of modifications in the design of facilities to mitigate their impact on flora: compacting or increasing the height of towers, relocation of towers, modification of access roads etc.
- Construction of decanting pools and filters to prevent contamination of waterways.
- Signage and protection of habitats and species of ecological value to avoid them being harmed when carrying out works.



## PREVENTIVE MEASURES

Minimise the impact on species considered to be of

## HIGH ECOLOGICAL VALUE

- Use of construction techniques that minimise earthworks and the occupation of land [reducing the opening up of access roads, size of work sites and storage areas for materials]: hoisting structures with a boom crane, hanging of line by hand, or carrying out works using a helicopter or drone.

## Specific measures that were noteworthy in 2018

<p><b>Avoiding impacts on protected flora</b></p> <ul style="list-style-type: none"> <li>• Excavation of the base of a tower, installation of the grounding ring and concreting works, without clearing external vegetation to avoid impacts on it. On the 220 kV Balsicas-El Palmar line.</li> <li>• <b>Hoisting</b> of a total of seven towers using a boom crane in the 220 kV Magaña-Moncayo line and six towers in the 220 kV Moncayo line-Magallón-Trévago line, to avoid impacts on Holm oaks [<i>Quercus Ilex</i>].</li> <li>• Assembly and hoisting with a boom crane and concreting works carried out by helicopter (two towers) to prevent the need to open up accesses in El Valle and Carrascoy Regional Park: 220 kV Balsicas-El Palmar line.</li> <li>• <b>Modification of access routes</b> for works on two towers belonging to two lines due to the existence of Holly trees [<i>Ilex aquifolium</i>] and Chestnut [<i>Castanea sativa</i>].</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Marking</b> of an area occupied by sensitive species or habitats in six lines due to the presence of Dwarf juniper [<i>Juniperus communis</i>], Holly trees [<i>Ilex aquifolium</i>], European fan palm [<i>Chamaerops humilis</i>], Rock tea [<i>Jasonia glutinosa</i>], Centaury [<i>Janeri subsp.</i>], Rockfoils [<i>Saxifraga babiana</i>] and a priority habitat due to the presence of Cantabrian alder [<i>Alisedas cantábricas</i>].</li> <li>• <b>Transplanting</b> of Butcher's broom [<i>Ruscus aculeatus</i>] and European fan palm [<i>Chamaerops humilis</i>] in the vicinity of two electricity lines.</li> </ul> <p><b>Avoiding impacts on protected fauna</b></p> <ul style="list-style-type: none"> <li>• <b>Biological stoppages</b> [of between three and seven months] for five lines due to the presence of the Golden eagle [<i>Aquila chrysaetos</i>], Bonelli's eagle [<i>Hieraatus fasciatus</i>] and Imperial eagle [<i>Aquila adalberti</i>].</li> <li>• <b>Field monitoring</b> [between two and five months] for two lines due to the presence of Iberian parsley frog [<i>Pelodytes ibericus</i>] and bats.</li> </ul>
---	--



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## Hábitat Project (2015-2021)

The aim of this project is to know the Priority Habitats of Community Interest and other flora and vegetation formations of interest (included in other protection schemes due to their endemic nature, scarcity or rarity), that exist within the vicinity of Red Eléctrica facilities, as well as its state of conservation. The objective is to have information on the interaction between electricity transmission infrastructure and these habitats, and use it to make decisions regarding maintenance, so that the conservation of these habitats and flora and vegetation formations is ensured through the adequate management of maintenance.

The first phase of the project consisted of the mapping and characterisation of the flora and vegetation formations of interest present within the vicinity of the facilities (100% of the transmission grid). As a result of this work, carried out in collaboration with the autonomous communities and experts on the subject, a digital mapping was developed with all the information, which was later validated in the field.

**30,361 ha of Priority Habitats of Community Interest and other**

formations of interest have been identified in the vicinity of Red Eléctrica facilities (30% of the total area of influence of the facilities).

Additionally, scientific-technical reports have been prepared along with documentation, assessment data and a proposed action plan for each case and by autonomous community. In this regard, we have identified the need to carry out additional work to standardise and integrate the information of the various territories and be able to manage and use it nationwide.

The next phase of the project will consist of the generation of a system of pressure / state / response indicators on habitats and other formations of interest. Lastly, an integrated management and improvement proposal for these areas will be prepared that is consistent with the maintenance needs of the facilities.



### BIOLOGICAL STOPPAGES

During breeding or

### NESTING PERIODS

- Transfer of species affected by the work to other areas to be replanted.
- Biological stoppages in 100% of the works during breeding or nesting periods to reduce impacts on the fauna that may be affected.
- Halting of works in periods or situations of high fire risk.
- Recovery of affected areas: restoration of slopes, sowing of seed and the planting of flora.
- Accompanying measures and the development of specific projects to improve biodiversity in affected areas.



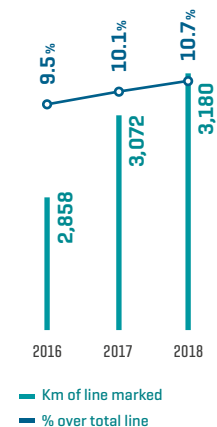
**The execution of the multi-year line marking plan for 2016-2023 will mean a reduction of 25% in the potential risk of birds colliding with overhead electricity lines.**

### MINIMISING THE RISK OF BIRDS COLLIDING WITH OVERHEAD LINES

The main impact on fauna by Red Eléctrica's facilities is the risk of birds colliding with grounding cables that protect the lines from electrical discharges during storms. The main measure to reduce that risk is **marking the grounding cables** with devices that increase their visibility. / 304-2

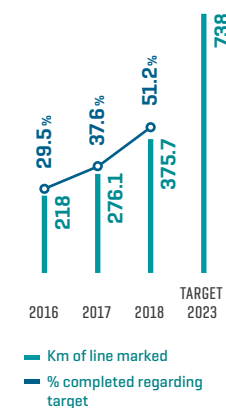
Thanks to the project 'Identification, characterisation and mapping of flight paths of birds that interact with high voltage transmission lines', which ended in 2016, the Company put in place a **multi-year line marking plan for 2016-2023** in which priority is given to actions on sections of line with the greatest potential impact on birdlife. The execution of this

Marking of lines with bird flight diverters (1)



Marking of lines with bird flight diverters (1)

In areas of critical priority. 2016-2023 Plan



[1] The target value varies slightly each year, depending on the variations of the REE facilities (new lines and modifications of existing ones).

Note. This data refers to the route taken by the line; that is, the length of the line regardless of the number of circuits they include.

plan will mean a reduction of 25% in the potential risk of birds colliding with overhead electricity lines.

Red Eléctrica also works on other relevant projects in relation to protecting birds from colliding with lines, noteworthy among which is the analysis of the effectiveness of the blade-type bird-saving device in various bird communities, a project in collaboration with the Doñana Biological Station (CSIC) (2013-2018).

### FIRE PREVENTION

In order to minimise the risk of fire associated with the presence of transmission lines, comply with strict rules regarding safety distances between flora and facilities is critical. Red Eléctrica ensures this compliance through the proper design of the safety corridors and the actions of predictive and preventive maintenance, such as the annual inspection of all facilities and the periodic conducting forestry work.

The Company applies best practices in the design and maintenance of safety corridors, respecting shrubs and small size/ slow growing tree species, minimising the impact on protected species and without using chemical treatment methods.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

**Red Eléctrica, as part of its fire prevention measures, ensures the proper design of the safety corridors and carries out predictive and preventive maintenance actions.**

### Innovation projects on fire prevention

#### Vegeta (2016-2019)

The objective of this project is to optimise vegetation management tasks, facilitating the incorporation of legal requirements and environmental criteria into said tasks.

In 2018, progress was made in the improvement of the Vegeta algorithm that, based on input variables and technical and environmental criteria, analyses the information and creates the most suitable action plans.

#### Prodint

Analysis and evaluation of how Red Eléctrica can use the SIGFOX wireless telecommunications network, specially designed to connect sensors of the new Internet of Things (IoT) technology. In the event this is considered applicable, the development and deployment of a prototype forest fire detection system will begin in the vicinity of the Company's lines and towers.



FIRE PREVENTION

13 COLLABORATION AGREEMENTS

currently in force with public administrations

Red Eléctrica also works on reducing the risk of fire in the vicinity of substations. In 2018, the Company has prepared an inventory of substations in a forest environment identifying the existing plant species around the perimeter of the substation. This has helped define the monitoring criteria and action plans for these surrounding areas.

In addition, noteworthy is the importance of the active and continuous collaboration of Red Eléctrica with the public administrations involved in forestry management. This cooperation is formalised through the signing of **collaboration agreements for the prevention and fight against forest fires**. In 2018, a new agreement was signed, there are currently 13 in force, with an overall budget of more than 1,040,000 euros every four years. The Company has set the goal of establishing this type of agreement with all the administrations concerned, a total of 21.

### CONTRIBUTION TO BIODIVERSITY CONSERVATION 304-3 / 304-4

Red Eléctrica actively contributes to the conservation of Spain's biodiversity, leading or participating in various projects and carrying out dissemination and training activities in environmental matters. Although working in different areas, within the biodiversity action plan, the objective of the project is the development of wildlife



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

conservation projects, mainly related to focal bird species (prone to collision).

Other actions aimed at improving the conservation of biodiversity are included in the section in this report entitled 'Conservation of natural capital'.

### Conservation projects in connection with endangered species

- Platforms for the Osprey (*Pandion haliaetus*) <sup>(1)</sup> in Andalusia.
- Reintroduction of the Bonelli's eagle (*Hieraetus fasciatus*) <sup>(1)</sup> in Majorca.
- The actual impact of supplementary feeding on the spatial and reproductive ecology of the Bonelli's eagle (*Hieraetus fasciatus*) <sup>(1)</sup> in the Community of Valencia.
- Monitoring, conservation and recovery of the population of the Spanish Imperial eagle (*Aquila adalberti*) <sup>(2)</sup> <sup>(3)</sup> in Doñana.
- Foraging areas and movements of the Canary Hubara (*Chlamydotis undulata fuertaventurae*). <sup>(2)</sup> <sup>(3)</sup>
- Effects of global change on the Iberian populations of Egyptian vulture (*Neophron percnopterus*). <sup>(1)</sup> <sup>(4)</sup>
- Reintroduction of the Black vulture (*Aegypius monachus*) <sup>(1)</sup> in the province of Burgos.
- Reintroduction of the Bearded vulture (*Gypaetus barbatus*) <sup>(2)</sup> in the Community of Valencia.

<sup>(1)</sup> Vulnerable species according to the national catalogue of endangered species. <sup>(2)</sup> Species in danger of extinction according to the national catalogue of endangered species. <sup>(3)</sup> Vulnerable species according to the IUCN red list. <sup>(4)</sup> Endangered species according to the IUCN red list.



### ACTION PLAN

Carrying out of conservation projects regarding

### BIRDLIFE

Mainly related to focal species (those prone to collision)

**Red Eléctrica actively contributes to the conservation of biodiversity, spearheading or participating in various projects and actions for the dissemination of information on environmental issues.**

### Biotransporte project (innovation)

This innovative project aims to analyse, diagnose and assess the effectiveness of the bases of the towers of electricity transmission lines as corridors or stepping-stones for the fauna of the different protected natural areas and thus improve the populations of certain species of animals with problems regarding spatial distribution.

In 2018, eleven species were selected on which to focus the study (micromammals, amphibians, reptiles, in addition to pollinators, mostly insects) and it has been decided to carry out the project in Andalusia, as it is a territory of high biodiversity and which has a Master Plan for the Improvement of Ecological Connectivity: Alcornocales Natural Park, Doñana Natural Area and the Sierra Norte de Sevilla Natural Park. Additionally, there are different electricity transmission lines capable of connecting the mentioned areas together.

The use of the existing high voltage electricity transmission grid, managing the space included under the electricity towers as "biodiversity islands", is an optimal and more economical solution than the development of other more complex solutions to improve the connections between wildlife populations with conservation problems and low spatial distribution capacity. In the following phases of the project, it is being proposed that the specific measures be carried out on the surface of the bases of the electricity towers.

This project was presented at the 14<sup>th</sup> edition of CONAMA (Technical Session on the role of Pollinators) and at the International Congress on Bird Migration and Global Change.



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

# CIRCULAR ECONOMY AND WASTE MANAGEMENT

103-1 / 103-2 / 103-3

*Red Eléctrica promotes responsible forms of consumption through its adhesion to the Circular Economy Pact.*



## OBJECTIVE

Promote responsible forms of consumption to

## MINIMISE

the generation of waste

In 2018, Red Eléctrica signed and became a member of the **Circular Economy Pact** led by the Ministry for Ecological Transition, whose objective is to involve the main economic and social agents of Spain in the transition towards a new economic model in which the products, materials and resources are kept within the economy for as long as possible and in which the generation of waste is minimised. Red Eléctrica, as signatory of the Pact, is committed to promoting this transition through the application of a series of golden rules aimed at implementing changes in the organisation that contribute to promoting responsible consumption patterns.







ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

*The Company works in the quest to find innovative solutions to minimise the amount of waste generated and improve its final management.*

In 2019, to respond to the commitment undertaken, the Company will design a **road map** that will set out the guidelines for becoming a Group of companies which is 100% circular in 2030. In it, aspects related to the use and origin of raw materials, extending the useful life of materials

and equipment, waste management and the minimisation of water usage will be included.

The nature of the waste generating activities in Red Eléctrica makes it very difficult to predict the evolution of the quantities generated and establish quantitative reduction targets. For example, the activity for the renovation and adaptation of facilities generates a large amount of waste, but it cannot be limited as this activity is often linked to the reduction of environmental risks. Therefore, the Company works on the search for innovative solutions that make it possible to minimise the amount and hazardous nature



DESIGN

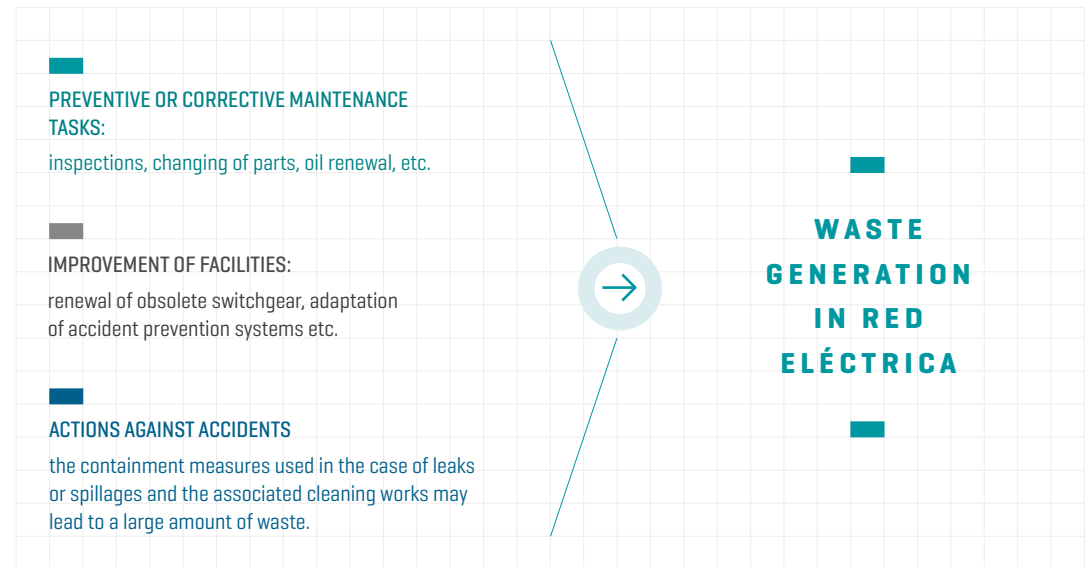
of a roadmap to be a

COMPANY THAT IS

100

%

Circular in 2030



of waste and strives to find the best solutions for their final management. In this regard, the following projects are noteworthy:

**Zero waste to landfill sites**

The zero-waste models are an initiative encompassed within the EU targets for 2020 to make our economy evermore circular. The objective is that waste that cannot be reduced, reused, recycled or monetarily quantified, be transformed into raw materials that can be used for new products in an economically and environmentally profitable way. To find alternatives and technological solutions that prevent waste from ending up in landfill sites, an in-depth knowledge of its nature and the traceability of how it was generated is required.

Red Eléctrica has started with the design of a zero waste to landfill sites model for its facilities. In 2018, a model for the Campus of the Red Eléctrica Group building was prepared and the first phase (analysis and characterisation of waste and its traceability) of the Central Regional Office model was completed, in which there are 77 centres that produce waste associated with the maintenance of the facilities. The design and implementation of this model will be finished during 2019 and is expected to be replicated throughout the rest of the Company's facilities.

**Sustainable treatment**

methods for soils and ground-water affected by leaks or spillages of dielectric oils or hydrocarbons

The objective of the works is to find innovative alternative solutions to the excavation and its deposit in a landfill site, and thus reduce the volume of waste generated.

So far, laboratory tests have been carried out, related to the use of bioremediation or chemical oxidation techniques applicable to the specific cases that may occur in the Company.

**Project for selling obsolete power transformers**

Thanks to this project, the incorporation of these obsolete power transformers in the value chain has been achieved as new resources or raw materials, so that none of the waste associated with this project has become landfill material. This has represented not only a reduction in costs, but also a financial return.

This project received an award in the 6<sup>th</sup> Edition of the 'Red Eléctrica eficiente' Awards.



**2020 OBJECTIVE**

Waste that cannot be reduced, needs to be reused by transforming it into

**RAW MATERIALS**

that can be used for new products

*There is a Waste Management Plan for all construction works which establishes the management to be performed in each case, with the minimisation and reuse of waste being the prevailing criteria.*

The waste generated in construction activities is managed by contractors. The Company has a waste management plan that encompasses all construction works and which sets out the management to be carried out in each project, with the criteria of minimisation and reuse established as a priority (which is especially important for surplus excavation material). In addition, Red Eléctrica includes specific waste management requirements in the contractual documentation of works and reviews compliance through monitoring of works and via the control of documentation.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# PREVENTION OF CONTAMINATION

*The Company has decided to promote work aimed at minimising the risks related to leaks and spillages of hazardous substances.*



## RED ELÉCTRICA HAS AN ACTION PLAN

prioritised according to the type of emergency and severity when addressing identified risks

Red Eléctrica has established numerous preventive and corrective measures to minimise the risk of contamination of soil or groundwater due to leaks or spillages of oils, fuels and hazardous substances.

On the one hand, proper maintenance of equipment is carried out and strict working procedures that reduce the number of incidents are established. On the other hand, adequate containment systems are installed, especially relevant in the case of power transformers containing large amounts of oil, and incident response protocols when faced with possible events that lead to a reduction in the severity of the consequences should accidents occur.

In addition to these measures, the Company has decided to promote work aimed at **minimising the risks related to leaks and spillages of hazardous substances.**

For this reason, the project of environmental risk assessment and identification of environmental liabilities in electricity substations was developed (2015-2017), which has led to a plan of actions, prioritised by their urgency, to reduce, control or eliminate completely the risks identified. In 2018, the Company began the implementation of this plan having carried out actions regarding soil and groundwater characterisation in 8 sites.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



In 2017, the environmental risk associated with cables containing oil was evaluated. For terrestrial cables, a model was applied that integrates technical, historical, environmental and social data, and calculates the level of environmental risk based on a certain probability of occurrence of an event and the severity of its impact. In the case of submarine cables, an innovative approach was used when assessing risks taking into account the potential impacts generated on ecosystem services (direct and indirect benefits of ecosystems for human well-being).

As a result of these evaluations, specific actions were identified to be carried out. One of the most relevant is the deactivation of cables with oil and their replacement with cables without any fluid inside. In 2018, the Majorca-Menorca interconnection cable was drained, through the injection of a hydrogel that simultaneously absorbs the oil and pushes it out from the cable. In addition, in order to minimise the risk of leakage in the case of external damage, a technique has been used to biodegrade the low percentage of undrained oil. The deactivated cable will be replaced by two cables without oil, one of them is currently being manufactured.



## ENVIRONMENTAL RISK ASSESSMENT

Deactivation works regarding

## CABLES CONTAINING OIL

Replacing these for cables without any fluid inside



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# INDICATORS

## Total water withdrawal by source 303-1

	2016	2017	2018
Head Office [1]	9,166	8,064	10,479
Other work centres	17,276	19,563	12,088
Total of all work centres [1]	26,442	27,627	22,566

[1] The data provided has a coverage of 83%, in terms of personnel (taking into account all the personnel working in the different work centres: Group employees, interns, employees from temporary staffing agencies and collaborators). The data is not available for some centres, mainly those that are not owned by the Company (rented).

**Note 1:** The water consumed comes from: the municipal mains (72.5%), wells (24.5%), cisterns (2.9%). In some work centres cisterns are available for the collection of rainwater for sanitary use, fire prevention and irrigation. In general, the cisterns do not have mechanisms to measure the water stored, so the actual % of utilisation of rainwater cannot be calculated. / 303-3

## Presence of facilities in Red Natura spaces 304-1

National grid	2016	2017	2018
Km of line in Red Natura/total km of line	15.1	15.0	15.1
Number of substations in Red Natura/number of substations	5.92	5.86	5.75
Surface area of facilities in Red Natura/total surface in Red Natura [1]	0.08	0.08	0.08

Red Natura (Natura 2000 Network) includes: SCI (Site of Community Importance) and SPA (Specially Protected Areas for birds).

[1] Surface area occupied by lines, substations and submarine cables. The surface area occupied by lines has been calculated assuming an occupation of 20 m on each side of the line. It is necessary to keep in mind that the occupation is overhead, there is only actual land occupation in the case of the towers. The surface occupied by submarine cables has been estimated at 1 metre on each side of the line.

**Note 1.** For the calculation of these indicators, the most up-to-date database published by MITECO is used.

**Note 2.** The mapping of in-service facilities is improved and updated annually, whereby some variations in calculations not related to the increase or decrease in the number of facilities may result.

## Description of the most significant impacts on biodiversity

### 304-2

#### Most relevant impacts on flora

Felling of two Wild olive trees (*Olea europea*) and the clearing of 200 m<sup>2</sup> of mastic (*Pistacia lentiscus*) in the area covered by the Recovery Plan for the Imperial eagle in Andalusia.

Clearing of 280 m<sup>2</sup> of marsh vegetation in the 'Estero de Domingo Rubio' SCI and SPA.

Transplanting works for 109 Sweet tabaiba (*Euphorbia balsamifera*) and 10 Canary Island spurge (*Euphorbia canariensis*), both protected species in the Autonomous Community of the Canary Islands.

Felling of 1 Black hawthorn (*Rhamnus lycioides*), 2 Cypresses (*Cupressus sempervirens*), 16 Aleppo pine (*Pinus halapensis*) and 1 Wild olive (*Olea europea*) within the 'Carrascoy y El Valle' Regional Park. 'Carrascoy y El Valle' SCI. 'Carrascoy y El Valle' Public utility highlands.

Felling and clearing works for Aleppo pine (*Pinus halapensis*), Holm oak (*Quercus ilex*) and Valencian oak (*Quercus faginea*) in 215 hectares of 'L'Alt Maestrat, Tinença de Benifassà, Turmell i Vallivana' SPA.

## Species included in the IUCN red list and the national conservation list whose habitats are located in areas affected by operations 304-4

Scientific name	Common name	Classification according to MITECO (2016) (National Catalogue)	Classification according to the IUCN red list
<i>Aegypius monachus</i>	Black Vulture	Vulnerable	Near threatened (NT)
<i>Aquila adalberti</i>	Imperial Eagle	In danger of extinction	Vulnerable (VU)
<i>Ardeola ralloides</i>	Squacco Heron	Vulnerable	Least concern (LC)
<i>Aythya nyroca</i>	Ferruginous Duck	In danger of extinction	Near threatened (NT)
<i>Botaurus stellaris</i>	Euroasian Bittern	In danger of extinction	Least concern (LC)
<i>Chersophilus duponti</i>	Dupont's Lark	Vulnerable	Near threatened (NT)
<i>Chlamydotis undulata</i>	Houbara Bustard	In danger of extinction	Vulnerable (VU)
<i>Ciconia nigra</i>	Black Stork	Vulnerable	Least concern (LC)
<i>Columba bollii</i>	Bolle's pigeon	Vulnerable	Least concern (LC)
<i>Dendrocopos leucotos</i>	White-backed Woodpecker	In danger of extinction	Least concern (LC)
<i>Falco pelegrinoides</i>	Barbary Falcon	In danger of extinction	Least concern (LC)
<i>Fringilla teydea subspp.</i>	Blue Chaffinch	In danger of extinction (Gran Canaria) / Vulnerable (Tenerife)	Near threatened (NT)
<i>Fulica cristata</i>	Crested Coot	In danger of extinction	Least concern (LC)
<i>Geronticus eremita</i>	Northern Bald Ibis	-	Critically endangered (CR)
<i>Gypaetus barbatus</i>	The Bearded-Vulture	In danger of extinction	Near threatened (NT)
<i>Hieraetus fasciatus</i>	Bonelli's Eagle	Vulnerable	Least concern (LC)
<i>Lagopus muta</i>	Rock Ptarmigan	Vulnerable	Least concern (LC)
<i>Marmaronetta angustirostris</i>	Marbled Duck	In danger of extinction	Vulnerable (VU)
<i>Milvus milvus</i>	Red Kite	In danger of extinction	Least concern (LC)
<i>Neophron percnopterus</i>	Griffon Vulture	Vulnerable	Endangered (E)
<i>Neophron percnopterus majorensis</i>	Canarian Egyptian Vulture	In danger of extinction	Not evaluated (NE) – species endemic to the Canary Islands
<i>Otis tarda</i>	Great Bustard	-	Vulnerable (VU)
<i>Oxyura leucocephala</i>	White-headed Duck	In danger of extinction	Endangered (E)
<i>Pandion haliaetus</i>	Osprey	Vulnerable	Least concern (LC)
<i>Pterocles alchata</i>	Pin-tailed Sandgrouse	Vulnerable	Least concern (LC)
<i>Pterocles orientalis</i>	Black-bellied Sandgrouse	Vulnerable	Least concern (LC)
<i>Streptopelia turtur</i>	European Turtle-dove	Not included	Vulnerable (VU)
<i>Tetrao urogallus aquitanicus</i>	Aquitainian Capercaillie	Vulnerable	Not Evaluated (NE)
<i>Tetrao urogallus cantabricus</i>	Cantabrian Capercaillie	In danger of extinction	Not Evaluated (NE)
<i>Tetrax tetrax</i>	Little Bustard	Vulnerable	Near threatened (NT)

The main impact on protected species caused by REE's operations is that arising from the collision of the birds with the lines. In the framework of the project of 'identification, characterisation and mapping of flight paths of birds that interact with high voltage transmission lines' 2010-2014, species that are prone to colliding with the REE lines have been identified [focal species, a total of 47] and whose habitats are in areas where these lines exist. Of the 47-registered species, 29 have been identified as threatened. In addition, a species (*Streptopelia turtur*) has been included in the list for which accidental collisions have been identified in 2018, although it is not a focal species.





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## Collisions of endangered species detected in 2018

Species	n° of birds affected
Great bustard [ <i>Otis tarda</i> ] (1)	1
Pin-tailed sandgrouse [ <i>Pterocles alchata</i> ] (2)	1
European turtle dove [ <i>Streptopelia turtur</i> ] (1)	2
Canarian Egyptian vulture [ <i>Neophron percnopterus</i> ] (1) (2)	1

(1) Vulnerable species according to IUCN Red List. / 304-4

(2) Vulnerable species according to the National Catalogue of Endangered Species. / 304-4

## Waste broken down by type and disposal method

306-2

Types of waste	2016	2017	2018
Non-hazardous waste [Kg] (1)	1,522,422	1,850,241	1,521,150
Hazardous waste [kg]	2,035,645	4,102,096	3,036,874

Waste management method [%] (2)	Non-hazardous	Hazardous
Reutilisation	0.0	0.5
Recycling/Composting/Anaerobic digestion	88.7	49.1
Regeneration	0.0	17.6
Valuation	0.0	0.3
Elimination [by any method]	11.3	32.5

(1) Waste vegetation is not included, as it cannot be quantified: most of it is incorporated into the land or delivered to the landowners, as it is the most appropriate form of management. Metal waste is included as of 2017 (the data published in the previous report has been corrected).

(2) Waste management corresponds to that which appears in the legal documentation for its management there-of. The amount of waste to be recycled was 74.6% (included in the generic category of recycling: reutilisation, recycling, composting, anaerobic digestion and regeneration).

306-4 Waste treatment of used SF<sub>6</sub> gas, which is out of specification, and which consists of the regeneration of the gas for its subsequent reuse, and this is done outside Spain. This means that 0.31% of the total hazardous waste has been shipped abroad.

306-1 Once the plan for the elimination / decontamination of transformers, equipment and oil with PCB was completed in 2010, the quantities that are now produced are caused by the elimination of old equipment that is sealed and which turns out to be contaminated at the end of its useful life. In 2018, 11,268 Kg of equipment contaminated with PCB was managed.

## Leaks and spillages 2018 (1) (2)

306-3

Significant spills of oils or hydrocarbons during the use and maintenance of equipment

1	2	3	4	5
0	0	2 <sup>(3)</sup>	0	0

(1) Events classified as being incidents of minor relevance are not included.

(2) Classification of accidents according to their severity on a scale of 1 to 5 [1 mild - 5 serious].

(3) There have been two accidents classified as significant:

- Accidental spillage of 100 litres of oil during the filling process of a power transformer. 30 m<sup>2</sup> of soil was affected within the substation. The cleaning works of the affected area are being carried out.

- Accidental spillage of 936 litres of fuel from the external tank of an electricity generating unit. All the fuel has remained in the room where the unit was housed and therefore did not affect the soil. This has already been cleaned up.

There were no accidents of a serious nature in 2018. No spillage has been included in the financial statements of the organisation.

## Non-compliance with environmental laws and regulations

### 307-1

Type of infringement	2016		2017		2018	
	Nº of cases	Amount (€)	Nº of cases	Amount (€)	Nº of cases	Amount (€)
Fire risk (lack of maintenance of vegetation or the abandoning of material)	2	751	-	-	-	-
Unauthorised felling and pruning	2	7,060	-	-	1	330
Obstruction of waterway / Unauthorised works in certain areas	-	-	-	-	-	-
Opening up of a forest trail without authorisation	-	-	-	-	-	-
Use of a helicopter in a critical birdlife area without authorisation	-	-	-	-	-	-
An electricity line crossing over a livestock route without authorisation	1	30,051	-	-	-	-
Incorrect waste management	-	-	-	-	-	-
<b>Total</b>	<b>5</b>	<b>37,862</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>330</b>



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

S	U	P	P	L	Y	
		C	H	A	I	N





- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

# SUPPLY CHAIN

103-1 / 103-2 / 103-3

*In its daily management, the Company promotes the commitments undertaken regarding ethics and compliance, guaranteeing that these are also undertaken by all its suppliers.*



## ACCEPTANCE OF THE CODE OF CONDUCT

is an essential requirement to establish a contractual relationship with Red Eléctrica

Red Eléctrica, aware of the relevance that suppliers have in the carrying out of its function, is committed to collaborating on the development of common goals that improve the efficiency of processes and generate mutual benefits. For this, in its daily management, the Company promotes the values and commitments acquired in matters of ethics and compliance, working conditions, environment and occupational health and safety, guaranteeing that these are also undertaken by all its suppliers.

### RESPONSIBLE MANAGEMENT MODEL FOR THE SUPPLY CHAIN

Red Eléctrica centralises the management of its supply chain through the Company's Supply Area [procurement], which has a responsible management model based on the **principles of non-discrimination, mutual recognition, proportionality, equal treatment and transparency.**

The **Supplier Code of Conduct** establishes the minimum ethical, social and environmental requirements that every supplier must accept and comply with in order to work with Red Eléctrica, assuming the commitment to extend it to its own supply chain.

The acceptance of the Code of Conduct is an essential requirement to establish a contractual relationship with Red Eléctrica and is a part of the **General**

**Conditions of Contract.** With its acceptance, suppliers not only commit to undertake their activity based on the principles set out in the Code, but also accepts the possibility of being audited by the Company to ensure it is duly complied with.

Red Eléctrica has a **Procurement Master Plan**, linked to the Plan of the Transformation and Technology Department, whose activities are aligned with the Company's Strategic Plan. Among these, noteworthy in 2018 was the development of initiatives that,

**Red Eléctrica actively participates in the Responsible Purchases Committee that is led by the 'Club de Excelencia en Sostenibilidad'.**

due to a shift in the technological paradigm, allow greater efficiency to be achieved in more tactical tasks and a greater level of professionalism and the orientation of its employees towards more strategic work and in decision-making processes.

The Supply Area sets annual objectives for the improvement of processes and its quest for management excellence, in order to boost the level of fulfilment of the objectives derived from the strategic lines and contribute to the creation of value. The measurement of the results obtained with respect to the objectives becomes, therefore, a fundamental lever for continuous improvement.

The team responsible for managing the supply chain of Red Eléctrica receives constant training and continuously monitors the latest trends in sustainability, as well as actively participating in presentations and practical workshops. This allows them to transfer their knowledge, vision and best practices in this matter to the supply chain.

Red Eléctrica voluntarily adheres to various initiatives and professional associations that allow their commitment to sustainability to be strengthened and extended to its suppliers, among them noteworthy is its pledge to the **principles of the United Nations Global Compact.**

**Noteworthy improvement initiatives**

- Implementation of an RPA (Robotic Process Automation) for those purchasing processes that represent a high transactional load and have a lower financial impact. The results obtained are positive as it frees people up to have time to be more involved in the following activities: relationship with the business, with suppliers as well as in the leadership of cross-cutting projects, thereby favouring excellence in management and helping to anticipate future needs.
- Actions aimed at obtaining the lowest total cost expected of the supplies purchased, and the optimisation of associated resources, with the implementation of the methodology called **Total Cost of Ownership**, aimed at awarding purchases based on the total cost expected according to the life cycle of the supply.
- Promotion and development of the relationship with suppliers under the principles of cost optimisation, efficiency, sustainability and innovation in the Company's processes through a KPI model that allows the supplier to be rewarded or penalised based on the performance of their work.
- Greater development and empowerment of the figure of the **Key Supplier Manager** to improve the management of the relationship with the most important suppliers.
- Progressive implementation of **electronic auctions** that help to strengthen communication and improve transparency with suppliers, given that the award criteria established are public and previously accepted by all participants, resulting in an awarding process for tenders controlled by a system.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

M O D E L / F O R / T H E / R E S P O N S I B L E  
M A N A G E M E N T / O F / T H E / S U P P L Y / C H A I N

Framework

DIRECTIVE 2014/25/UE	LAW 31/2007	REE CODE OF ETHICS	SUPPLIER CODE OF CONDUCT	PROCUREMENT POLICY	CR POLICY	GUIDE FOR THE PREVENTION OF CORRUPTION	INTERNAL REGULATION
----------------------	-------------	--------------------	--------------------------	--------------------	-----------	--	---------------------

Levers for ongoing improvement

REE STRATEGIC PLAN	HUMAN RESOURCES MASTER PLAN	PROCUREMENT MASTER PLAN	AUDIT ASSESSMENTS	SUSTAINABILITY PLAN	CUSTOMER AND SUPPLIER SATISFACTION SURVEYS	OBJECTIVES AND PROJECTS
--------------------	-----------------------------	-------------------------	-------------------	---------------------	--	-------------------------

Pillars

CONTINUOUS SEARCH FOR THE LOWEST EXPECTED TOTAL COST	<ul style="list-style-type: none"> <li>· Search for efficiency, effectiveness and simplification of processes.</li> <li>· Implementation of sourcing strategies to optimise own resources.</li> </ul>
TRANSPARENCY AND THE SEPARATION OF FUNCTIONS WITHIN THE MANAGEMENT PROCESSES	<ul style="list-style-type: none"> <li>· Centralised management of the chain through segregated functions.</li> <li>· Existence of a specific independent department for suppliers.</li> <li>· Maximum communication with the supplier in all processes.</li> <li>· Open/transparent supplier qualification process.</li> <li>· Processes in systems (traceable and auditable).</li> </ul>
ETHICAL MANAGEMENT AND DEVELOPMENT OF SUPPLIERS AND SUBCONTRACTORS	<ul style="list-style-type: none"> <li>· Communication channels available to suppliers: ASA + <i>Dígame</i> + whistle-blowing channel.</li> <li>· Campaigns for extending the Company's principles and policies to suppliers.</li> <li>· Specific development plans resulting from their supervision and monitoring.</li> <li>· Development of medium to long-term partnerships.</li> </ul>
MINIMISATION OF THE RISK ASSOCIATED WITH THE PROCUREMENT PROCESSES	<ul style="list-style-type: none"> <li>· Identification of legal / business / technical / sustainable impacts and risks and categorisation of REE's suppliers.</li> <li>· Establishment of requirements that mitigate said impacts and continuous verification of them in: <ul style="list-style-type: none"> <li>- The supplier selection process and the awarding of contracts.</li> <li>- The qualification, subcontracting and corporate monitoring of suppliers.</li> </ul> </li> <li>· Acceptance of Supplier Code of Conduct and verification of compliance with said Code through social audits.</li> <li>· Wide range of suppliers.</li> </ul>





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



RED ELÉCTRICA

In 2018, has contracted works through

**1,049 SUPPLIERS**

*The total number of companies that have worked within the framework of Red Eléctrica contracts stood at 2,056.*

### MANAGEMENT OF PURCHASES 102-9 / 204-1

#### Description of the supply chain

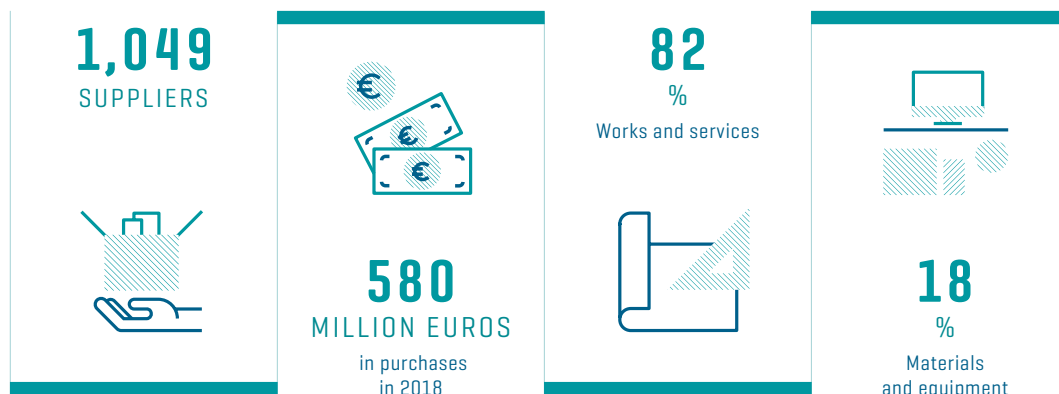
In 2018, Red Eléctrica managed its procurement of goods and services through **1,049 suppliers**, for a total of **580 million euros**. 82% of this amount corresponds to services and construction works, while the remaining 18% was for materials and equipment.

96% of the aforementioned amount was awarded to suppliers with head offices in Spain and 99% of purchases were made

within the European Union. This consolidates Red Eléctrica as an engine for growth, favouring the business, industrial and social development of its environment, by creating employment throughout the supply chain.

In addition to the 1,049 suppliers mentioned with whom Red Eléctrica has worked, it is necessary to add 1,007 companies [subcontractors] that have also carried out work for the Company, whereby the total number of companies that have worked within the framework of Red Eléctrica contracts stands at 2,056.

It should be noted that the average management time of subcontracting requests was 1.5 days, a value that has been decreasing over recent years and continues to improve the Company's commitment to resolve the requests from subcontractors within a maximum period of 2 days.





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

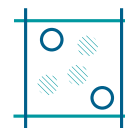
During 2018, Red Eléctrica has highlighted its support for entrepreneurs or newly created companies, contracting the provision of certain services from emerging companies. This represents a clear commitment to entrepreneurship and business innovation, facilitating the entrance of new companies into the marketplace.

Additionally, it favours the integration of people with disabilities in the working world and demonstrates its commitment to society through the hiring of Special Employment Centres to execute certain services such as: the Procurement Support and Helpdesk [ASA], the *Dígame* Service or the General Archiving Service.

### Risks and impacts within the supply chain 308-2 / 414-2

Red Eléctrica has an impact matrix that covers the majority of its activity and, therefore, the main risks. In it, the Company assesses the probability of occurrence and the magnitude for each of the **20 types of impact** identified [seven in ethics and working conditions, four in occupational health and safety and nine regarding the environment].

In 2018, Red Eléctrica continued to identify in more depth the requirements to be met by its suppliers in terms of sustainability, for which it has drafted an impact matrix corresponding to the supply of equipment



## THE IMPACT MATRIX

Has identified

# 20 TYPES OF RISK

Seven in ethics and working conditions, four in occupational health and safety and nine regarding the environment

## *Red Eléctrica clearly backs entrepreneurship and business innovation, facilitating the entrance of new companies into the marketplace.*

and / or materials and has updated the impact matrix corresponding to the supply of services and the provision of construction works.

Additionally, the Company has identified the risks associated with suppliers located in **countries with potential risk regarding social and labour conditions**. To this end, Red Eléctrica has developed a new methodology that will allow the country risk associated with each of the sustainability impacts to be identified and assessed, which allows for a more complete assessment of the supplier by taking into account its geographical location.

Similarly, in response to the risk of non-compliance by suppliers regarding a regulation or law, Red Eléctrica has **mechanisms for the prevention of bribery and corruption** such as the Code of Ethics, the Supplier Code of Conduct, the Criminal Risks Prevention Programme, the Guide for the Prevention of Corruption, the conducting of social audits, the separation of functions in the purchase process, and



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

the execution of the process entirely through systems (allowing its traceability and allowing it to be audited periodically).

Red Eléctrica, by means of its Codes, Programmes and Guides, requires that both the professionals belonging to the Company and any third party acting on its behalf, or with whom it is related in the execution of its duties and responsibilities, meet the highest standards of integrity in the execution of its commercial activities. These Codes, Programmes and Guides set out the obligation to not offer bribes, entertainment, illegal payments or any gift to any employee of the Company, to not carry out irregular business practices that go against free competition, to not disclose or misuse confidential information for their own benefit and to encourage the commitment to responsible purchasing in their procurement processes. Additionally, the supplier is required to promote monitoring to prevent corruption in its scope of in order to prevent corruption within its scope of action and detect activities such as fraud, money laundering or the misappropriation of funds.

Additionally, during 2018 the Company focused on two specific aspects:

- **The update and dissemination of the new General Conditions of Contract** to the whole Company and to all suppliers, to ensure that all parties involved are fully aware of the new conditions and that they comply with them.



The update implies an improvement in the structure, the modification and adaptation of the different clauses to the European Directive 2014/25/EU on procurement by entities operating in the water, energy, transport and postal services sectors, and the segmentation into three documents according to their object and scope of application: equipment and materials, supply of services and the provision of construction works.

- **Development of a compliance culture** within the supply chain that can help to control and monitor suppliers regarding the fight against corruption and bribery (screening of suppliers), the development of a new



Red Eléctrica insists on compliance with the

## MOST DEMANDING REGULATIONS

regarding integrity in the execution of commercial activities of its suppliers



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



## COMPLIANCE AREA

Shows the commitment of the Company with the highest standards of

## BUSINESS ETHICS,

transparency and integrity in business

**100% of those suppliers of goods with an impact on the environment have ISO 14001 or equivalent, and those with an impact on occupational health and safety have OHSAS 18001 or equivalent.**

methodology for assessing the chances of regulatory non-compliance by a supplier (and, therefore, the probability of being sanctioned) and the monitoring of the degree of maturity of the suppliers in this field, in order to identify more restrictive criteria in the qualification of suppliers and the design of dissemination and development campaigns.

In order to adapt the organisation to the best practices, the Company has a Compliance Area, as proof of its commitment to the highest standards of business ethics, transparency and business integrity.

The identification and prioritisation of the risks and impacts of the supply chain have allowed Red Eléctrica to establish adequate controls to minimise them. In this regard, for each of the identified risks, the Company works in three areas of action:







- **Establishment of minimum requirements to become a supplier**, such as acceptance of the Supplier Code of Conduct, evidence of a stable financial situation, minimum guarantees that ensure quality and proof of a civil liability insurance policy adapted to the requirements of the tender, as well as providing references and a proven track record related to prior works.

- 100% of our suppliers of goods and services with environmental impacts have an ISO 14001 certification or equivalent.
- 100% of our suppliers of goods and services with occupational health and safety impacts have OHSAS 18001 or equivalent.

- **Actions regarding the continuous monitoring of suppliers**, throughout the term of the contract, establishment of KPIs and Service Level Agreements (SLAs) in the contracts, definition of specific clauses by contract in addition to the General Conditions of Contract, conducting of social audits, permanent monitoring of compliance with current legislation and of that of the supplier's financial situation.

- **Awareness and supplier development campaigns**, for which actions regarding training, awareness and motivation are carried out throughout the year, with the aim of improving the situation of those suppliers with a lower performance.

## Risks and impacts identified in the supply chain and mitigation measures

						
<b>RISKS AND IMPACTS IDENTIFIED</b>	<p><b>Risks and impacts regarding ethics and working conditions</b></p> <ul style="list-style-type: none"> <li>· Bribery and corruption.</li> <li>· Appropriation and misuse of information.</li> <li>· Discrimination/equality.</li> <li>· Violation of the fundamental rights of workers.</li> <li>· Lack of ethics in remuneration.</li> <li>· Impact on the well-being of the community.</li> <li>· Legal/regulatory non-compliance.</li> </ul>	<p><b>Risks and impacts regarding Occupational Health and Safety</b></p> <ul style="list-style-type: none"> <li>· Accidents in the workplace.</li> <li>· Work-related illnesses.</li> <li>· Inadequate training or experience/information.</li> <li>· Legal/regulatory non-compliance.</li> </ul>	<p><b>Risks and impacts regarding the environment</b></p> <ul style="list-style-type: none"> <li>· Impact on biodiversity.</li> <li>· Impacts on the soil and water.</li> <li>· Climate change and air quality.</li> <li>· Generation of non-hazardous waste.</li> <li>· Generation of hazardous waste.</li> <li>· Energy consumption</li> <li>· Water consumption</li> <li>· Legal/regulatory non-compliance.</li> </ul>	<p><b>Risks and impacts due to non-compliance with legislation</b></p> <ul style="list-style-type: none"> <li>· Non-compliance with the requirements of Directive 2014/25/EU on procurement by entities operating in the water, energy, transport and postal services sectors.</li> </ul>	<p><b>Risks and impacts due to non-fulfilment of deadlines or incidents in the performance of the work</b></p> <ul style="list-style-type: none"> <li>· Inability of suppliers to complete the execution of the works.</li> <li>· Control and monitoring of suppliers in financial difficulties.</li> <li>· Monitoring of the supplier during the term of the contract: verification of qualification requirements (business, environmental and occupational health and safety).</li> </ul>	<p><b>Risks and impacts associated with supplier's country of origin</b></p> <ul style="list-style-type: none"> <li>· Risks and impacts associated with the supplier's country of origin.</li> <li>· Application of a methodology to identify business, environmental, social, occupational health and safety requirements that must be met by suppliers taking into consideration their geographical location.</li> </ul>
<b>MITIGATION MEASURES</b>	<ul style="list-style-type: none"> <li>· Certified quality system (ISO 9001).</li> <li>· Screening of suppliers.</li> <li>· New methodology for assessing the probability of a supplier complying with Criminal Prevention, Privacy and Cybersecurity regulation.</li> </ul>	<ul style="list-style-type: none"> <li>· Acceptance of the Supplier Code of Conduct.</li> <li>· Conducting social audits and establishing action plans.</li> <li>· Occupational health and safety management system certified by a third party (OHSAS 18001 or similar). This requirement is compulsory for all supplies with an impact on occupational health and safety.</li> </ul>	<ul style="list-style-type: none"> <li>· Environmental management system certified by a third party (ISO 14001 or similar). This requirement is compulsory for all supplies with an environmental impact.</li> </ul>	<ul style="list-style-type: none"> <li>· General conditions of contract for equipment and materials, the supply of services and the provision of construction works.</li> <li>· Proof of a civil liability insurance policy, being up-to-date on payments regarding Social Security, Tax Authority, Civil Registry and accident insurance.</li> <li>· Permanent monitoring of compliance with current legislation.</li> </ul>	<ul style="list-style-type: none"> <li>· Establishment of KPIs and service level agreements in contracts, definition of specific clauses by contract, in addition to the General Conditions of Contract.</li> <li>· Minimum requirements (depending on the supply).</li> <li>· Analysis of references and of previous track record relating to prior works.</li> <li>· Comprehensive evaluation of the supplier prior to being included in the tendering process.</li> <li>· Awareness and supplier development campaigns.</li> </ul>	



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## SUPPLIER MANAGEMENT

### Supplier qualification 308-1 / 414-1

For all critical supplies that are purchased on a recurring basis, Red Eléctrica establishes **minimum requirements to be met by its suppliers**. These requirements are verified initially in the supplier qualification process. For one-off purchases, the qualification process is conducted at the time the tendering process takes place.

Red Eléctrica, in its commitment to transfer its qualification requirements to the second tier of the supply chain, requires those subcontractors that carry out activities of greater relevance and criticality to meet the same requirements demanded of the tender awardee, previously qualified by the Company.

The purpose of Red Eléctrica in this phase is to meet the qualification requests of all companies. In 2018, the Company managed 641 qualification requests. These requests correspond to 316 suppliers [opting for more than one supply per supplier] and affected supplies that require different verifications depending on the impact of the supply on sustainability:

- For those supplies for which unambiguous requirements can be defined, a 'supplier profile' is drawn up, which contains requirements that must be met in full by the supplier as a previous step to the qualification process.



## SUPPLIER QUALIFICATION

In 2018

# 641

QUALIFICATION REQUESTS

were managed



- For all supplies that do have a 'supplier profile' defined, the supplier must have the ISO 9001 quality certification.
- In those cases, in which the supply has an environmental impact, the supplier is required to have the ISO 14001 environmental certification.
- Similarly, for supplies with an impact on occupational health and safety, the supplier must have the OHSAS 18000 certification.

During 2018, Red Eléctrica has created a new space on the corporate website called





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

PRORED which is available to its suppliers and those companies that wish to become suppliers. Access to this space is open to any company and will enable them to do the following in one unique space: be aware of the minimum requirements prior to starting the qualification process, to register their company on the site, to access and manage their related documentation regarding the qualification process, as well as be able to update their contact and business data at any time. This space will improve the agility and transparency of the communication between the supplier and Red Eléctrica, guaranteeing that the supplier is fully aware of the Company's expectations. It will also allow simple tasks to be managed directly by the supplier themselves and will help improve the Company's communication with its suppliers.

### Supplier monitoring and development

Red Eléctrica's commitment in this area is to monitor both the performance of suppliers within the framework of the contracts they have with the Company and the ongoing fulfilment of the requirements demanded from them at the time of qualification.

As part of the due responsibility each area of the Company has regarding the monitoring of the performance of the suppliers who have contracts with them, the Supply Area, in 2018, has carried out the following monitoring tasks, according to type as set out in the following table:



*The new supplier space 'PRORED' is open to any company through the corporate website and allows to know in advance the minimum requirements before the qualification process.*

### Noteworthy monitoring actions

<p><b>Monitoring of the business</b></p> <ul style="list-style-type: none"> <li>Monitoring of the financial solvency of all qualified suppliers and application of mitigation measures to 19 suppliers owing to their weak financial situation.</li> <li>Continuous monitoring of legal aspects such as being up-to-date on payments regarding the Spanish Tax Authority, Social Security, Civil Liability, etc.</li> <li>Completion of the review process regarding the capabilities and resources of suppliers associated to 572 supplies which has enabled the minimum requirements to be established [supplier profiles] that must be fulfilled for 100% of all critical/relevant recurring purchase orders. Furthermore, this process has been extended to less relevant supplies whose purchase is made on a recurring basis.</li> </ul>	<p>of this process, one supplier has been temporarily disqualified and two have been permanently disqualified.</p>
<p><b>Technical monitoring</b></p> <ul style="list-style-type: none"> <li>In collaboration with different areas responsible for the contracts, 83 incidents have been analysed, affecting 63 suppliers related to their performance in the execution of the works. In all cases, an improvement action plan was defined which enabled the incident to be resolved and which helped in the development of the supplier. Nonetheless, as a result</li> </ul>	<p><b>Social responsibility monitoring</b></p> <ul style="list-style-type: none"> <li>In order to verify compliance with the Supplier Code of Conduct, during 2018, Red Eléctrica conducted social audits on 68 suppliers. As a result of the audits, improvements or action plans have been agreed with 47 suppliers, allowing the supplier to raise their standards to meet requirements, and said audits also allow the implementation of the improvements to be verified. The results of these audits and their corresponding findings are shared internally, with special emphasis on the detection of more relevant non-compliances.</li> </ul>
	<p><b>Comprehensive monitoring</b></p> <ul style="list-style-type: none"> <li>In order to obtain a 360° view of a supplier's situation, prior to their participation in a tendering process which has a significant impact on the Company, a comprehensive assessment is carried out (incorporating business, technical and corporate responsibility aspects). In 2018, this monitoring was carried out on 196 suppliers affecting 58 supplies.</li> </ul>





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



The Company has a **Corporate Social Responsibility rating model** to evaluate its suppliers in terms of social responsibility, assigning a rating classification level based on the management that suppliers perform in this area. Depending on the result obtained, suppliers are classified as:

- 'A +' above-average suppliers
- 'A' average suppliers
- 'B' below-average suppliers.



RED ELÉCTRICA

Is working on the definition of a

**ROADMAP**

for reducing emissions in its supply chain

Red Eléctrica carries out periodic campaigns to develop and improve its suppliers as the Company's objective is that those suppliers that have a B rating improve and eventually achieve an A + rating.

On the other hand, as part of the objective to extend its principles of sustainability throughout the supply chain, Red Eléctrica focuses on the areas of occupational health and safety, the environment and respect for human rights. In this regard, the Company **monitors the severity and frequency of accidents of its contractors** and implements measures to ensure the safety of all persons who carry out their activity in Red Eléctrica's facilities, as set out in the 'Workplace safety in the supply chain' section of this report.

With regard to environmental matters, the Company has developed a methodology for the measurement of **emissions associated with the supply chain**, as a key area for the fulfilment of the targets set out in Red Eléctrica's Climate Change Action Plan and continues to work on the definition of a roadmap for the reduction of emissions in its supply chain, as set out in the 'Reduction of the carbon footprint' section in this report.

Lastly, it is worth mentioning that Red Eléctrica encourages innovation in its supply chain, carrying out actions with its suppliers such as the dissemination of the results of innovation projects and the transfer



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

**Red Eléctrica has made a guide available to all of its suppliers to help incorporate sustainable aspects into its business management and has launched a campaign to disseminate this guide to those suppliers that are less mature in terms of sustainability.**



## RED ELÉCTRICA PUBLISHES ON ITS WEBSITE

the information necessary to promote the development of suppliers in terms of sustainability

of the results of these projects to technical specifications of products/services requested by Red Eléctrica. Furthermore, bilateral meetings are held with suppliers to share the innovation needs of the Company and so that they can work on solutions that cover these needs.

### Supplier training

Red Eléctrica has made a **guide** available to all of its suppliers to help them incorporate sustainable aspects in their business management such as:

- The drafting of a supplier code of ethics, which establishes the Group's firm commitment not to permit any corrupt, fraudulent or illicit practices, or any practice contrary to the policies and principles of the Company in terms of social responsibility.

- The drafting of a sustainability policy.
- The promotion of respect for human rights within the company and its supply chain.
- The identification and management of the company's stakeholders.
- The drafting of a periodic sustainability report.

Red Eléctrica has reached out to 64 suppliers, through a campaign that aims to disseminate this guide to those suppliers that are less mature in terms of sustainability.

Additionally, the Company annually monitors the performance of its suppliers in this area in order to verify the degree of improvement of its suppliers and to be able to define new actions (updating the guide itself, training its suppliers, etc.). The aim of this monitoring process is to help the Company raise supplier standards and extend these improvement actions throughout the entire supply chain. This material is published and updated on the corporate website, so that any provider can benefit from its contents.

Red Eléctrica continues to work on other **campaigns aimed at the continuous improvement and development of its suppliers.**



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## *The communication methodology and the Global Communication Manual between Red Eléctrica and the supplier are periodically disseminated throughout the Company.*

### Relationship model with suppliers

Red Eléctrica seeks to improve the service it provides to its suppliers and therefore offers various channels for communication to facilitate this process. Noteworthy among these is the ASA channel (Procurement Support and Helpdesk Service) that manages the enquiries, doubts and claims/grievances of suppliers associated with procurement processes, as well as offering clarification regarding the content of the code of conduct. During 2018, 1,356 enquiries from suppliers were handled, with an average turnaround time for the management of these queries of 0.1 days [this value is significantly lower than the target set which stands at 1 day]. Together with this channel, the Company has the *Dígame* Service and the Whistleblowing channel which is available to any stakeholder.

The Company has a methodology and a **global guide for communication between**



# 1,356

## ENQUIRIES DEALT WITH

Through various communication channels such as ASA, the *Dígame* Service and the whistle-blowing channel



## SATISFACTION LEVEL

# 7.8

## POINTS

Survey conducted on 120 suppliers

**Red Eléctrica and the supplier**, and both are disseminated throughout the Company on a regular basis. This allows the same messages in the same format to be transmitted to the supplier, guaranteeing compliance with the principles of standardisation, equal treatment, proportionality and transparency.

### Supplier satisfaction survey

During 2018, the Company conducted a new supplier satisfaction survey, in order to have an in-depth knowledge of the expectations and perceptions of suppliers regarding Red Eléctrica's purchasing process and, consequently, to define new improvement actions that will enable mutual development.

For yet another year, the result of this survey has been positive, achieving an overall **satisfaction level of 7.8**. A total of 120 suppliers took part, with the survey being conducted in person for the Company's top 20 suppliers.

The suppliers highlight the following as strengths: the procurement management model, the definition of the processes and technology that supports it, the level of confidence and ethics shown in the contractual relationships and the professionalism of the team.

The results of this survey, as well as the improvement action plan and the expected benefits for each of them, have been passed on to all the participating suppliers.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

C	U	S	T	O	M	E	R													
		O	R	I	E	N	T	A	T	I	O	N								







- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

# CUSTOMER ORIENTATION

103-1 / 103-2 / 103-3

*Red Eléctrica applies the criteria of transparency and neutrality in the relationship and management of all customers in the electricity markets.*



IN 2018

578

MARKET AGENTS

took part in the electricity market and in the technical-economic dispatching of the non-peninsular territories

## RED ELÉCTRICA, TRANSPARENCY AND NEUTRALITY IN CUSTOMER MANAGEMENT

### Customer profiles / EU3

The customers of Red Eléctrica are those organisations and companies to whom the services provided by the Group are targeted at and which are grouped into the following broad categories:

- **Regulatory bodies** [Ministry for Ecological Transition (MITECO) and the National Commission on Markets and Competition (CNMC)], responsible for regulating and evaluating the management, and establishing the remuneration of the Company's activity. Also, the General Directorates of Energy of the various Autonomous Communities, in charge of regulation within the scope of their management.
- **Subjects participating in the electricity market and in energy dispatching.** These include all the market participants (578 in December 2018), who participate in organised markets on the Spanish peninsula, or that execute bilateral contracts with the physical delivery of energy and all those individuals/agents that participate in the non-peninsular cost-based unit commitment.
- **Operators of the interconnected electricity systems and of the electricity markets.** These include: operators of the interconnected electricity systems;





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

**Red Eléctrica's System Operator Code of Conduct guarantees transparency, confidentiality, ethics and objectivity in its functions as operator of the electricity system.**

distribution companies, operators of the European energy contracting markets, participants in the coupling processes of the organised markets (OMIE, EPEX and NordPool, among others), providers of system ancillary services; suppliers of the interruptibility demand-side management service; the company (JAO, S.A.) that performs the functions as the European Single Allocation Platform (SAP) for cross-border electricity exchange capacity auctions, and those agents/entities that purchase exchange capacity at said auctions.

- **Other groups.** Requesters of local operation and maintenance services, and those requesting adaptations or changes to the routes of high-voltage electricity lines.

**Transparency, neutrality and independence**

Red Eléctrica has a **System Operator Code of Conduct** which guarantees transparency, confidentiality, ethics and objectivity in its functions as operator of the electricity system.



**OBLIGATION BY THE COMPANY**

to publish information regarding the results and of the markets or processes associated to system operation



And, at the same time, the Company performs its business management under the principles of neutrality, independence and economic efficiency on which it bases its success as manager of the Spanish electricity system.

The Company is obliged to publish information regarding the price of energy in the markets, as well as information on processes associated to system operation, guaranteeing at all times the confidentiality of the data provided by the market agents in accordance with the criteria of information transparency and confidentiality established in the applicable European and national regulations in force. The communication and publication of information takes place through various channels, as can be seen on the following page.



## Basis for the publication of information regarding the results of the markets and processes of system operation

### Legislation

- Regulation [EU] 543/2013 on Transparency.
- Regulation [EU] 1227/2011 on Wholesale Energy Market Integrity and Transparency (REMIT).
- Implementing Regulation [EU] 1348/2014 of the EC, of 17 December, on data reporting.
- Royal Decree 2019/1997, of 26 December, by which the Electricity

- Power Production Market is organised and regulated.
- Royal Decree-Law 6/2000, of 23 June, on Urgent Measures for Intensification of Competition in Goods and Services Markets.
  - Royal Decree 216/2014, of 28 March, which establishes the methodology for calculating the voluntary price for the small consumer of electricity and the legal framework for contracting it.

### Procedure guide for the exchange of data (ENTSO-E)

### Operating procedure N° 9 (P.O.9) 'exchanges of information with the system operator'

approved by the Ministerial Resolution of 18 December 2015.

### Other guidelines

- Regulation [EU] 2017/2195 of the European Commission establishing a guideline on electricity balancing.
- Regulation [EU] 2015/1222 of the European Commission drafting a guideline on capacity allocation and congestion management.
- Regulation [EU] 2017/1485 of the European Commission establishing a guideline on the electricity transmission system operation.

## Information platforms

### e-sios

Platform to ensure compliance with the legal requirements for communication and publication of information. There is a web for market subjects, accessible through a digital certificate <http://sujetos.esios.ree.es> and a public website <https://www.esios.ree.es>. The public website also allows temporary analysis of the services managed by the system operator.

### ENTSO-E Transparency web

Since January 2015, Red Eléctrica has sent 100% of the data on electricity markets to the ENTSO-E transparency platform [www.transparencia.entsoe.eu](http://www.transparencia.entsoe.eu), in accordance with the Transparency Regulation.

### IESOE Web

Red Eléctrica manages this regional information platform [www.iesoe.eu](http://www.iesoe.eu), where the operators of the French, Portuguese, Moroccan and Spanish electricity systems publish, in a centralised way, the capacity and usage data of the electricity interconnections between these countries.

### SmartViu App

Application for mobile devices that shows in real time the status of the Spanish Peninsula Electricity System through the monitoring of a series of relevant indicators on System Operation.

## Other channels of communication

### Voluntary price for the small consumer (PVPC)

Since 2014, Red Eléctrica has included among its publications the information related to the PVPC, in compliance with the provisions of Royal Decree 216/2014.

### CTSOSEI

In this committee, organised bimonthly by Red Eléctrica, market subjects and regulatory bodies are provided with information on the operation of the electricity systems of the Iberian Peninsula and information on the ancillary services markets for electricity systems in Spain and Portugal, and energy exchanges through the interconnections between the Iberian electricity systems.

### Reporting to ACER

In application of the Commission Implementing Regulation [EU] 1348/2014 of the EC, since April 2016 Red Eléctrica is reporting to ACER (Agency for the Cooperation of Energy Regulators) the results of the explicit capacity auctions and the programme's in-use nominations of the capacities reported by the participants in said auctions.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

**Red Eléctrica has various platforms and communication channels for the publication of information regarding the results of the energy markets and system operating processes.**



In 2015, the Company strengthened its commitment to transparency in order to fully implement the European Internal Energy Market by completely renovating the structure and contents of the **e-sios public website**, to present data in a clearer, more modern and more educational manner, coinciding with the commissioning of the ENTSO-E Transparency Platform. Three years after its implementation, Red

Eléctrica has decided to launch a new process to identify possible improvements to this website, focusing particularly on the publication of information regarding the availability and use of the exchange capacity with neighbouring interconnected electricity systems.

In relation to the **ENTSO-E Transparency Platform**, TSO members have recently



## E-SIOS PUBLIC WEBSITE

Updated in 2015 with a more modern, clear and instructional format



## ENTSO-E

IN 2019,

changes will be implemented to incorporate the new information that has to be published in accordance with the provisions of the European Guidelines

signed a Memorandum of Understanding with the commitment to implement best practices to ensure the highest quality of all data published on said information platform. In 2019, the necessary changes will also be applied to incorporate the new information that has to be published in accordance with the provisions of the European Electricity Balancing Guidelines and System Operation.

In relation to ENTSO-E, a project has also been initiated within the framework of the Single Intra Day Coupling markets for the publication every 15 minutes of the value of the capacity offered in the intraday market in all European electricity interconnections.

Additionally, Red Eléctrica participates in, and spearheads working and/or steering groups that aim to increase communication and transparency, such as the Incident Analysis Group (GRAI), the Technical Committee for Monitoring the Operation of the Iberian Electricity System (CTSSEI) and the Market Agents Committee, among others.

Lastly, in 2018, external evaluations of the processes and results associated with the system operation activity under the SSAE-18 standard (Standards for Attestation Engagements), corresponding to the 2016 and 2017 periods, were conducted. In all cases, the evaluators



## IN 2018 EXTERNAL EVALUATIONS

were conducted regarding the processes and results associated with the system operation activity under the SSAE-18 standard

concluded that Red Eléctrica maintains, in general terms, an effective internal control system over these processes for the different geographical areas under analysis (Spanish peninsula, Balearic Islands, Canary Islands, Ceuta and Melilla).

### Management of incidents and grievances

Red Eléctrica manages the grievances associated with the impact of its activities and the services it offers, through the application of clearly defined and precise criteria, to ensure that the management of the grievances is carried out under criteria of **transparency, complete objectivity and non-discrimination**.

To this end, the e-sios website for market agents contains a 'Grievances' section, which allows the online processing of grievances regarding the system ancillary services markets and the international

### Key indicators

	2016	2017	2018
Number of applicable grievances related to ancillary services markets and the international energy exchange schedule	0	2	1
Applicable grievances per TWh of energy managed in the ancillary services markets	0	0.10	0.05
Percentage of grievances resolved (%)	-	100	100



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

**The customer satisfaction survey conducted in 2018 obtained an overall average score of 8.7 out of 10.**

energy exchange schedule managed by the system operator. In addition, market agents can consult the status of their grievances and obtain information on how they are being dealt with.

Red Eléctrica also publishes, on this website, periodic reports on incidents identified, the handling of the grievances received, and the solutions adopted.

**Satisfaction indicators of customers and market agents [0-10]**

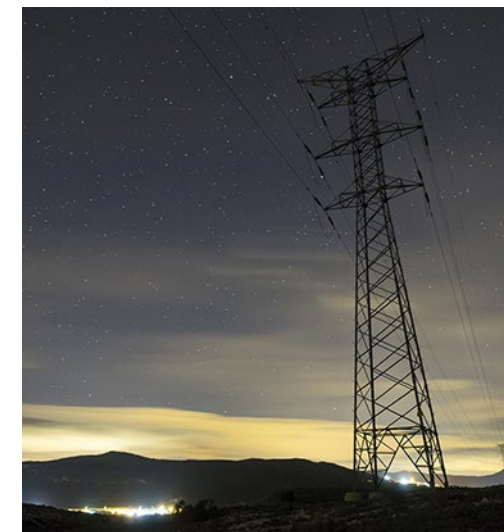
	2014	2016	2018
Overall satisfaction level	8.1	8.3	8.7
Level of satisfaction of quality factors	7.9	8.0	8.3
Level of satisfaction of services provided	7.7	8.1	8.2
Customer attention	7.7	7.9	8.0
Evaluation of improvement actions undertaken as a result of the previous satisfaction survey	6.6	7.1	7.4



**2019 - 2020**

**IMPROVEMENT PLAN**

Based on the satisfaction study aimed at customers and business agents



**Satisfaction surveys of customers and business agents**

Red Eléctrica carries out satisfaction surveys every two years, focused on its customers and business agents. The latest one conducted in 2018 provided an overall average rating of 8.7 out of 10. Based on these results and on the analysis of the requirements and expectations gathered, the 2019-2020 Improvement Plan will be drawn up. The Plan, as well as the final results obtained, are notified to customers and business agents who took part in the survey.

In parallel with the survey, a process to compile the external customer database was carried out in which all the units who have a relationship with them were involved.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## REINTEL - SOLUTIONS FOR CUSTOMERS WITHIN A FLEXIBLE AND CREATIVE ENVIRONMENT

The experience of the Red Eléctrica Group in the telecommunications market began in 1997, the date of the liberalisation of the sector in Spain. As of that date, the priority of REINTEL has always been operational excellence in order to guarantee high levels of service quality and availability for customers, consolidating itself as a benchmark provider for the main agents in the sector. Currently, REINTEL has a solid customer base that includes the **main telecommunications operators** with a presence in Spain.

Through its offer to provide dark optical fibre solutions, REINTEL provides its customers with tailored solutions and works closely with them in their growth and development process, based on the following key factors:

- Building long-term relationships.
- Guaranteeing transparent and neutral access to infrastructure.
- Prioritising excellence in operations and in preventive and corrective maintenance processes of infrastructure.
- Integrating best practices in the management and operation of infrastructure to offer a reliable and quality service to its customers.



Permanent help desk and supervision centre of

## REINTEL CONTROLS THE NETWORK

and deals with any incidents of the customers 24/7



Furthermore, REINTEL has its **own permanent help desk and supervision centre [24/7]** that controls and monitors the state of the fibre optic network and deals with any incidents and also handles the customer's scheduled work, in order to offer a reliable service of the highest quality.

It should be noted that in 2018, REINTEL has completed the execution of its **interconnection plan** for electricity and railway fibre optic networks, and the connection of its network with the main neutral points to offer new solutions and redundancy systems to its customers and agents of the telecommunications sector.



-  ABOUT THIS REPORT
-  LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER
-  KEY PERFORMANCE INDICATORS
-  01 THE RED ELECTRICA GROUP
-  02 STRATEGY
-  03 COMMITMENT TO SUSTAINABILITY
-  04 ANTICIPATING CHANGE AND TAKING ACTION
-  05 DECARBONISATION OF THE ECONOMY
-  06 RESPONSIBLE VALUE CHAIN
-  07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT
-  ANNEXES

# 7

## C O N T R I B U T I O N

### T O S O C I A L

### E C O N O M I C A N D

### E N V I R O N M E N T A L

### D E V E L O P M E N T



**We gear our environmental commitment towards the creation of shared value with society by involving communities in the carrying out of our activities in order to generate mutual benefit.**



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

C	O	N	T	R	I	B	U	T	I	O	N	
	T	O	/	S	O	C	I	A	L			
E	C	O	N	O	M	I	C					
					A	N	D					
E	N	V	I	R	O	N	M	E	N	T	A	L
	D	E	V	E	L	O	P	M	E	N	T	

Companies are aware that their long-term sustainability depends on providing a service that contributes value which is perceived by society in general. Therefore, it is necessary to generate a positive impact on the socio-economic environment, whereby the social footprint is one of the key drivers of a company's corporate management.

In this regard, the Red Eléctrica Group takes on the following commitment as a priority: **Contribute to the social, economic, and environmental development of society, through the provision of a critical service in a safe and efficient manner. The preceeding is achieved by promoting environmental conservation, the quality of life and social well-being of people and involving the community in the execution of our activities, with the goal of generating mutual benefit which is perceived by society in general.**

<p>CONTRIBUTION OF THE ACTIVITY</p>		<p>SOCIO-ECONOMIC DEVELOPMENT OF THE TERRITORY</p>	
	<p>CONSERVATION OF NATURAL CAPITAL</p>		
		<p>RELATIONSHIP WITH THE SOCIO-ECONOMIC ENVIRONMENT</p>	





- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES





- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

# CONTRIBUTION OF OUR ACTIVITY

*The Company's investment effort has a stimulating effect on the country's economic activity.*



## CREATION OF SHARED VALUE

The investments are geared towards the creation of

## SHARED VALUE

in the territories in which the Company's assets are located

Red Eléctrica focuses its socio-economic and environmental commitment towards the creation of shared value, promoting actions and investment aligned with its business objectives, which in turn generate shared value, have a positive impact on the quality of life of those citizens in locations where the Company's facilities are located. In turn, this represents a contribution of the Company to the achievement of various challenges such as those related to the United Nations' Sustainable Development Goals or those addressed in the European 2030 Energy Strategy.

## ECONOMIC AND SOCIAL CONTRIBUTION OF INVESTMENTS

The level of investment made by Red Eléctrica paves the way for the continuity and security of the electricity supply to be maintained with a high level of quality. This investment has a beneficial impact on society, given that it has a **revitalising effect on the country's economic activity.**

The investment made by Red Eléctrica encourages production, generating an increase in wealth (measured through GDP) and as a consequence, promotes employment and additionally provides the public administrations with more income that can be dedicated to improvements in the general well-being of society. All this takes into account not only the direct investment made but also the increased activity that



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

occurs as a result of the circular flows that originate in any economic activity.

Since 2017, Red Eléctrica has adopted a methodology based on the implicit activity multipliers obtained in the **Input-Output Tables**, which enables the level of overall activity that is generated from an initial investment to be estimated. The calculations are made taking into account the direct, indirect and induced impact.

### Impacts of the investments

#### Direct impact

Estimation and valuation of the supply and production chain and the creation of employment and incomes that are generated in the national economic system stemming from an initial investment.

#### Indirect impact

Generation of income and new employment derived from the fact that, in order to execute the investments, the direct awardees need to acquire other goods and services from the rest of the supply and production chain (intermediate consumption). This then generates demand for other goods and services further down the chain.

#### Induced impact

Impact derived from all the income generated in the previous stages. This effect includes both the impact of final consumption derived from all the income generated, as well as the tax collected by all public administrations when applying the various taxes to the total of the activity and the income generated.

In 2018, Red Eléctrica made a total investment in the transmission grid of 378 million euros, of which it is estimated that 103 million euros were dedicated to importing the goods necessary to carry out the activity. The rest, around 276 million euros, corresponds to direct investment in Spain.

The investment made in Spain has generated production in the sectors of activity involved of 564 million euros, which represents more than twice the direct investment made in our country (276 million euros). This has meant a contribution to the country's GDP of 228 million euros (representing around 11.7% of the revenue of the Red Eléctrica Group in 2018), which has led to the generation activity for an equivalent of 4,146 job positions. Therefore, as a whole, this would have generated an income for the treasury of 89 million euros.

### Total impact of the investment in the transmission grid

	Direct	Indirect	Induced	Total
Production (M€)	276	262	26	564
Income - GDP (M€)	110	110	9	228
Employment (number of jobs)	1,892	1,982	272	4,146
Tax revenue (M€)	43	42	4	89

Note: The mismatch in one of the cases between the total figures and the sum of the partial data is due to the rounding up or down of decimal places.



378

M€

TOTAL INVESTMENT

in the transmission grid in 2018



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

Red Eléctrica is applying this same measurement methodology to other specific investment projects, thus obtaining the socio-economic contribution in both the region and the country in terms of increased wealth, measured through GDP, increased production, promotion of employment and income for public administrations.

Similarly, during 2018, the Company has extended this methodology, so that the socio-economic contribution of the investment of the Red Eléctrica Group can be calculated in the rest of the countries in which it operates.

### TAX CONTRIBUTION AND TRANSPARENCY

#### Tax strategy

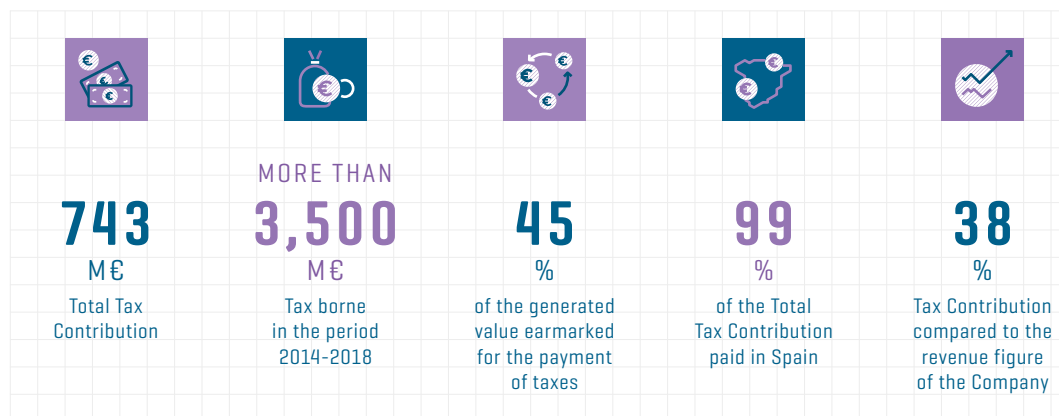
The Tax Strategy of the Red Eléctrica Group, approved by the Board of Directors, is based on three core values: transparency, good governance and accountability.

The tax strategy vision of the Red Eléctrica Group is to manage tax matters in a proactive, transparent and responsible manner with all stakeholders, in order to comply with tax legislation and minimise reputational risk, making it compatible with the protection of shareholder value.



*Since 2014, Red Eléctrica voluntarily publishes its Total Tax Contribution, highlighting the relevant economic and social function derived from the Group's tax contribution.*

#### Key data in 2018







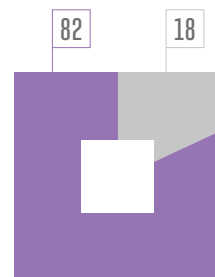
**743 million euros in Total Tax Contribution: 250 million euros in taxes borne and 493 million euros in taxes collected.**

### Total Tax Contribution

In order to calculate its Total Tax Contribution, Red Eléctrica has followed the Total Tax Contribution (TTC) methodology of PwC, whose characteristics are:

- Measures the **impact** of tax payments on companies.
- Considers the **total amount of all taxes borne** (which represent an effective cost for the company) and **collected** (which are paid by other taxpayers for the economic activity generated), at any level of the Public Administration.
- Includes **all tax payments** made to Public Administrations.
- Adapts to any tax regime in the world and its use is easy even for people who do not have tax knowledge.

### Corporate Income Tax %

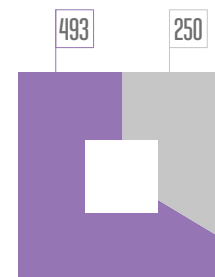


**82**  
%  
OF  
TAXES  
BORNE (1)

### Taxes borne

Tax on profits, mainly Corporate Income Tax (1) represents 82% of total taxes borne that have been paid to the various tax authorities, mostly to the Spanish tax authority.

### Total Tax Contribution €

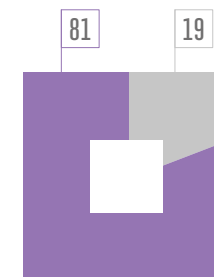


**743**  
MILLION  
EUROS  
493 COLLECTED (66%)  
250 BORNE (34%)

### Total tax contribution 2018

Contribution during 2018 amounted to 743 million euros, 250 million euros corresponding to taxes borne and 493 million euros to taxes collected.

### Value Added Tax %



**81**  
%  
OF  
TAXES  
COLLECTED (2)

### Taxes collected

Of the total taxes collected during 2018, the taxes on goods and services are noteworthy, fundamentally Value Added Tax (2) which accounts for 81% of the total.

### Reconciliation of the effective tax rate of Corporate Tax

The effective tax rate of Corporate Tax in 2018 is 24.75%. The reconciliation between the current tax rate in Spain and the effective rate applicable to the Group can be found in the Group's Consolidated Annual Accounts (Note 20. Tax situation).

EFFECTIVE  
TAX RATE  
[CORPORATE  
TAX]  
**24.75**  
%

[1] The Consolidated Annual Accounts set out and explain the tax situation: effective tax rate 24.75%, accounting deductions, etc.

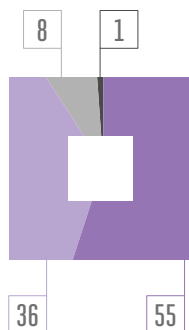
[2] Understood as those indirect taxes equivalent to the Spanish VAT that are levied on consumption.



### Total tax contribution by tax category

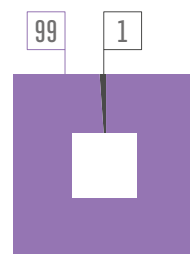
The Total Tax Contribution of the Red Eléctrica Group (743 m€) is distributed according to the following tax categories: taxes on profits (36%), taxes on goods and services (55%), taxes associated with employment (8%) and other taxes (1%).

### Total tax contribution by tax category %



- 36 TAXES ON PROFITS
- 55 TAXES ON GOODS AND SERVICES
- 8 TAXES ASSOCIATED WITH EMPLOYMENT
- 1 OTHER TAXES

### Geographical distribution of the Total Tax Contribution %



- 99 SPAIN
- 1 OTHER

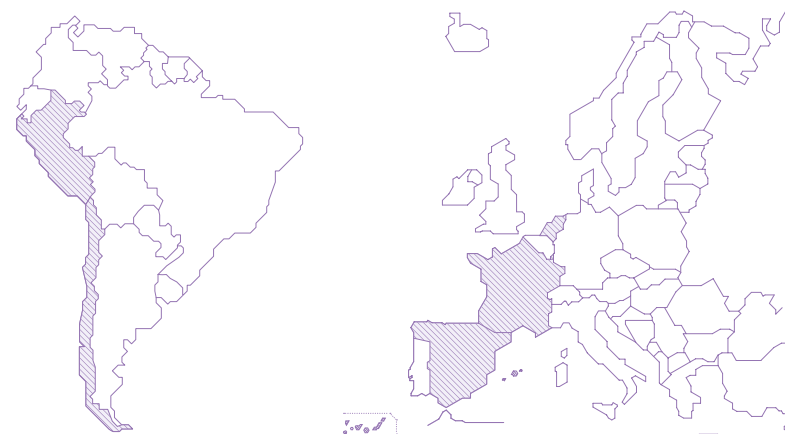
# 99%

## SPAIN

The revenue of the Red Eléctrica Group is mainly in Spain (99%)

**The Total Tax Contribution of the Red Eléctrica Group to public administrations in all the countries in which it operates amounted to 743 million euros in 2018, with Spain being the legal tax authority with the highest tax contribution (99%).**

### Geographic distribution



### Total tax contribution 2018

| million € |

	Spain (*)	Peru	Chile	Total
Tax borne	246	3	1	250
Corporate tax	202	3	1	206
Other taxes	44	-	-	44
Tax collected	490	3	-	493
VAT	398	2	-	400
Other taxes	92	1	-	93
Tax contribution	736	6	1	743

(\*) Includes EU Countries.



**Of every 100 euros of value generated by the Red Eléctrica Group in 2018, 45 euros were earmarked to pay taxes.**

### Weight of taxes on value distributed

Applying the Total Tax Contribution (TTC) methodology, the value distributed by the Red Eléctrica Group in 2018 stood at 1,659 million euros, a figure which is composed of the sum of the following elements:

- Profit after taxes or shareholder value (705 million euros).
- Taxes (743 million euros): borne (250 million euros) and collected (493 million euros).
- Net interest (133 million euros).
- Salaries and wages after taxes collected (78 million euros).

### Tax contribution compared to revenues

The comparison between Total Tax Contribution and total revenues is an indicator that shows the amount of the

### Distributed value %

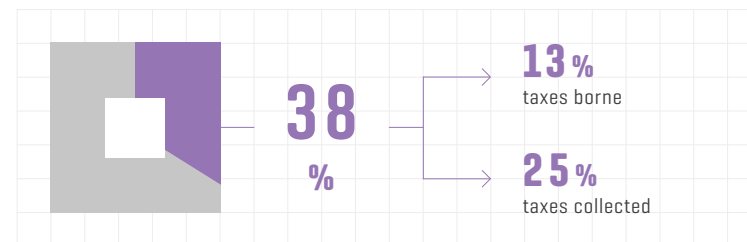


- 42 SHAREHOLDERS
- 45 TAX AUTHORITY
- 8 NET INTEREST
- 5 SALARIES AND WAGES



contribution made by Red Eléctrica in relation to the size of its business.

The ratio of Total Tax Contribution to Red Eléctrica's revenue is 38%, of which 13% corresponds to taxes borne and 25% to taxes collected.





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

### Tax responsibility

The Red Eléctrica Group undertakes a tax responsibility commitment above and beyond mere **compliance with tax legislation** and tax obligations in the countries in which it operates.

### Tax commitments and best practices

- The Red Eléctrica Group is committed to complying with the provisions of the 'OECD Guidelines for multinational companies' in tax matters. In terms of transfer pricing, the Red Eléctrica Group acts in accordance with the arm's length principle.
- The tax behaviour of the Red Eléctrica Group is coherent with the **BEPS (Base Erosion and Profit Shifting)** principles and actions, as it has not carried out transactions, acts or events that could lead to double deduction of expenses, double tax benefit utilisation, double -loss utilisation, double non-taxation, nor has it used hybrid instruments or entities.
- Adhesion since 2015 of the Red Eléctrica Group to the Code of Good Tax Practices] adopted by the Spanish Tax Administration Agency (AEAT), which is aligned with the principles and guidelines on tax matters established in the Group's Tax Strategy.
- Within the framework of strengthening best tax practices, in 2017 and 2018, the Red Eléctrica Group voluntarily submitted its Tax Transparency Report to the AEAT corresponding to 2016 and 2017, respectively.
- Presentation in Spain of the Country by Country Reporting tax statement.
- Approval by the Audit Committee of the tax policies applied in the annual corporate tax statement for 2017 prior to the annual presentation of the tax report.
- Approval by the Audit Committee of the tax policies applied in the closing of the 2018 tax year.

### Control mechanisms

- Red Eléctrica has a **Comprehensive Risk Management System** that includes any relevant tax risks for the Group. The aspects regarding the **Control and Management Policy of Tax Risks** of the Red Eléctrica Group, approved by the Board of Directors, which are integrated into the **Comprehensive Risk Management Policy**, establish the specific guidelines for action for the management of said risks.
- The Group also has a specific **Internal Control Over Financial Reporting (ICFR)**, which includes tax data and processes, as well as the controls associated to them, based on the COSO (Committee of Sponsoring Organizations of the Treadway Commission) methodology. These processes and systems are systematically subject to internal and external audits.
- The Red Eléctrica Group has various mechanisms in place to prevent illicit operations, money laundering and asset stripping. These include the **Code of Ethics**, the **Supplier Code of Conduct**, the **Crime Risk Prevention Programme** and the **Guide for the Prevention of Corruption: zero tolerance**, which are available to Red Eléctrica Group employees, its suppliers and the various stakeholder groups through the corporate website. Similarly, the Red Eléctrica Group carries out awareness and training activities in an ongoing manner to help all stakeholders become more familiar with the aforementioned documents.

### Tax Havens

- The Code of Ethics and the Tax Strategy of the Red Eléctrica Group includes the commitment not to create companies in order to evade taxes in territories considered tax havens. In this regard, the Red Eléctrica Group does not have a presence or develops any activity in those territories considered as tax havens in accordance with current regulations:
- Spanish legislation set out in Royal Decree 1080/91 of 5 July, subsequently amended by Royal Decree 116/2003, of 31 January.
- European list of tax authorities that do not have bilateral tax treaties approved by ECOFIN (Economic and Financial Affairs Council) at its meeting on 5 December 2017.
- List of tax havens drafted by the OECD that do not have bilateral tax treaties.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



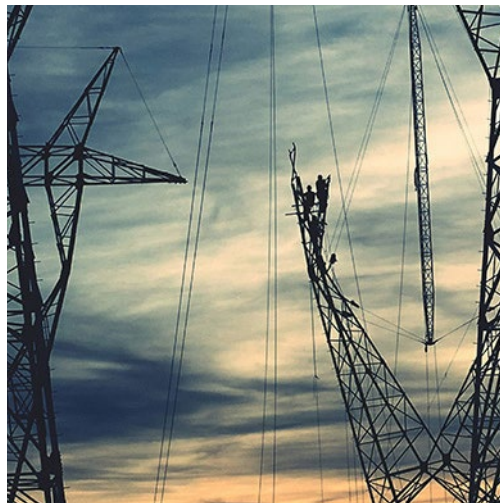
06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



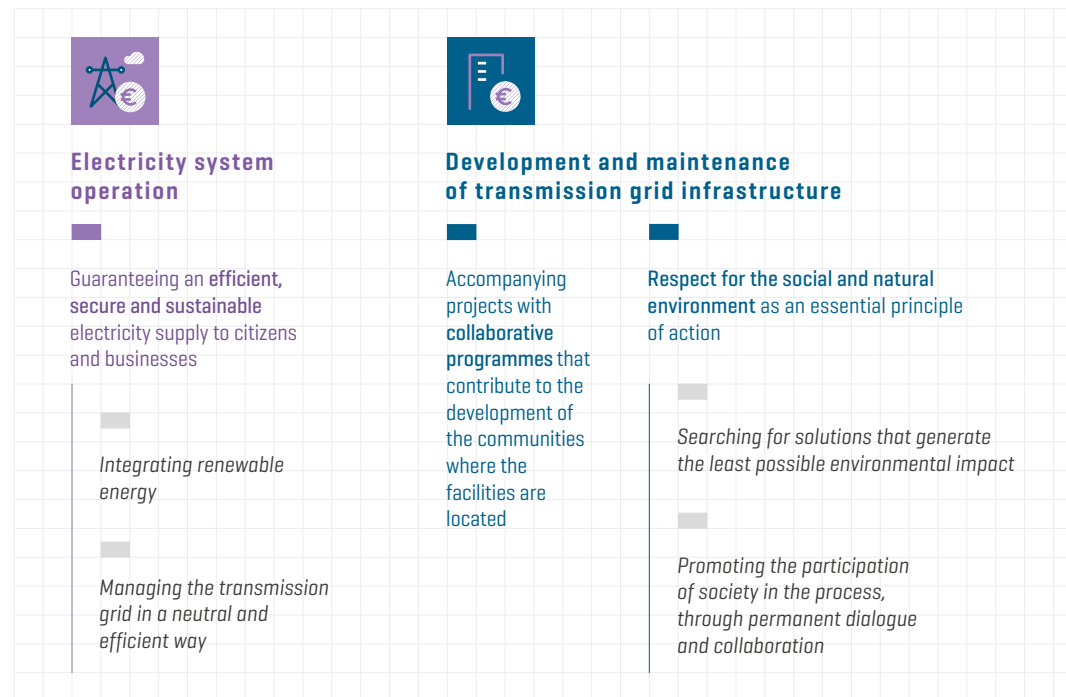
*The construction of new electricity transmission grid infrastructure is accompanied by a collaborative programme that reflects the Company's social commitment and contributes to the development of the communities in which its facilities are located.*

### CREATING SHARED VALUE THROUGHOUT THE LIFE CYCLE OF THE INFRASTRUCTURE

Similarly, Red Eléctrica accompanies its projects for new electricity transmission grid facilities in the territory with collaboration programmes that reflect its social commitment and pursue the

objective of contributing to the development of the communities in which its facilities are present. This enables issues, needs and opportunities to be identified in each territory to subsequently work in a collaborative and participatory way with the various social actors, reaching innovative and more effective solutions.

### CREATING SHARED VALUE THROUGHOUT THE LIFE CYCLE OF THE INFRASTRUCTURE







ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES







- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

# SOCIO-ECONOMIC DEVELOPMENT OF THE TERRITORY

*Red Eléctrica understands social innovation as an open and collaborative model to respond to the needs of society.*



## CORNER-STONES OF RED ELÉCTRICA'S CONTRIBUTION TO SOCIETY

- Local development
- Education
- Culture
- Heritage

The Red Eléctrica Group business model is geared towards the **creation of sustainable value** in the territories in which it is present and with which it maintains constant communication in order to identify its needs and, as a consequence, be a participant in the improvement in the quality of life of citizens.

Red Eléctrica's contribution to society is materialised through the set of projects and actions carried out by the Company in response to the sustainable development of the territory, according to a series of general courses of action that maintain and improve the level of its population, and raise the degree of well-being of its citizens, such as: **local socio-economic development and education, culture and heritage.**

### SOCIAL INNOVATION

The Red Eléctrica Group understands **social innovation** as an open and collaborative model with external actors, with the intention of responding to the needs and challenges of society through innovative and more effective solutions.

This model enables the needs and opportunities of each territory to be identified, taking into consideration the interests of society to establish firm and permanent relationships, and work in a collaborative and participatory manner with the various social actors.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

Red Eléctrica takes into account and promotes new innovative solutions which social entrepreneurs put forth in order to address the imbalance in their communities, which enables a new approach to social innovation to be designed that combines efforts through the power of co-creation and the impact on society as a whole.

An essential factor for the success of any entrepreneurial initiative and social innovation is the existence of an adequate community ecosystem. Only then, once we have managed to connect with the community through active listening, will it be possible to define a common goal that harmonises social objectives with the needs of the community.

In this regard, the Company promotes and collaborates on agreements and alliances with other entities and maintains contact with the various public administrations and social agents that enhance the values of the local community.

The Red Eléctrica Group promotes the development of sustainable, transformative, scalable and replicable projects, with the aim of developing long-term positive social impact initiatives, which are made known through the most appropriate communication channels, in order to share progress in this field with society.



***Lecrinnova is a pioneering social innovation project that stems from the social and environmental commitment that the Company undertakes in the territories in which its facilities are located and from its commitment to the creation of shared value for society.***

### Lecrinnova, a pioneering social innovation project for socio-economic development in Granada

As part of its commitment to social innovation, Red Eléctrica has launched Lecrinnova, in the Lecrín Valley (Granada), a pioneering project of social change that stems from the Company's social and environmental commitment to the areas in which it operates and in which its facilities are located through the creation of shared value with society. The scope of the project covers the eight municipalities of the Valle de Lecrín region: Albuñuelas, Dúrcal, El Padul, El Pinar, El Valle,

Villamena, Lecrín and Nigüelas, where some 22,500 people reside.

The aim of the Lecrinnova project is to implement new innovative solutions in these territories, identifying environmental, social and economic needs and opportunities for local development, and establishing collaborative working methods, which take advantage of the resources offered by the territory to provide the population with competitive and innovative projects.

Conceived as a comprehensive programme of public-private collaboration, in 2018, the Company has begun its implementation through three courses of action:

- Training for young unemployed women.
- Support for entrepreneurs.
- Design of new food products.

These three initiatives aim to help make the Valle de Lecrín an attractive place to live, reversing the depopulation process,

retaining its youth and local talent, and even encouraging the arrival of new residents to the area.

The Lecrinnova project will be valid until December 2020, although the ultimate goal is that, once Red Eléctrica's participation has concluded, it will be the municipalities and local entities that take over and continue to promote this territory both economically and socially.

*With the aim of developing long-term positive social impact initiatives, the Red Eléctrica Group promotes the development of sustainable, transformative, scalable and replicable projects.*

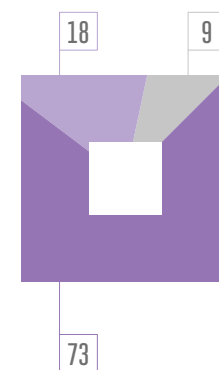
### INVESTMENT IN THE COMMUNITY

Within the framework of the business development strategy, Red Eléctrica considers and promotes social action as an essential element of its Corporate Responsibility Policy, which is carried out through actions defined in collaboration with various institutions and public and private entities to respond to the demands for cooperation raised by stakeholders.

In 2018, the Company contributed 7,006,383 euros (1.1% of its net profit) to the development or promotion of social initiatives; an amount obtained by applying the methodology of the LBG (London Benchmarking Group).

## Contribution 2018

Type of contribution %



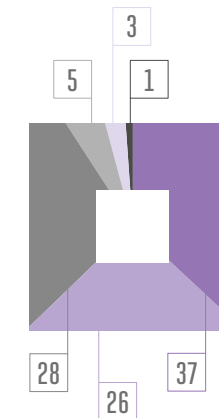
73 MONETARY  
18 TIME  
9 MANAGEMENT COSTS

Reasons for action %



5 ONE-OFF CONTRIBUTION  
22 SOCIAL INVESTMENT  
73 INITIATIVE ALIGNED WITH THE BUSINESS

Area of action %



37 SOCIO-ECONOMIC DEVELOPMENT  
26 EDUCATION  
28 ENVIRONMENT  
5 SOCIAL WELL-BEING  
3 ART AND CULTURE  
1 OTHER

## CONTRIBUTION OF THE COMPANY TO SOCIAL INITIATIVES

7 M€

In 2018

## CORPORATE VOLUNTEERING

The Healthy Workplace Model of the Red Eléctrica Group includes the promotion of the well-being of people through actions that in turn represent the well-being

of those areas of society in most need, seeking to extend its commitment not only to its working environment but also to the community.

In this regard, the **Corporate Volunteering Model of the Red Eléctrica Group**, approved in 2017, extends the Company's social action, promoting and enhancing collaboration in solidarity activities that

## Main corporate volunteering actions 2018



### Mentoring programme

Collaboration in the CAMPVS mentoring programme of the A LA PAR Foundation in which the volunteers from the Company act as mentors for students with intellectual disabilities to help them better integrate into the working world.



### 'Companies' Solidarity Day' (DSE)

Participation in this corporate volunteering day organised by Cooperación Internacional, in which volunteers from the Company accompanied people from various vulnerable groups such as the homeless, those with disabilities or the elderly, and engaged in leisure activities with children at risk of social exclusion. These actions were carried out in six cities across Spain.



### Employment School

Participation in the ADECCO Foundation's Employment School programme that seeks to improve the employability and professional inclusion of high-potential people with disabilities.



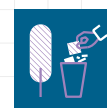
### Coach Project

Coaching a group of youngsters, included in the Exit Foundation project, who are at risk of failing secondary education. The project aims to raise their awareness and interest in the world of business.



### Action Against Hunger 'Challenge'

Participation in the Action Against Hunger 'Challenge' 2018 that aims to combat child malnutrition and eradicate hunger.



### Libera Project

Cleaning up natural environments that have been affected by littering. Organised by SEO Birdlife and Ecoembes.



### 'A Smile for Christmas' Campaign

Collaboration in the Cooperación Internacional solidarity campaign for the collection of toys, which aims to give a gift to children in situations of poverty and vulnerability.



### Red Natura 2000

Celebration of the Natura 2000 Network European Day in a natural area located in this environment with activities for the planting of trees and improving signage providing information regarding the natural space concerned.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

**The social action of the Red Eléctrica Group is deployed through the Corporate Volunteering Model approved in 2017, promoting and enhancing collaboration in solidarity activities that respond to social needs.**

respond to needs, problems and social interests that are defined in its primary courses of action.

The Corporate Volunteering Model has a strategic and transformational approach, so that the actions deployed aim, on the one hand, to channel internal talent to the corporate volunteering service and, on the other, to provide innovative solutions to social and environmental problems. In this regard, the actions carried out in 2018 have contributed primarily to improve the quality of life of groups at risk of social exclusion, promote employability and meet the specific and real demands of society.

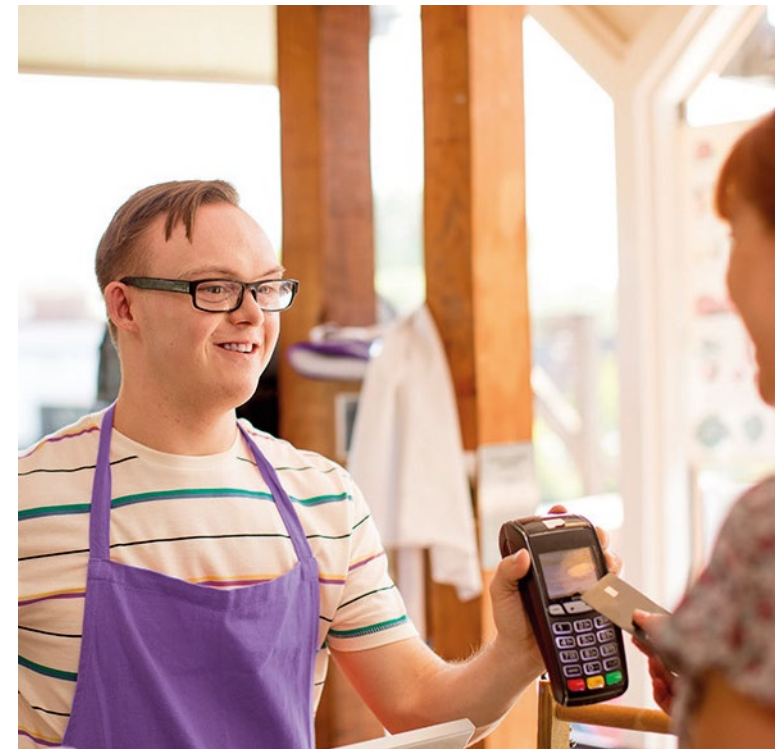


**CORPORATIVE VOLUNTEERING ACTIONS 2018**

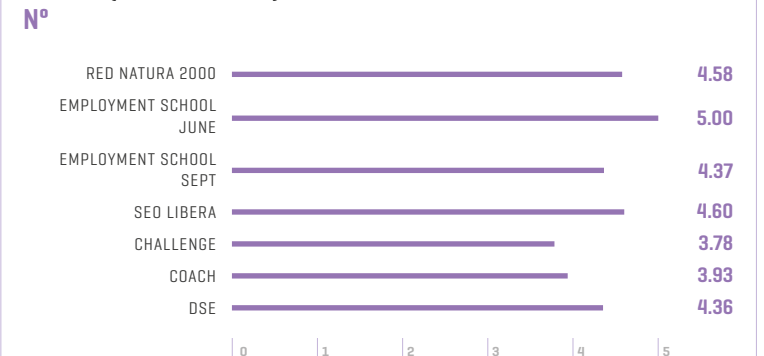
Improve the quality of life of groups at risk of social exclusion

Promote employability

Address the demands of society



**Satisfaction rate regarding corporate volunteering actions (marks out of 5)**





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



SUPPORT FOR TRAINING

926 STUDENTS

enrolled in master's or specialisation courses have made 38 visits to our facilities



### DISSEMINATION OF KNOWLEDGE

Within the scope of knowledge dissemination, Red Eléctrica plays an active role in disseminating knowledge and raising awareness on how the **electricity system works** as a whole, as the Company is aware that a more informed society has a greater capacity to develop and maintain a sustainable energy model that effectively meets the energy needs of citizens.

Red Eléctrica also pays special attention to higher education and training in the area of energy and the environment.

During 2018, noteworthy was its support for the training of 926 students of master's or specialisation courses, from schools and universities, through the organisation of 38 visits to Company facilities. Similarly, noteworthy are the 20 collaboration agreements signed with universities and training entities, and cooperating in conferences and lectures at universities, in which Red Eléctrica participates in disseminating information on aspects related to the management of grids and electricity systems.





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## 'A highway behind the wall socket'

The objective of this travelling exhibition is to explain the electricity supply process, from generation to consumption, showcasing the activities of Red Eléctrica as transmission agent and operator of the Spanish electricity system, in addition to making citizens aware of the need to consume electricity in an efficient and responsible manner. Also, at the same time, the exhibition serves as a communication vehicle to improve citizens' understanding of the need to develop electricity infrastructure, thus facilitating its implementation in the territory.

In June 2018, the exhibition was moved to the Ría de Bilbao Maritime Museum, where it received more than 20,000 visitors. This exhibition, which began its journey in 2010, has travelled to ten Spanish cities accumulating a total amount of more than 1,000,000 visits.

*The travelling exhibition 'A highway behind the wall socket' began its journey in 2010. Since then it has travelled to 10 Spanish cities accumulating a total amount of over 1,000,000 visits.*



On the other hand, 139 visits were organised during 2018 to the electricity control centres CECOEL and CECRE, 13 to the control centres on the islands, and 25 to various transmission grid facilities nationwide. In total, 2,180 people visited the Company's facilities and control centres.

## REE in the classroom

Red Eléctrica continued in 2018 with its educational programme aimed at children, to show them how electricity arrives to their homes and instil in them the concept of responsible consumption. The objective is that, through knowledge, children contribute with their actions to the achievement of a sustainable energy model.

The educational activities revolve around 'entreREDes', a digital educational application based on answering questions which allows the students to take a virtual tour of Spain travelling along the main electricity lines and through substations. The sessions are completed with talks

from Red Eléctrica experts, who explain in an engaging manner the characteristics, needs and challenges of the electricity system, as well as renewable energies and smart grids and the need for a rational use of energy.

Since 2016, the Company has organised, in collaboration with local educational entities, 29 training activities in which more than 15,600 school children from all over Spain have participated. The satisfaction generated by these conferences is reflected in the results of the surveys: 84% liked the game a lot and 83% considered it useful for learning and reviewing the school curriculum.

# 15,600

## SCHOOL STUDENTS

have participated in the training activities that the Company has been organising since 2016





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

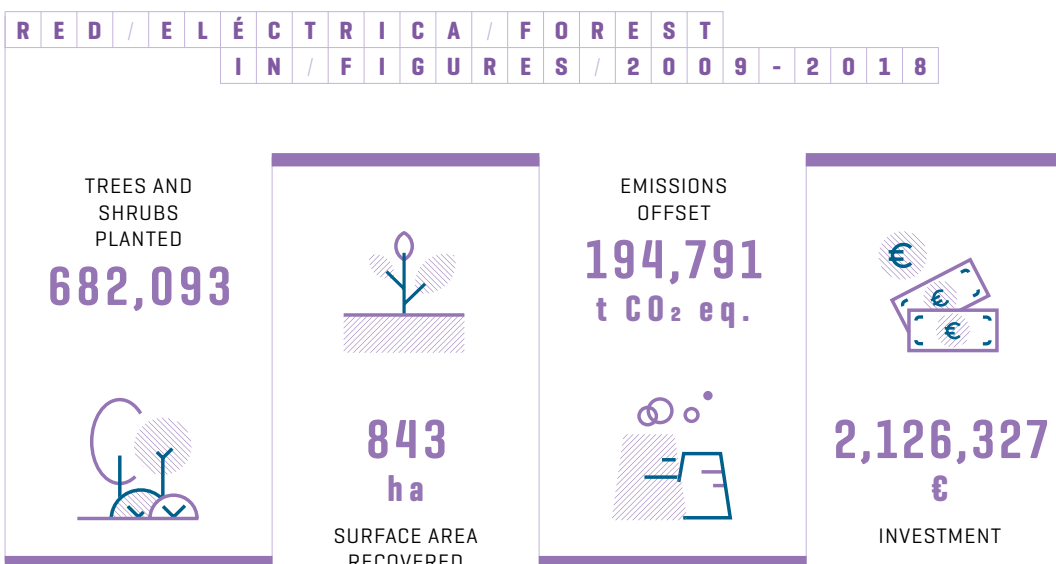
# CONSERVATION OF NATURAL CAPITAL

One of the challenges undertaken by Red Eléctrica, in keeping with its biodiversity commitment, is to promote the conservation of natural capital through active participation or the promotion of projects in collaboration with the public administration, NGOs and other stakeholders.

In this regard, as indicated in the 'Biodiversity' section of this report, the Company participates in various projects, mainly related to the conservation of birdlife and the restoration of habitats, linked to the impacts derived from the Company's activity. Similarly, Red Eléctrica carries out projects that promote social and environmental development.

## RED ELÉCTRICA FOREST 304-3

Red Eléctrica Forest is an ongoing project, started in 2009, which aims, firstly, to offset part of the Company's emissions through the planting of trees and the recovery of degraded natural spaces on publicly owned land, thus contributing to the conservation of biodiversity. In addition, this initiative supports the development of local economies by contracting work with companies or groups in the area, as well as raising awareness of the importance of forests and involving the local population and employees of the Company.





**The 'Red Eléctrica Forest' is a project of an ongoing nature, started in 2009, which aims to offset part of the Company's emissions by the planting of trees.**

### Relevant milestones in 2018

Forest Name	Milestones
<b>Firgas Forest (Gran Canaria)</b>	<ul style="list-style-type: none"> <li>Dissemination and environmental awareness activities to publicise the reforestation and the relevance of the various elements of the ecosystem.</li> <li>Conducting workshops in 13 schools in the area, in addition to informative walks and undertaking watering activities with volunteers from the local agricultural training school and the Firgas occupational centre.</li> </ul>
<b>Asturias Forest</b>	<ul style="list-style-type: none"> <li>Reforestation of 41.5 ha in Sierras de Bidur, Monte Cordal de Santín and San Fernando (municipality of Boal).</li> <li>Planting of 27,888 trees among which are: wild pines, chestnuts, wild cherry trees and oaks. The planting works have been accompanied by various forestry works and the opening up of a firebreak and a 3 km forest track.</li> <li>Carrying out of awareness activities based on the forest: workshops in the classrooms in which 106 students from 5 schools participated, 21 of which have visited the restored area and have collaborated in a symbolic planting of trees.</li> <li>Participation of a group of Red Eléctrica employees and their families (19 in total) in the planting works, thanks to a corporate volunteering activity.</li> </ul>
<b>Chajaña Forest (Tenerife)</b>	<ul style="list-style-type: none"> <li>Completion of the restoration works for 23 ha in the Chajaña area (Corona Forestal Natural Park, in the municipal districts of Arico and Fasnia).</li> <li>Planting of 7,152 trees and shrubs of various species (almond, cedar, blue bugloss, broom and Canarian pine). Due to the adverse weather conditions, it has been necessary to plant more than 6,700 specimens to replace those previously planted.</li> <li>Carrying out workshops for 96 children from five public education centres in collaboration with the Island council of Tenerife and several forestry, mountaineering and farming associations.</li> </ul>



REFORESTATION

**27,888**  
TREES

planted in the forests of Asturias in 2018





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

**The Red Eléctrica Marine Forest received second prize in the 2018 European Business Awards for the Environment in recognition for the Company's efforts in this field.**



### RED ELÉCTRICA MARINE FOREST 304-3

*Posidonia oceanica* is a marine plant endemic to the Mediterranean that forms a habitat of priority interest and is an essential ecosystem for numerous organisms to complete their life cycle. Similarly, *Posidonia* contributes to water quality control and the



MARINE FOREST RECOVERY PROJECT

**1**  
**HA**

of *Posidonia oceanica* replanted in 2018

protection of the coastline, as well as being one of the main CO<sub>2</sub> sinks in the sea.

For various reasons, *Posidonia* seagrass meadows can be affected, including the construction of submarine electricity cables, which is why Red Eléctrica is promoting, through its Marine Forest initiative, a project to recover *Posidonia oceanica* seagrass meadows.

In 2018, Red Eléctrica carried out planting works for 1 hectare of *Posidonia* and published a practical guide on the methodology for planting this species. In addition, with the aim of raising awareness regarding the conservation of the marine environment and specifically *Posidonia oceanica* seagrass meadows, the Company has signed an agreement with the Marine Interpretation Centre 'Aula de la Mar', having collaborated on the contracting of an environmental teacher and through the visit of 2,500 schoolchildren to the Centre.

The Red Eléctrica Marine Forest received recognition in 2018 with the second prize in the European Business Awards for the Environment, in the Spanish and European section, in the category of Business and Biodiversity.

It should be noted that the project has been presented at the 14<sup>th</sup> Edition of CONAMA, the International Conference 'Energy and Ecology Industry', the Biodiversity Week in Valencia,



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



the Annual Meeting of the Spanish Association for Quality, and the Environmental and Sustainability Working Group of the Spanish Maritime Cluster.

### FORESTRY MANAGEMENT AND THE FIGHT AGAINST FOREST FIRES

As part of the Company's forestry management framework, Red Eléctrica collaborates with the public administrations involved, in an active and ongoing manner, through the signing of collaboration agreements, which include the carrying out of various actions aimed at the prevention and fight against forest fires. Currently, the Company has 13 agreements in force.



### FORESTRY MANAGEMENT

# 13 COLLABORATION AGREEMENTS

with public administrations to carry out different actions aimed at the prevention and fight against forest fires

## Noteworthy actions in 2018 linked to collaboration agreements

### Prevention and fight against forest fires

- Development of a fire monitoring system in the Bierzo region (Castilla y León).
- Selective clearing of scrubland in various highlands of Asturias, Navarra and Vizcaya.
- Provision of 55 individual sets of protective equipment for personnel hired by the Government of Navarra and 16 hand-held portable two-way radios for the security and emergency services of the Island council of La Palma.

### Training and awareness

- Training Programme for State Security Forces with fire prevention days in 10 provinces with the participation of 957 attendees and 700 people via live streaming.
- Training for environmental and forestry agents in Aragón (100 agents), Castilla y León (324 agents), Extremadura (30 technical experts), La Palma (55 technical experts) and Vizcaya (103 technical experts).
- Informative campaign entitled 'Andalusia without fires' and audio-visual material for raising awareness in Aragón and Valencia.
- Basic training in forest fire safety and the preparation of teaching materials for volunteers in Tenerife.
- International Forest Fire Awards 2018, in collaboration with the Castilla-La Mancha regional government and the Pau Costa Foundation, convened within the framework of the 5<sup>th</sup> Training day on forest fire prevention in Toledo with 300 attendees and 700 via live streaming.





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

R	E	L	A	T	I	O	N	S	H	I	P	/	W	I	T	H				
			T	H	E	/	S	O	C	I	O	-	E	C	O	N	O	M	I	C
E	N	V	I	R	O	N	M	E	N	T										





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# RELATIONSHIP WITH THE SOCIO-ECONOMIC ENVIRONMENT

103-1 / 103-2 / 103-3 / 413-1

*Awareness raising actions are carried out in order to inform society about the need for electricity facilities and, furthermore, we foster dialogue that facilitates the execution of projects in a manner that is sustainable and accepted by all.*



In 2018, the finalisation of the permitting process has enabled amicable agreements to be reached with

**88**  
%  
OF THE OWNERS AFFECTED BY THE PROJECTS

**Red Eléctrica promotes** and maintains a permanent relationship with the local communities where its facilities are located, not only during the construction processes of the new infrastructure but also throughout the entire useful life of the facilities. For this reason, it has an organisational structure distributed nationwide that facilitates communication and institutional collaboration with public and private administrations and institutions.

In 2018, noteworthy was the signing of 99 collaboration agreements with public administrations and social entities associated mainly with the execution of socio-economic, environmental, educational and cultural development projects.

In the case of municipalities, the Company fosters engagement to provide information and raise awareness regarding the need for facilities and its role within the transmission grid, as well as to promote dialogue that facilitates the development of projects in a sustainable manner and which is accepted by all.

### Relationship with the communities in Peru and Chile

In order to maintain good relations with local communities in the area of influence of the Group's activity in Peru and Chile, the Company develops a Community Relations Plan, which aims to identify, understand



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

***The Company considers on-going communication with society a key aspect in the execution of its projects. To this end, it has social promoters in the field to help resolve conflicts.***

and manage key social aspects for the adequate management and strengthening of the relationship with the communities in which projects are carried out. This plan includes the following courses of action:

- **Communication.** Informative talks about the projects and open dialogue with the communities.
- **Local employment.** In the construction stage, the contracting of local labour from the areas of influence is encouraged.
- **Training** regarding citizen participation, environmental impact studies and monitoring, accompanied by the supervising body.



PUBLIC PARTICIPATION AND CONSULTATION  
**27**  
WORKSHOPS

regarding the Tintaya Nueva-Pumiri line project were conducted in Peru

- **Social support programme.** To date, this programme has been developed for the maintenance and operation phase in the area of influence of the line in the area of Fondo Uralán (Peru).

Together with the aforementioned, within the framework of obtaining the permits for the environmental impact study of the projects, the Company establishes a **Citizen Participation Plan**, through which public meetings are held to deal with enquiries in reference to the project. In Peru, for the 220 KV Tintaya Nueva - Pumiri line project, a total of 27 participatory workshops were held in 2018, with approximately 52 planned for 2019.

After the participatory workshops of the environmental certification phase, in each of the projects, quarterly participatory monitoring sessions are carried out from the outset of the construction activities and throughout the life-cycle of the concession contract. These monitoring sessions seek to maintain the relationship with stakeholders in each area of influence of the concession contracts (Participatory Committees for Citizen Monitoring), as well as confirming that the impacts of the projects are within the limits permitted by the Peruvian State.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## PARTICIPATION IN ORGANISATIONS AND ASSOCIATIONS 102-13

The Red Eléctrica Group is part of and actively participates in various international organisations and associations in order

to publicise and showcase their stance on fundamental aspects of their activity, as well as to strengthen the consolidation of alliances and maximise their contribution to the achievement of common objectives.

In 2018, the Red Eléctrica Group formalised 59 affiliations to various organisations and professional entities, with a total contribution of 2,352,456 €.

### Participation in International organisations

#### ENTSO-E [European Network of Transmission System Operators for Electricity]

Red Eléctrica participates in this association together with all the transmission grid managers, with ENTSO-E being the fundamental collaboration tool of the TSOs for the construction of the Internal Energy Market. The main areas of cooperation of the Company in ENTSO-E are the development of the internal energy market, the development of the European electricity grid infrastructure and the coordination of the European electricity system. Joint work is also undertaken regarding innovation. ENTSO-E, uniting the experience and technical capacity of its members, has been the entity that has been entrusted with the development of the grid codes currently in force

and is the main technical advisor on electrical energy of the European institutions. Its involvement is fundamental to face the challenges posed by the new scenario of the energy transition, defined by the reduction of emissions, the integration of large-scale renewables, flexibility or new technologies.

#### CIGRE [International Council on Large Electric Systems]

CIGRE is an organisation which groups together electricity companies, manufacturers of capital equipment and goods, engineering companies, universities and research centres from around the world with the aim of exchanging technical knowledge. Red Eléctrica holds the position of President and Secretary of the Spanish Committee and a substantial number

of its employees participate in its initiatives.

#### RGI [Renewable Grid Initiative]

Through the joint participation of TSOs and NGOs in RGI, Red Eléctrica endorses the environmental concerns of all stakeholders, directing its action towards the development of efficient electricity infrastructure networks, that are sustainable, clean and socially accepted which are capable of integrating decentralised and large-scale renewable resources.

#### IESOE [Interconnexion de l'électricité du Sud-ouest de l'Europe]

The objective of this regional organisation is the exchange of information and the development of initiatives regarding the operation of neighbouring

electricity systems, based on cooperation between the countries of North Africa represented by the Maghrebien d'Électricité Committee [Morocco, Algeria and Tunisia] and the countries of south-eastern Europe [Spain, Portugal and France].

#### GO 15 [Reliable and Sustainable Power Grids]

Red Eléctrica is present in this forum in which the 18 operators of the largest electricity systems in the world share experiences and mutual knowledge, debating on future challenges of the electricity sector at a high level.

#### Med-TSO [Mediterranean Transmission System Operators]

This association facilitates cooperation between the

northern and southern countries of the Mediterranean basin, through the coordination of infrastructure development plans in the region, as well as aspects related to the operation of the grids. An important element is the disclosure of information to the countries of the southern Mediterranean basin on regulatory knowledge, operation practices and electricity markets within the scope of the European Union.

#### EASE [European Association for the Storage of Energy]

In view of the new challenges posed by the energy transition, energy storage is considered to be an essential technical tool in the future scenario. Red Eléctrica, through its participation in this association, intends to be present and to know

first-hand the development of the solutions that energy storage can represent for the optimal management of electricity systems.

#### ICGN [International Corporate Governance Network]

For Red Eléctrica, participation in this organisation is to be at the forefront of the promotion of effective standards of corporate governance and investor administration to advance efficient markets and sustainable economies throughout the world, taking as a guide the Global Governance Principles and the Global Stewardship Principles of ICGN.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## Participation in national organisations

The Red Eléctrica Group participates in national organisations or associations that pursue various objectives:

### Share and extend best practices within the business fabric

**AEC [Spanish Association for Quality]**  
Association whose objective is to defend and promote quality as a driver for the competitiveness of organisations and the improvement of society.

compliance function and promoting the exchange of ideas and best practices.

**AENOR [Spanish Association for Standardisation and Certification]**  
Association that contributes to improving the quality and competitiveness of companies, through the development of technical standards and certifications.

**Spanish Issuers**  
Association that promotes measures that reinforce legal security in the issuance of listed securities and the contribution to the development of high standards of corporate governance.

**ASCOM [Spanish Compliance Association]**  
First association founded with the objective of professionalising the

### Showcase knowledge regarding the activity of the Company and the electricity sector

**ENERCLUB [Spanish Energy Club]**  
Association that contributes to the better understanding of the various topics related to energy through the different social partners concerned.

**Energy Foundation of the Community of Madrid**  
Foundation for the promotion of initiatives and research and development programmes for the application of energy technologies.

**CME [Spanish Maritime Cluster]**  
Group that promotes the development and competitiveness of Spanish companies and maritime industries.

### Promote the sustainability commitment of the Red Eléctrica Group

**Excellence in Sustainability Club**  
Business association that seeks to promote sustainability by sharing and disseminating good practices.

governance aspects in the strategy and management of companies.

**Excellence in Management and Innovation Club**  
Business association to enhance the global competitiveness of organisations and professionals, through the values of excellence.

**Integrity Forum of Transparency International Spain**  
Think tank platform to improve compliance and ethical management in companies.

**Voluntare Foundation**  
Global corporate volunteering network that allows companies to connect with organisations from the third sector.

**Forética**  
Association of companies and professionals in the field of sustainability for the integration of social, environmental and good

In addition, Red Eléctrica is part of various **Boards of Trustees** (governance, representation and administration body of Foundations), with the obligation of complying with the objectives of the Foundation and administering the assets and rights that make up the equity of the Foundation.

**COTEC Foundation**  
Organisation whose mission is to promote innovation as an engine of economic and social development, with the aim of serving as an observatory of R&D+i in Spain, and providing analysis and advice

on innovation, technology and economics.  
**Chile-Spain Foundation**  
Entity whose main objective is to increase the cultural, social, economic and artistic exchange between Chile and Spain.

**Elcano Royal Institute**  
Entity whose main task is to conduct international and strategic studies that analyse the world from a Spanish, European and global perspective.



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



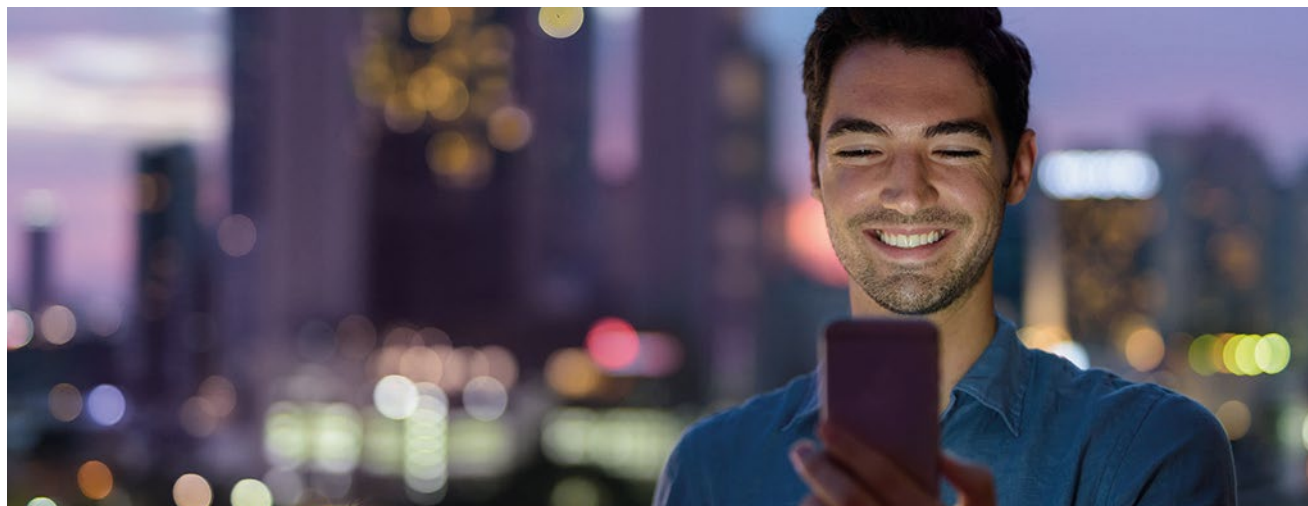
06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES



### INFORMATION TRANSPARENCY

In 2018, knowledge and the dissemination of information continued to be the cornerstones of the communication policy of Red Eléctrica, which respond to the Company's commitment to transparency in its relationship with the media and other stakeholders.

During 2018, 108 press releases were issued, 17 meetings and press conferences were held with various media channels, and 90 interviews and statements were published. In total, 250 enquiries from the media on issues related to the Company's activity were dealt with.

The communication policy of Red Eléctrica has focused, mainly, on the energy

transition, the decarbonisation of the economy, the electricity interconnections with the European system and between islands, and energy storage in isolated electricity systems as a tool for the operation of the system.

#### Promotion of digital channels

Red Eléctrica has continued to promote the Company's presence in digital media, especially with content on the transmission grid, sustainability and innovation projects. The Company has promoted audio-visual content, editing and publishing 14 videos with informative pieces and testimonials.

Red Eléctrica now has more than 16,600 followers on Twitter, 3,400 on Facebook, 21,200 on LinkedIn and 894 subscribers



250  
ENQUIRIES  
FROM  
THE MEDIA

related to the  
Company's activity  
were addressed  
and dealt with





- ABOUT THIS REPORT
- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER
- KEY PERFORMANCE INDICATORS
- 01 THE RED ELECTRICA GROUP
- 02 STRATEGY
- 03 COMMITMENT TO SUSTAINABILITY
- 04 ANTICIPATING CHANGE AND TAKING ACTION
- 05 DECARBONISATION OF THE ECONOMY
- 06 RESPONSIBLE VALUE CHAIN
- 07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT
- ANNEXES

# A

# ANNEXES





- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

G R I / C O N T E X T / I N D E X / 102-55 <sup>(1)</sup>

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
<b>GRI 101: FOUNDATION 2016</b>			
<b>GRI 102: GENERAL DISCLOSURES 2016</b>			
<i>Organisational profile</i>			
102-1	Name of the organisation.	12	
102-2	Activities, brands, products, and services.	12, 13	
102-3	Location of headquarters.	Red Eléctrica Paseo Conde de los Gaitanes, 177 Alcobendas [Madrid] - España.	
102-4	Location of operations.	13	
102-5	Ownerships and legal form.	12	
102-6	Markets served.	13	
102-7	Scale of the organisation.	8	
102-8*	Information on employees and other workers.	8, 210	
102-9	Supply chain.	252	
102-10	Significant changes to the organisation and its supply chain.	3, 12	
102-11	Precautionary Principle or approach.	59, 217	
102-12	External initiatives.	41	
102-13	Membership of associations.	297	
EU1*	Installed capacity, broken down by primary energy source and by regulatory regime.	-	<b>Not applicable.</b> All the activities of the Group are related to the transmission of electricity and the operation of the electricity systems, but not to the generation of electricity.
EU2*	Net energy output, broken down by primary energy source and by regulatory regime.	-	<b>Not applicable.</b> All the activities of the Group are related to the transmission of electricity and the operation of the electricity systems, but not to the generation of electricity.
EU3*	Number of residential, industrial, institutional and commercial customer accounts.	263	

[1] This index includes the aspects and indicators of the electric utilities sector supplement, according to the GRI G4 Sector disclosures [Electric Utilities] publication. The symbol [\*] indicates those indicators where specific information regarding the sector is included.

G R I / C O N T E X T / I N D E X <sup>[1]</sup>

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
EU4*	Length of above and underground transmission and distribution lines by regulatory regime.	103	
EU5*	Allocation CO <sub>2</sub> emissions allowances or equivalent, broken down by carbon trading framework.	-	<b>Not applicable.</b> The rights regarding CO <sub>2</sub> Equivalent Emission Allowances do not apply to power transmission activities.
<b>Strategy</b>			
102-14	Statement from senior decision-maker.	4, 6	
102-15	Key impacts, risks, and opportunities.	53, 62, 67	
<b>Ethics and Integrity</b>			
102-16	Values, principles, standards, and norms of behaviour.	157	
102-17	Mechanisms for advice and concerns about ethics.	157, 160	
<b>Governance</b>			
102-18	Governance structure.	141	
102-19	Delegating authority.	148	
102-20	Executive-level responsibility for economic, environmental and social topics.	148	
102-21	Consulting stakeholders on economic, environmental, and social topics.	149	
102-22	Composition of the highest governance body and its committees.	141, 143	
102-23	Chair of the highest governance body.	144	
102-24	Nominating and selecting the highest governance body.	150	
102-25	Conflicts of interest.	152	
102-26	Role of the highest governance body in setting purpose, values, and strategy.	143	
102-27	Collective knowledge of highest governance body.	153	
102-28	Evaluating the highest governance body's performance.	153	
102-29	Identifying and managing economic, environmental, and social impacts.	67	

[1] This index includes the aspects and indicators of the electric utilities sector supplement, according to the GRI G4 Sector disclosures (Electric Utilities) publication. The symbol [\*] indicates those indicators where specific information regarding the sector is included.



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

G R I / C O N T E X T / I N D E X <sup>[1]</sup>

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
102-30	Effectiveness of risk management processes.	60	
102-31	Review of economic, environmental, and social topics.	60	
102-32	Highest governance body's role in sustainability reporting.	The Sustainability Report is submitted for approval to the Sustainability Committee, which is the competent authority in this field.	
102-33	Communicating critical concerns.	149	
102-34	Nature and total number of critical concerns.	149	
102-35	Remuneration policies.	154	
102-36	Process for determining remuneration.	154	
102-37	Stakeholders' involvement in remuneration.	154	
102-38	Annual compensation ratio.	The ratio between the total remuneration of the highest-paid individual of the organisation [2] and the average total remuneration of the entire workforce [3] (excluding the highest-paid individual) was 14 times.	
102-39	Percentage increase in annual compensation ratio.	The ratio between the percentage increase in annual total compensation of the highest-paid person in the organisation and the increase in that of the workforce was zero because the CEO's compensation has not changed compared to the previous year.	
<b>Stakeholder engagement</b>			
102-40	List of stakeholder groups.	33, 38	
102-41*	Collective bargaining agreements.	199, 210	
102-42	Identifying and selecting stakeholders.	33	
102-43	Approach to stakeholder engagement.	36, 37, 44	
102-44	Key topics and concerns raised.	2, 36, 37, 44	

[1] This index includes the aspects and indicators of the electric utilities sector supplement, according to the GRI G4 Sector disclosures (Electric Utilities) publication. The symbol [\*] indicates those indicators where specific information regarding the sector is included. [2] Total remuneration accrued of the highest-paid individual (CEO): 986,000 euros. Includes both the fixed and variable remuneration corresponding to his role as top executive of the Company, as well as the fixed remuneration corresponding to his role as a member of the Board of Directors and other remunerations. Information available in note 24 of the Annual Consolidated Accounts of 'Red Eléctrica Corporación S.A. and Dependent Companies' and in the Annual Corporate Governance Report. [3] The average total remuneration of the workforce excluding the highest-paid individual: 69,685 euros (personnel cost excluding social security costs). Information available in note 22d of the Annual Consolidated Accounts of 'Red Eléctrica Corporación S.A. and Dependent Companies'.



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

G R I / C O N T E X T / I N D E X <sup>[1]</sup>

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
<b>Reporting practice</b>			
102-45	Entities included in the consolidated financial statements.	3, 12	
102-46	Defining report content and topic Boundaries.	3, 44	
102-47	List of material topics.	44	
102-48	Restatements of information.	3	
102-49	Changes in reporting.	2, 44	
102-50	Reporting period.	2	
102-51	Date of most recent report.	2	
102-52	Reporting cycle.	2	
102-53	Contact point for questions regarding the report.	3	
102-54	Claims of reporting in accordance with the GRI Standards.	2	
102-55	GRI content index.	302	
102-56	External assurance.	3, 327	

**ECONOMIC PERFORMANCE**

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	46, 172	
103-2	The management approach and its components.	172	
103-3	The evaluation of the management approach.	172	

**GRI 201: Economic performance 2016**

201-1	Direct economic value generated and distributed.	172	
201-2	Financial implications and other risks and opportunities for the organisation due to climate change.	70	
201-3	Obligations of the organisation for employee benefit programmes and other pension plans.	2018 Consolidated Annual Accounts Report Note 4	
201-4	Financial assistance received from governments.	172	

[1] This index includes the aspects and indicators of the electric utilities sector supplement, according to the GRI G4 Sector disclosures (Electric Utilities) publication. The symbol [\*] indicates those indicators where specific information regarding the sector is included.





- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

G R I / C O N T E X T / I N D E X <sup>[1]</sup>

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
--------------	-------------	---------------------------	-----------

**PROCUREMENT PRACTICES**

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	46, 249	
103-2	The management approach and its components.	249	
103-3	The evaluation of the management approach.	249	

**GRI 204: Procurement practices 2016**

204-1	Proportion of spending on local suppliers.	252	
-------	--	-----	--

**ANTI-CORRUPTION**

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	46, 166	
103-2	The management approach and its components.	166	
103-3	The evaluation of the management approach.	166	

**GRI 205: Anti-corruption 2016**

205-1	Operations assessed for risks related to corruption.	166	
205-2	Communication and training about anti-corruption policies and procedures.	166	
205-3	Confirmed incidents of corruption and actions taken.	166	

**AVAILABILITY AND RELIABILITY**

**GRI 103: Management Approach 2016**

103-1*	Explanation of the material topic and its boundary.	46, 100	
103-2*	The management approach and its components.	100	
103-3*	The evaluation of the management approach.	100	

[1] This index includes the aspects and indicators of the electric utilities sector supplement, according to the GRI G4 Sector disclosures (Electric Utilities) publication. The symbol [\*] indicates those indicators where specific information regarding the sector is included.



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICIA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

G R I / C O N T E X T / I N D E X <sup>[1]</sup>

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
<b>GRI G4 Electric Utilities: Availability and reliability</b>			
EU10*	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime.	100	
<b>DEMAND-SIDE MANAGEMENT</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1*	Explanation of the material topic and its boundary.	46, 116	
103-2*	The management approach and its components.	116	
103-3*	The evaluation of the management approach.	116	
<b>TECHNOLOGY AND INNOVATION</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1*	Explanation of the material topic and its boundary.	46, 82	
103-2*	The management approach and its components.	82	
103-3*	The evaluation of the management approach.	82	
<b>PLANT DECOMMISSIONING</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1*	Explanation of the material topic and its boundary.	-	<b>Not applicable.</b> All the activities of the Group are related to the transmission of electricity and the operation of the electricity systems, but not to the generation of electricity.
103-2*	The management approach and its components.	-	<b>Not applicable.</b> All the activities of the Group are related to the transmission of electricity and the operation of the electricity systems, but not to the generation of electricity.
103-3*	The evaluation of the management approach.	-	<b>Not applicable.</b> All the activities of the Group are related to the transmission of electricity and the operation of the electricity systems, but not to the generation of electricity.

[1] This index includes the aspects and indicators of the electric utilities sector supplement, according to the GRI G4 Sector disclosures (Electric Utilities) publication. The symbol [\*] indicates those indicators where specific information regarding the sector is included.



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

G R I / C O N T E X T / I N D E X <sup>[1]</sup>

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
--------------	-------------	---------------------------	-----------

SYSTEM EFFICIENCY

**GRI 103: Management Approach 2016**

103-1*	Explanation of the material topic and its boundary.	46, 130	
103-2*	The management approach and its components.	130	
103-3*	The evaluation of the management approach.	130	

**GRI G4 Electric Utilities. System Efficiency**

EU11*	Average generation efficiency of thermal plants by energy source and by regulatory regime.	-	<b>Not applicable.</b> All the activities of the Group are related to the transmission of electricity and the operation of the electricity systems, but not to the generation of electricity.
EU12*	Transmission and distribution losses as a percentage of total energy.	130	

ENERGY

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	46, 121	
103-2	The management approach and its components.	121	
103-3	The evaluation of the management approach.	121	

**GRI 302: Energy 2016**

302-1	Energy consumption within the organisation.	132	
302-2	Energy consumption outside of the organisation.	133	
302-3	Energy intensity.	133	
302-4	Reduction of energy consumption.	133	
302-5	Reductions in energy requirements of products and services.	-	<b>Not applicable.</b> Red Eléctrica, as electricity system operator, carries out various demand-side management initiatives aimed at improving energy efficiency of the electricity system as a whole, but it does not produce or market products nor services, whereby it is not possible to quantify the energy reductions that may result from them.

[1] This index includes the aspects and indicators of the electric utilities sector supplement, according to the GRI G4 Sector disclosures (Electric Utilities) publication. The symbol [\*] indicates those indicators where specific information regarding the sector is included.



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

G R I / C O N T E X T / I N D E X <sup>[1]</sup>

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
--------------	-------------	---------------------------	-----------

**WATER MANAGEMENT**

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	Although water has not been a material issue in the materiality study conducted by the Company, Red Eléctrica has decided to include it and verify it as it is an aspect demanded by some sustainability indexes.	
103-2	The management approach and its components.	Although water has not been a material issue in the materiality study conducted by the Company, Red Eléctrica has decided to include it and verify it as it is an aspect demanded by some sustainability indexes.	
103-3	The evaluation of the management approach.	Although water has not been a material issue in the materiality study conducted by the Company, Red Eléctrica has decided to include it and verify it as it is an aspect demanded by some sustainability indexes.	

**GRI 303: Water 2016**

303-1*	Water withdrawal by source.	244	<b>The sector aspect is not applicable.</b> Red Eléctrica does not have electricity generation.
303-2	Water sources significantly affected by withdrawal of water.	-	<b>Not applicable.</b> The water consumed is obtained from authorised water withdrawal points (municipal mains and wells) or from cisterns. Therefore, no direct effect exists on ecosystems.
303-3	Water recycled and reused.	244	

**BIODIVERSITY**

**GRI 103: Management Approach 2016**

103-1*	Explanation of the material topic and its boundary.	46, 229	
103-2*	The management approach and its components.	229	
103-3*	The evaluation of the management approach.	229	

[1] This index includes the aspects and indicators of the electric utilities sector supplement, according to the GRI G4 Sector disclosures (Electric Utilities) publication. The symbol [\*] indicates those indicators where specific information regarding the sector is included.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

G R I / C O N T E X T / I N D E X <sup>[1]</sup>

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
--------------	-------------	---------------------------	-----------

**BIODIVERSITY / CONTINUATION**

**GRI 304: Biodiversity**

304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	244	
304-2*	Significant impacts of activities, products, and services on biodiversity.	234, 236, 244	
304-3	Habitats protected or restored.	237, 290, 292	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations.	237, 245, 246	

**GRI G4 Electric Utilities. Biodiversity**

EU13*	Biodiversity of offset habitats compared to the biodiversity of the affected areas.	-	<b>The comparison of the offset habitat with the affected area is not applicable</b> , as the effects on the original habitat are minimal. Thanks to the preventive and corrective measures implemented, Red Eléctrica facilities do not entail a loss of biodiversity that is significant enough so as to require the establishment of offset areas. The impacts generated are one-off situations, having established in some cases very specific offsetting measures such as planting woodland or the restoration of habitats.
-------	---	---	--

**EMISSIONS**

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	46, 121	
103-2	The management approach and its components.	121	
103-3	The evaluation of the management approach.	121	

[1] This index includes the aspects and indicators of the electric utilities sector supplement, according to the GRI G4 Sector disclosures (Electric Utilities) publication. The symbol [\*] indicates those indicators where specific information regarding the sector is included.

G R I / C O N T E X T / I N D E X <sup>[1]</sup>

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
--------------	-------------	---------------------------	-----------

EMISSIONS / CONTINUATION

GRI 305: Emissions 2016

305-1*	Direct GHG emissions (Scope 1).	133	
305-2*	Energy indirect GHG emissions (Scope 2).	134	
305-3	Other indirect GHG emissions (Scope 3).	134	
305-4	GHG emissions intensity.	134	
305-5	Reduction of GHG emissions.	135	
305-6	Emissions of ozone-depleting substances (ODS).	-	<b>Not applicable.</b> These can be considered to be irrelevant, with the exception of those associated with the use of air conditioning equipment containing R22. Losses are minimal owing to the fact that they undergo adequate maintenance. The replacement of equipment with R22 is in process. There's only 107.8 kg of gas R22 left in operating equipment, and 203.1 kg in out-of-service equipment, which will be progressively replaced or eliminated.
305-7*	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions.	-	<b>Not applicable.</b> The activities of the Company do not give rise to these types of emissions as the activities do not involve the burning of fossil fuels - REE does not generate electricity. REE does use fossil fuel in vehicles and diesel generator sets, although the associated emissions are not considered relevant under this aspect.

LEAKS, EFFLUENTS AND WASTE MANAGEMENT

GRI 103: Management Approach 2016

103-1	Explanation of the material topic and its boundary.	46, 239	
103-2	The management approach and its components.	239	
103-3	The evaluation of the management approach.	239	

[1] This index includes the aspects and indicators of the electric utilities sector supplement, according to the GRI G4 Sector disclosures (Electric Utilities) publication. The symbol [\*] indicates those indicators where specific information regarding the sector is included.





ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

G R I / C O N T E X T / I N D E X <sup>[1]</sup>

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
--------------	-------------	---------------------------	-----------

LEAKS, EFFLUENTS AND WASTE MANAGEMENT / CONTINUATION

**GRI 306: Effluents and waste 2016**

306-1*	Water discharge by quality and destination.	-	<b>Not applicable.</b> The activities of the Company do not give rise discharges. Rainwater discharges only occur in substations.
306-2*	Waste by type and disposal method.	246	
306-3	Significant spills.	246	
306-4	Transport of hazardous waste.	246	
306-5	Water bodies affected by water discharges and/or runoff.	-	<b>Not applicable.</b> Rainwater discharges from substations (which is the only water discharge associated with the activities of REE that takes place) do not affect water resources nor the associated habitats.

ENVIRONMENTAL COMPLIANCE

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	46, 217	
103-2	The management approach and its components.	217	
103-3	The evaluation of the management approach.	217	

**GRI 307: Environmental Compliance 2016**

307-1	Non-compliance with environmental laws and regulations.	247	
-------	---	-----	--

SUPPLY CHAIN ASSESSMENT

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	46, 217, 249	
103-2	The management approach and its components.	217, 249	
103-3	The evaluation of the management approach.	217, 249	

**GRI 308: Supplier environmental assessment 2016**

308-1	New suppliers that were screened using environmental criteria.	218	
308-2	Negative environmental impacts in the supply chain and actions taken.	218	

[1] This index includes the aspects and indicators of the electric utilities sector supplement, according to the GRI G4 Sector disclosures (Electric Utilities) publication. The symbol [\*] indicates those indicators where specific information regarding the sector is included.



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

**G R I / C O N T E X T / I N D E X** <sup>[1]</sup>

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
--------------	-------------	---------------------------	-----------

**EMPLOYMENT**

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	46, 179	
103-2	The management approach and its components.	179	
103-3	The evaluation of the management approach.	179	

**GRI 401: Employment 2016**

401-1*	New employees hires and employee turnover.	181, 211, 213	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees.	208	
401-3	Parental leave.	212	

**GRI G4 Electric Utilities. Employment**

EU15*	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region.	215	
EU17*	Days worked by contractor and subcontractor employees involved in construction, operation and maintenance activities.	208, 215	
EU18*	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training.	207	

**LABOR/MANAGEMENT RELATIONS**

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	46, 199	
103-2	The management approach and its components.	199	
103-3	The evaluation of the management approach.	199	

**GRI 402: Labor/Management Relations**

402-1	Minimum notice periods regarding operational changes.	199	
-------	---	-----	--

[1] This index includes the aspects and indicators of the electric utilities sector supplement, according to the GRI G4 Sector disclosures (Electric Utilities) publication. The symbol [\*] indicates those indicators where specific information regarding the sector is included.

G R I / C O N T E X T / I N D E X <sup>[1]</sup>

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
--------------	-------------	---------------------------	-----------

**OCCUPATIONAL HEALTH AND SAFETY**

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	46, 202	
103-2	The management approach and its components.	202	
103-3	The evaluation of the management approach.	202	

**GRI 403: Occupational health and safety 2016**

403-1	Workers representation in health and safety committees.	203	
403-2*	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.	205, 212	
403-3	Workers with high incidence of high risk of diseases related to their occupation.	205	
403-4	Health and safety topics covered in formal agreements with trade unions.	203	

**TRAINING AND EDUCATION**

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	46, 189	
103-2	The management approach and its components.	189	
103-3	The evaluation of the management approach.	189	

**GRI 404: Training and education 2016**

404-1	Average hours of training per year per employee.	192, 206	
404-2	Programs for upgrading employee skills and transition assistance programs.	189, 197	
404-3	Percentage of employees receiving regular performance and career development reviews.	195, 213	

[1] This index includes the aspects and indicators of the electric utilities sector supplement, according to the GRI G4 Sector disclosures (Electric Utilities) publication. The symbol [\*] indicates those indicators where specific information regarding the sector is included.



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

**G R I / C O N T E X T / I N D E X** <sup>[1]</sup>

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
--------------	-------------	---------------------------	-----------

**DIVERSITY AND EQUAL OPPORTUNITY**

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	46, 184	
103-2	The management approach and its components.	184	
103-3	The evaluation of the management approach.	184	

**GRI 405: Diversity and Equal Opportunity 2016**

405-1	Diversity of governance bodies and employees.	213, 214	
405-2	Ratio of basic salary and remuneration of women to men.	215	

**NON-DISCRIMINATION**

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	46, 157	
103-2	The management approach and its components.	157	
103-3	The evaluation of the management approach.	157	

**GRI 406: Non-discrimination 2016**

406-1	Incidents of discrimination and corrective actions taken.	160	
-------	---	-----	--

**FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING**

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	46, 167	
103-2	The management approach and its components.	167	
103-3	The evaluation of the management approach.	167	

**GRI 407: Freedom of Association and Collective Bargaining**

407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.	167	
-------	---	-----	--

[1] This index includes the aspects and indicators of the electric utilities sector supplement, according to the GRI G4 Sector disclosures (Electric Utilities) publication. The symbol [\*] indicates those indicators where specific information regarding the sector is included.



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

**G R I / C O N T E X T / I N D E X** <sup>[1]</sup>

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
--------------	-------------	---------------------------	-----------

**CHILD LABOUR**

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	46, 167	
103-2	The management approach and its components.	167	
103-3	The evaluation of the management approach.	167	

**GRI 408: Child Labour**

408-1	Operations and suppliers at significant risk for incidents of child labour.	167	
-------	---	-----	--

**FORCED OR COMPULSORY LABOUR**

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	46, 167	
103-2	The management approach and its components.	167	
103-3	The evaluation of the management approach.	167	

**GRI 409: Forced or Compulsory Labour**

409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour.	167	
-------	--	-----	--

**RIGHTS OF INDIGENOUS PEOPLES**

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	46, 167	
103-2	The management approach and its components.	167	
103-3	The evaluation of the management approach.	167	

**GRI 411: Rights of Indigenous Peoples**

411-1	Incidents of violations involving rights of indigenous peoples.	168	
-------	---	-----	--

[1] This index includes the aspects and indicators of the electric utilities sector supplement, according to the GRI G4 Sector disclosures (Electric Utilities) publication. The symbol [\*] indicates those indicators where specific information regarding the sector is included.

G R I / C O N T E X T / I N D E X <sup>[1]</sup>

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
--------------	-------------	---------------------------	-----------

**HUMAN RIGHTS ASSESSMENT**

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	46, 167	
103-2	The management approach and its components.	167	
103-3	The evaluation of the management approach.	167	

**GRI 412: Human Rights Assessment 2016**

412-1	Operations that have been subject to human rights reviews or impact assessments.	168	
412-2	Employee training on human rights policies or procedures.	170	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	168	

**LOCAL COMMUNITIES**

**GRI 103: Management Approach 2016**

103-1*	Explanation of the material topic and its boundary.	46, 295	
103-2*	The management approach and its components.	295	
103-3*	The evaluation of the management approach.	295	

**GRI 413: Local communities 2016**

413-1	Operations with local community engagement, impact assessments, and development programs.	295	
413-2	Operations with significant actual and potential negative impacts on local communities.	222	

**GRI G4 Electric Utilities. Local communities**

EU22*	Number of people physically or economically displaced and compensation.	-	<b>Not applicable.</b> Red Eléctrica's facilities do not have any type of displacement associated.
-------	---	---	--

[1] This index includes the aspects and indicators of the electric utilities sector supplement, according to the GRI G4 Sector disclosures (Electric Utilities) publication. The symbol [\*] indicates those indicators where specific information regarding the sector is included.





- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELECTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

G R I / C O N T E X T / I N D E X <sup>[1]</sup>

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
--------------	-------------	---------------------------	-----------

**SUPPLIER SOCIAL ASSESSMENT**

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	46, 249	
103-2	The management approach and its components.	249	
103-3	The evaluation of the management approach.	249	

**GRI 414: Supplier social assessment 2016**

414-1	New suppliers that were screened using social criteria.	257	
414-2	Negative social impacts in the supply chain and actions taken.	253	

**CUSTOMER HEALTH AND SAFETY**

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	46, 227	
103-2	The management approach and its components.	227	
103-3	The evaluation of the management approach.	227	

**GRI 416: Customer Health and Safety 2016**

416-1	Assessment of the health and safety impacts of product and service categories.	227	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services.		No litigation (whether civil, administrative or criminal) has been identified in relation to incidents of non-compliance with legislation or regulations concerning the health and safety impacts of products and services within the reporting period, arising from disciplinary proceedings that have resulted in significant fines or penalties in accordance with the parameters set for indicator 419-1.

[1] This index includes the aspects and indicators of the electric utilities sector supplement, according to the GRI G4 Sector disclosures (Electric Utilities) publication. The symbol [\*] indicates those indicators where specific information regarding the sector is included.



- ABOUT THIS REPORT



- LETTER FROM THE CHAIRMAN  
- LETTER FROM THE CHIEF EXECUTIVE OFFICER



- KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



- ANNEXES

G R I / C O N T E X T / I N D E X <sup>[1]</sup>

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
<b>CUSTOMER HEALTH AND SAFETY / CONTINUATION</b>			
<b>GRI G4 Electric Utilities. Customer Health and Safety</b>			
EU25*	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases.	For 2018 we are not aware that any third party has formally filed any grievance or claim (whether civil, administrative or criminal) regarding injuries, fatalities or diseases among citizens involving company assets in accordance with the parameters set for indicator 419-1.	
<b>ENERGY ACCESS</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1*	Explanation of the material topic and its boundary.	46, 107	
103-2*	The management approach and its components.	107	
103-3*	The evaluation of the management approach.	107	
<b>GRI G4 Electric Utilities. Energy Access</b>			
EU26*	Percentage of population unserved in licensed distribution or service.	-	<b>Not applicable.</b> Red Eléctrica, as high voltage transmission agent, does not reach the final consumer.
EU27*	Number or residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime.	-	<b>Not applicable.</b> Red Eléctrica does not carry out distribution activity, only high voltage transmission. The quality indicators of the transmission activity are shown in the Decarbonisation chapter <a href="#">↔</a>
EU28*	Power outage frequency.	107	
EU29*	Average power outage duration.	107	
EU30*	Average plant availability factor by energy source and by regulatory regime.	-	<b>Not applicable.</b> All the activities of the Group are related to the transmission of electricity and the operation of the electricity systems, but not to the generation of electricity.

[1] This index includes the aspects and indicators of the electric utilities sector supplement, according to the GRI G4 Sector disclosures (Electric Utilities) publication. The symbol [\*] indicates those indicators where specific information regarding the sector is included.

G R I / C O N T E X T / I N D E X <sup>[1]</sup>

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
--------------	-------------	---------------------------	-----------

**CUSTOMER PRIVACY**

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	46, 263	
103-2	The management approach and its components.	263	
103-3	The evaluation of the management approach.	263	

**GRI 418: Customer Privacy 2016**

418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data.	There is no record of any substantiated claims or grievances filed in 2018 concerning breaches to customer privacy and losses of customer data.	
-------	---	---	--

**SOCIOECONOMIC COMPLIANCE**

**GRI 103: Management Approach 2016**

103-1	Explanation of the material topic and its boundary.	46, 157	
103-2	The management approach and its components.	157	
103-3	The evaluation of the management approach.	157	

**GRI 419: Socioeconomic Compliance 2016**

419-1	Non-compliance with laws and regulations in the social and economic area.	In order to respond to the GRI indicators, we consider compensation, fines or significant penalties those whose economic value exceeds 500,000 euros or those that due to their nature have a special impact on the Company owing to its connection with the electricity sector. Similarly, it has been taken as a criterion of reference that the sanction be firm, at least as set by administrative procedure. In light of the foregoing, we consider that the Company has not been imposed significant fines or non-monetary sanctions for non-compliance with legislation and regulations in the social or economic area.	
-------	---	--	--

[1] This index includes the aspects and indicators of the electric utilities sector supplement, according to the GRI G4 Sector disclosures (Electric Utilities) publication. The symbol [\*] indicates those indicators where specific information regarding the sector is included.

G R I / C O N T E X T / I N D E X <sup>[1]</sup>

GRI STANDARD	DESCRIPTION	PAGE NUMBER DIRECT ANSWER	OMISSIONS
<b>PROVISION OF INFORMATION</b>			
<b>GRI 103: Management Approach 2016</b>			
103-1*	Explanation of the material topic and its boundary.	-	<b>Not applicable.</b> Red Eléctrica, as high voltage transmission agent, does not reach the final consumer.
103-2*	The management approach and its components.	-	<b>Not applicable.</b> Red Eléctrica, as high voltage transmission agent, does not reach the final consumer.
103-3*	The evaluation of the management approach.	-	<b>Not applicable.</b> Red Eléctrica, as high voltage transmission agent, does not reach the final consumer.

[1] This index includes the aspects and indicators of the electric utilities sector supplement, according to the GRI G4 Sector disclosures (Electric Utilities) publication. The symbol [\*] indicates those indicators where specific information regarding the sector is included.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

# ANNUAL EXECUTIVE REPORT ON THE MANAGEMENT OF THE CODE OF ETHICS IN 2018

*The Code of Ethics of the Red Eléctrica Group seeks to provide an ethical guide for all the people of the Company, establishing the values and commitments that shall govern their business conduct.*



## CODE OF ETHICS

Current version approved in

# MAY 2013

Undertaking the requirements demanded by stakeholders and organisations of repute with influence in this field

## INTRODUCTION

The Annual Report on the Management of the Code of Ethics sets out the circumstances arising in relation to the corporate system for the management of ethics of the Red Eléctrica Group within the 2018 fiscal year.

The Code of Ethics seeks to provide an ethical guide for all the people of the companies that make up the Red Eléctrica Group, establishing the values and commitments that shall govern their business conduct when carrying out any of the Groups' activities.

The current edition of the Code of Ethics of the Red Eléctrica Group was approved by the Board of Directors of its parent company on 28 May 2013, undertaking the requirements demanded by stakeholders and the recommendations of organisations of repute with influence in this area.

The Code of Ethics is incumbent on the entire workforce of all companies of the Group, including all people within the companies of the Group, understood as its Board of Directors, its senior management and employees, in the performance of their duties and responsibilities.

Such Code is applied in all the companies of the Group, i.e. those in which the Group has a majority of shareholding, regardless of their geographical location, and in those countries where they are either permanently or temporarily performing activities, providing professional services or any other activity related to the Group.



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

***The Ethics Manager ensures the recognition, application and compliance of the Code of Ethics of the Red Eléctrica Group, resolving enquiries, advising stakeholders and instituting proceedings regarding grievances submitted.***

**ETHICS MANAGER AND STAKEHOLDER OMBUDSMAN**

To ensure understanding, implementation and enforcement of the Code of Ethics, Red Eléctrica appointed Rafael García de Diego, General Counsel and Secretary of the Board of Directors, as Ethics Manager and Stakeholder Ombudsman.

The responsibilities of the Ethics Manager are the following:

- Resolve enquiries and advise all stakeholders regarding any doubts in relation to the values and commitments contained in the Code of Ethics.
- Institute proceedings regarding grievances through the verification and investigation of the conduct of those employees or organisational units reported.



**WHISTLE-BLOWING CHANNEL**

on the corporate **WEBSITE**

through which enquiries, grievances or suggestions can be submitted to the Ethics Manager

- Develop action plans to resolve the grievances reported and submit them for approval by the Chairman of Red Eléctrica Group or the Chairperson of the Audit Committee if it affects any member of the Executive Committee.
- Keep an updated record on the process [enquiries, grievances, procedures and communications with interested parties].
- Keep claimants abreast of the status and resolution of enquiries or grievances reported, when such information is requested.
- Draft a periodic report on the review of the system and propose actions to improve the management system.
- Maintain at all times the confidentiality of the claimant, unless legally required to disclose this information.
- Carry out the duties and functions assigned under the principles of independence, rigour and fairness.

**WHISTLE-BLOWING CHANNEL**

In order to promote the application of the Code of Ethics, Red Eléctrica has a whistleblowing channel, available on the corporate website, through which enquiries, grievances or suggestions can be submitted and conveyed to the Ethics Manager.



In addition, the Red Eléctrica Group has another channel, the *Dígame* service (the Company's Stakeholder Attention Centre) that can be used for reporting non-compliances and grievances, and make enquiries and suggestions regarding ethical matters. The *Dígame* service provides another reporting channel for external stakeholders who are not aware of the whistle-blowing channel.

This service transfers to the Ethics Manager any non-compliance, grievance, enquiry and suggestion regarding ethical matters that may have not been received directly by the Ethics Manager whilst preserving the confidentiality of those using this channel.

Regarding the whistle-blowing channel for the detection and handling of possible non-compliances, grievances, enquiries and suggestions, in 2018, 21 enquiries were made to the Ethics Manager, all with a maximum resolution time of 10 days or less.

The enquiries made have referred to the following patterns of business behaviour:

- Integrity, accountability and transparency.
- Responsible monitoring of the management of suppliers.
- Limitation on the acceptance of gifts, loans or invitations.
- Adequate handling and safeguarding of confidential information.

## *The Dígame service represents another channel through which external stakeholders can report non-compliances and grievances, and make enquiries and suggestions regarding ethical matters.*

In 2018, seven (7) grievances were received regarding compliance with the Code of Ethics. The details of each grievance are shown below:

- Grievance filed regarding the corporate value 'Respect', motivated by a discussion occurred between a private citizen and an employee of Red Eléctrica in relation to the obtainment of a permit to carry out pruning of flora/vegetation. During the analysis and processing of the grievance, the Ethics Manager became aware of the grievance filed with the General Police Directorate by the Red Eléctrica employee against said private citizen for an alleged aggression. The Ethics Manager proceeded to file the grievance because he could not intervene in the clarification of facts that are the subject to a legal proceeding or an investigation by the police.
- Grievance filed by a Red Eléctrica supplier for the non-payment of certain expenses and compensation for damages allegedly caused by Red Eléctrica, within the framework of a contract for the provision of construction services. As a result of the analysis and handling of the grievance process, ultimately a negotiated settlement was reached between the parties that put an end to the controversy, which in turn resulted in the grievance being closed and filed.
- Grievance filed by a subcontractor of a Red Eléctrica supplier, in relation to a non-payment by the supplier to the subcontractor, for work associated with a Red Eléctrica contract. Once the grievance was analysed, clear contradictions were detected between the versions of the supplier and the worker, which in turn activated, among other actions, a social audit aimed at verifying compliance with the Supplier Code of Conduct. At the close of 2018, said grievance case was in the processing stage.
- Grievance regarding the corporate value "Accountability", filed by an employee of Red Eléctrica, regarding the behaviour of a worker in terms of occupational safety. The facts were communicated to the Human Resources Area for the implementation of the corresponding corrective action.
- Grievance regarding the corporate value "Respect", filed by a former employee of Red



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES



ETHICS  
MANAGER

21  
ENQUIRIES

dealt with  
in 2018, with  
a maximum  
resolution time  
of 10 days

***In 2018, the Ethics Manager did not receive any non-compliance grievance related to criminal risk, and none of the companies of the Red Eléctrica Group have been investigated or convicted by any court of law for infringements related to criminal risks.***

Eléctrica, in relation to an alleged situation of employment discrimination. At the close of 2018, said grievance case was in the processing stage.

- Grievance regarding non-compliance with the values of the Code of Ethics for an alleged behaviour that hinders the purpose of the work of the employee unions in the organization. The grievance was closed and filed due to the fact that the claimant did not ratify its grievance through the mechanisms established for this purpose by the Code of Ethics.
- Grievance regarding the corporate value "Respect", filed by a former employee of Red Eléctrica, related to an alleged situation of workplace harassment. At the close of 2018, said grievance case was in the processing stage.

Among the functions undertaken by the Ethics Manager is the obligation to communicate and convey to the appropriate bodies the grievances

that could lead to a criminal risk for the companies of the Red Eléctrica Group, in order for the Control and Monitoring body of the Criminal Risk Prevention Programme of the Group, of which the Ethics Manager is a member, to be able to assess the aforementioned grievances and, if appropriate, initiate an investigation into the grievance until it is resolved.

In 2018, as occurred in previous years, the Ethics Manager did not receive any non-compliance grievance related to criminal risk, and none of the companies of the Red Eléctrica Group have been investigated or convicted by any court of law for infringements related to criminal risks of the organisation.

### INTEGRITY AND TRANSPARENCY

The Code of Ethics and the corresponding management system for enquiries and grievances, which include aspects related to the fight against corruption, constitutes an effective mechanism for the detection and handling of possible cases of corruption and fraud. The Code of Ethics must be observed by and is incumbent on all governing bodies, senior management and employees of the Red Eléctrica Group. Suppliers must accept and undertake to respect the Group's Supplier Code of Conduct.

As a result of the commitment undertaken by Red Eléctrica to prevent any practices related to corruption, bribery or facilitation payments, the Board of Directors of the parent company approved on 22 December 2015 the 'Guide for

***For the fourth consecutive year, Red Eléctrica has obtained the highest score (100 out of 100) in the Code of Ethics/Compliance/Anti-Corruption and Bribery section of the Dow Jones Sustainability Index.***

the Prevention of Corruption: zero tolerance' as a fundamental element of the integrity model of the Red Eléctrica Group. It aims to provide a guide regarding the prevention of corruption for all professionals in the companies of the Red Eléctrica Group, setting out the commitments and action criteria, thereto, that should govern their professional activities within the same. Its purpose is to provide members of the Red Eléctrica Group an analysis of the circumstances and the risks they face regarding corruption and advance the dissemination of the criteria and the instruments available to the Company for its eradication.

Over the last year, no grievance has been registered through the whistle-blowing channel regarding possible cases of corruption. No company of the Red Eléctrica Group has been subject to investigation or convicted by any court of law for any non-compliance related to cases of corruption, in line with previous years.

## RECOGNITIONS

In the area of external recognition, noteworthy is the leadership achieved by Red Eléctrica

in the Ethics / Compliance / Anti-Corruption and Bribery section of the 2018 Dow Jones Sustainability Index. For the fourth consecutive year, Red Eléctrica obtained the highest score (100 out of 100 points) in that section, 37 points above the average of the companies in its sector participating in said index, having also reached not only the maximum percentage (100) in the assessment but also ranking first in leadership in its sector.

Red Eléctrica has been included in the Euronext Vigeo-Eiris sustainability indexes (Eurozone 120, Europe 120, World 120), having achieved the leadership position within its sector within the business behaviour and ethics criteria. Vigeo Eiris is one of the most reputable providers of socially responsible investment services and which stands out for advising investors on how to incorporate ESG factors into their financial decisions.

Lastly, noteworthy is the fact that Red Eléctrica has maintained its presence in business ethics indexes; of note is its continued presence for 3 consecutive years in the Ethibel Sustainability Index (ESI)

Excellence Europe, as well as its inclusion in the Ethibel Excellence Index since 2009.

## ALLIANCES

Among the initiatives in which Red Eléctrica has participated in the promotion of business ethics noteworthy is the Integrity Forum of the non-governmental organisation Transparency International España. The Forum is a reflection platform facilitated by Transparency International España for the improvement of compliance and ethical management in Spanish companies, which is structured through various working groups and periodic thematic sessions on business ethics.

Red Eléctrica has joined the group of large companies that are part of the Transparency, Good Governance and Integrity Cluster. It is a platform of companies coordinated by the Spanish association for the promotion of the culture of ethical and socially responsible management, Forética, with the aim of serving as a business meeting point in leadership, knowledge, exchange and dialogue in this area.

## External Verification/audit Report / 102-56



### INDEPENDENT REVIEW REPORT OF THE SUSTAINABILITY INDICATORS OF CORPORATE RESPONSIBILITY OF RED ELECTRICA CORPORACION, S.A.

To the Management of Red Elctrica Corporación, S.A.

#### Scope

As commissioned by the Management of Red Elctrica Corporación, S.A. (hereinafter REC), we have carried out the review of the sustainability indicators in the Annex to the Sustainability Report 2018 of REC "Table of GRI Indicators". This information has been prepared in accordance with GRI Sustainability Reporting Standards (GRI Standards) and the "Electric Utilities Sector Supplement", G4 version, as detailed in the section "Sustainability context" of the chapter "About this report".

The scope considered by REC for the preparation of the Report is defined in the section "Coverage" of the chapter "About this report".

The preparation of the attached report, as well as its content, is the responsibility of the Management of REC, which is also responsible for defining, adapting and maintaining the management and internal control systems from which the information is obtained. Our responsibility is to issue an independent report based on the procedures applied in our review.

#### Criteria

Our review was carried out based on:

- The guidelines for reviewing Corporate Responsibility Reports, issued by the Spanish Official Register of Auditors of Accounts (ICJCE).
- Standard ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accountants (IFAC), with a limited assurance scope.

#### Applied procedures

Our review consisted in requesting information from the Sustainability Department and the various business units participating in the preparation of the Report, applying processes and analytical procedures, and sampling review tests as described in the general terms below:

- Interviews with the staff in charge of the preparation of the sustainability information in order to gain a deep understanding of how the objectives and sustainability policies are considered, set into practice and integrated within REC's global strategy.
- Reviewing the processes for the compilation and validation of the sustainability indicators of corporate responsibility.
- Checking the processes held by REC in order to define the material aspects and stakeholder participation.
- Reviewing the adaptation of the structure and content of the sustainability information as indicated in the GRI Sustainability Reporting Standards of the Global Reporting Initiative and the Electric Utilities Sector Supplement, G4 version, in accordance with the comprehensive option.

- Checks on selected samples of the quantitative and qualitative information of the indicators included in "Table of GRI Indicators" in the Annex, as well as their adequate compilation from data supplied by information sources. The review tests have been defined to provide the aforementioned assurance levels.
- Checking that the financial information included in the Report has been audited by independent third parties.

These procedures have been applied on the sustainability indicators in the Annex to the Sustainability Report 2017 of REC "Table of GRI Indicators", with the aforementioned scope.

The scope of our review is considerably lower than a reasonable assurance report. Therefore, the degree of assurance is also less extensive. This report in no case should be considered as an audit report.

#### Independence and quality control

We have complied with the requirements of independence and the other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (ESBA, for its acronym in English).

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and maintains, as a result, a global quality control system that includes documented policies and procedures related to compliance with ethical requirements, professional standards and legal and regulatory provisions.

Our work has been performed by a team of sustainability experts with a wide experience in reviewing this type of information.

#### Conclusions

As a result of our limited review, we conclude that no matter came to our attention that would indicate that the indicators of corporate responsibility in the Annex to the Sustainability Report 2017 of REC "Table of GRI Indicators" has not been prepared, in all its significant aspects, according to the GRI Standards sustainability reporting guideline, and the "Electric Utilities Sector Supplement", G4 version, which includes the data reliability, the adequacy of the information presented and the absence of significant deviations and omissions.

This report has been prepared solely for the management of Red Elctrica Corporación, S.A., in accordance with the terms set out in our engagement letter.

ERNST & YOUNG, S.L.

(Free translation from the Original Report on Independent Review in Spanish dated 19th March 2019. In case of any discrepancy, the Spanish version always prevails.)



ABOUT THIS REPORT



LETTER FROM THE CHAIRMAN  
LETTER FROM THE CHIEF EXECUTIVE OFFICER



KEY PERFORMANCE INDICATORS



01 THE RED ELÉCTRICA GROUP



02 STRATEGY



03 COMMITMENT TO SUSTAINABILITY



04 ANTICIPATING CHANGE AND TAKING ACTION



05 DECARBONISATION OF THE ECONOMY



06 RESPONSIBLE VALUE CHAIN



07 CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

## Independent Assurance Report of Greenhouse Gas Emissions Inventory



Building a better working world

### REPORT ON INDEPENDENT LIMITED ASSURANCE OF GREENHOUSE GAS EMISSIONS INVENTORY 2018 OF RED ELÉCTRICA DE ESPAÑA

To the Management of Red Eléctrica de España, S.A.U.

#### Scope

We have undertaken a limited assurance engagement on the Green Gas Emissions Inventory (hereinafter referred to as the GHG Inventory) of Red Eléctrica de España, S.A.U. (hereinafter referred to as REE) for the financial year ending 31<sup>st</sup> December 2018, included in the Appendix of this Report.

This assignment has been made by a multidisciplinary team that includes specialists in sustainability, climate change and assurance.

#### Management's responsibility

REE's management is responsible for preparation and update of the 2018 GHG Inventory in accordance with their internal procedure, "Methodology for the Calculation of the Greenhouse Gas Emissions (GHG) Inventory of Red Eléctrica España S.A.U. and Reintel" available on the following website link <https://www.ree.es/en/sustainability/decarbonisation-of-the-economy/carbon-footprint>. This responsibility includes the design, implementation and maintenance of internal control relevant to ensure that the GHG Inventory is free from material misstatement, whether due to fraud or error.

The quantification of GHG emissions is subject to more inherent uncertainty than financial information, because of incomplete scientific, according to its nature and methods used to determine, calculate or estimate emissions.

Likewise, it is also responsible for defining, implementing, adapting and maintaining the necessary internal management and control systems so that the preparation and presentation of the information is free of material impropriety due to fraud or error.

#### Our independence and quality control

We have complied with the requirements of independence and the other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA, for its acronym in English).

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and maintains, as a result, a global quality control system that includes documented policies and procedures related to compliance with ethical requirements, professional standards and legal and regulatory provisions.

#### Our responsibility

Our responsibility is to express a limited assurance conclusion on the GHG Inventory based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements 3410 (ISAE 3410), "Assurance Engagement on Greenhouse Gas Statements" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). This standard requires that we plan and perform this engagement to obtain a limited assurance that REE's 2018 GHG Inventory is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3410 involves assessing the suitability in the circumstances of REE's use of applicable criteria as the basis for the preparation of the GHG statement, assessing the risk of material misstatement whether due to fraud or error, responding to the assessed risk as necessary in the circumstances, and evaluating the overall presentation of the GHG statement.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement. Therefore, the degree of assurance is also less extensive. This report in no case should be considered as an audit report.

The procedures we performed were based on our professional judgment and included inquiries, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we:

- Through inquiries and meetings with personnel of REE's various departments who have been involved in the preparation of the GHG Inventory, obtained an understanding of REE's control environment and information systems relevant to emissions quantification and reporting, but did not evaluate the design of particular control activities, obtain evidence about their implementation or test their operating effectiveness.
- Evaluated whether REE's methods for developing estimates are appropriate and had been consistently applied. However, our procedures did not include testing the data on which the estimates are based or separately developing our own estimates against which to evaluate REE's estimates.



Building a better working world

- Verification, through random sampling tests, internal control tests and the development of substantive tests of the information (activity data, calculations and information generated) used to determine REE's 2018 GHG Inventory with the internal procedure. We have also verified the correct compilation of information based on the data provided by REE's sources of information.

#### Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that REE's GHG Inventory for the financial year ending 31<sup>st</sup> December 2018 contains any material misstatement or is not prepared, in all material respects, in accordance with the "Methodology for the Calculation of the Greenhouse Gas Emissions (GHG) Inventory of Red Eléctrica de España S.A.U. y Reintel".

#### Use and distribution

Our report is only issued to the Management of Red Eléctrica de España S.A.U. in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than REE's Management.

ERNST & YOUNG, S.L.

(Free translation from the Original Report on Independent Review in Spanish dated 19th March 2019. In case of any discrepancy, the Spanish version always prevails.)



## APPENDIX

**GREENHOUSE GAS (GHG) INVENTORY OF RED ELÉCTRICA ESPAÑA, S.A.U & RED ELÉCTRICA INFRAESTRUCTURAS DE TELECOMUNICACIÓN, S.A.U.**

GHG Inventory 2018	tCO <sub>2</sub> e <sub>q</sub>
<b>Scope 1</b>	<b>39 272.04</b>
SF <sub>6</sub>	36 921.15
Air conditioning	545.35
Fleet vehicles	1 603.87
Diesel generating sets	201.67
<b>Scope 2</b>	<b>1 117 406.81</b>
Electricity consumption	801.24
Transmission grid losses	1 116 605.57
<b>Scope 3</b>	<b>431 791.99</b>
Purchase of goods and services	267 901.20
Capital goods	156 747.30
Energy production (not included in scope 1 and 2)	431.28
Waste	96.37
Transport and distribution	1 332.35
Business travel	1 388.47
Commuting	3 895.03
Leased assets	0

**Organisational boundaries**

The inventory only applies to the activities that take place in Spain. The calculation of Company's emissions, Red Eléctrica de España, SAU & Red Eléctrica de Infraestructuras de Telecomunicación SAU(REE), is performed under operational control criteria.

**Operational scope:**

Emissions associated to Company's activities and facilities are quantified, taking into consideration the following scopes:

1

V\_01.2019

**Scope 1: Direct GHG emissions (Greenhouse gases)**

Emissions resulting from the Company's controlled or owned sources:

- Fugitive Emissions: SF<sub>6</sub> gas leaks in electricity substations and refrigerant gases leaks from air conditioning systems.
- Mobile Combustion: emissions derived from fuel consumption of the fleet.
- Stationary combustion: derived from the combustion of fuels used in diesel generating sets. No other stationary combustion source exists in the Company.

**Scope 2: GHG indirect emissions from electricity consumption**

- Electricity consumption
- Electricity losses in the transmission grid.

**Scope 3: Other indirect GHG emissions**

- Supply chain: Purchase of goods and services.
- Capital goods.
- Life cycle of fuel and energy consumed: emissions due to energy production (not included in scope 1 and 2).
- Upstream transportation and distribution.
- Waste management.
- Business travel by plane, train and car (taxi, private and rented vehicles).
- Employees commuting to the work place.
- Leased assets (downstream).

2

V\_01.2019





**RED**  
**ELÉCTRICA**  
CORPORACIÓN

**Published by**

RED ELÉCTRICA  
Paseo del Conde de los Gaitanes, 177  
28109 Alcobendas [Madrid]

[www.ree.es/en](http://www.ree.es/en)

**Graphic design and layout**

dis\_ñ  
estudio@dis-n.es

**English Translation by**

Wayman English International  
[www.waymanenglish.com](http://www.waymanenglish.com)

This English version is a translation of the original and authentic Spanish text found in the 'INFORME DE SOSTENIBILIDAD 2018', originally issued in Spanish. In the event of discrepancy, the original Spanish language version shall prevail.