

**SUSTAINABILITY
REPORT**

Committed to intelligent energy

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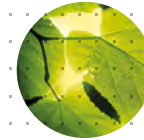
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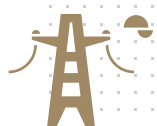
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KEY PERFORMANCE INDICATORS 2019

102-7 / 102-8



BUSINESS

47,401
km
of line circuit
in service

50,688
km
Fibre optic network

7
SATELLITES
in operation

97.94%
Availability rate
of the peninsular
grid



FINANCIAL

2,007.2
M€
Revenue

1,582.4
M€
EBITDA

718.0
M€
Net profit

1.0519
€/SHARE
Distribution
of dividends



CORPORATE GOVERNANCE

63.1%
Attendance at the
General Shareholders'
Meeting

12
BOARD
MEMBERS
Board
of Directors

58.3%
Independent
Board members

41.7%
Women
on the Board



EMPLOYEES

2,056
PEOPLE
Workforce
of the Group

31.8%
Women in the
management team

72
HOURS
Training
per employee

4.13
Accident
frequency rate



ENVIRONMENTAL

37.5%
Integration of
renewables into the
electricity system

23,614
tCO₂ eq.
Direct emissions
[Scope 1]

61%
of line marked with
bird-saving devices
in critical priority
zones

27.8 M€
Environmental
management
expenditure



SOCIAL

98%
Purchases from
suppliers within
the European Union

732
M€
Total tax contribution
for the year

8 M€
Investment
in the community

283 M€
Contribution from
transmission
grid investment
[Contribution to GDP]



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LETTER FROM THE CHAIRWOMAN

102-14



Beatriz Corredor Sierra

Chairwoman of the Red Eléctrica Group

The Red Eléctrica Group has celebrated its 35th anniversary. Throughout the years the Company has been operating, it has undertaken the responsibility of developing a business model capable of converting challenges into opportunities, basing its courses of action on excellence, innovation, integrity and transparency while striving to make its activity compatible with and respectful of the environment in addition to creating shared-value for society.

Today, as was the case three decades ago, our mission remains clear: to be useful to society as a global operator of strategic infrastructure. On this basis, our company carries out its activity with the aim of efficiently contributing to decarbonising the economy and to the energy transition, and it does so by integrating renewable generation and enhancing territorial cohesion and social inclusion by expanding the reach of connectivity. These are

challenges that we take on and in which we want to play a leading role, having sustainability as an essential lever to anticipate change and above all to take action in order to generate a positive and real value for society.

At present, we all find ourselves at a time of global transformation, a moment in which companies are active agents of change and must be especially attentive to global challenges. More than ever, it is necessary to move forward in the present by looking to the future. In the Red Eléctrica Group, we are firmly determined to be at the heart of global transformation. We are the main operator of strategic infrastructure in Spain, both in the realms of electricity and telecommunications, we are one of the leading managers of electricity transmission infrastructure in Latin America, and one of the largest satellite telecommunications operators in the world. We are also a company that is committed to technological



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innovation as a lever for change and business generation and, moreover, we have the most important elements: the talent and commitment of over 2,000 employees that make up this incredible business group.

In short, our Company has the three core assets that define the shift in the global paradigm: electricity, telecommunications, and talent. These elements will enable us to address the challenges and embrace the great opportunities that lie ahead.

One of the core purposes of the Red Eléctrica Group is to take on a leading role in the energy transition. Over the last 35 years, the electricity sector has not stopped transforming, innovating and improving for society. We are currently at a crucial moment in tackling the climate emergency and clearly the energy transition is key to achieving this goal. This transition implies changing the way we generate, distribute, and consume electricity, as well as making decarbonisation possible through electrification, energy efficiency, digitalisation or the key role played by the consumer. The energy transition is not possible without the Red Eléctrica Group and, for this reason, our strategy is to tackle head-on the challenges derived from the same through the development of more robust, smarter and increasingly better-interconnected grids for a better integration of renewables, as well as through new functions and technological solutions, such as energy storage, and through a greater level of digitalisation in the operation of the system.

The time for making declarations of intent is behind us and now is the time to act more responsibly than ever before. With this commitment in mind, the Red Eléctrica Group implements specific courses of action in order to generate value and contribute to economic, environmental and social progress by complying with the ten principles of the United Nations and by adopting the 2030 Agenda with the aim of contributing to the Sustainable Development Goals (SDGs). We have firmly adopted and undertaken a Sustainability Commitment for 2030 which is

Red Eléctrica's contribution will be key in the energy transition of our country and, therefore, 53% of the investments of the 2018-2022 Strategic Plan are aimed at making this transition possible.

cross-cutting in nature and represents an essential pillar that establishes the framework for our corporate business strategy. Furthermore, in 2019, the Red Eléctrica Group took a firm step towards undertaking specific long-term commitments by approving the eleven Red Eléctrica Group Sustainability Objectives for 2030 that define our roadmap and reflect our ambition to contribute solutions for today's world.

Consequently, we have a great challenge ahead of us and have taken on a great commitment: to consolidate what we have done thus far and to continue working, as a global operator of strategic infrastructure. For the last 35 years, we have been committed to progress, sustainable development, and the well-being of citizens. Our mission continues. The next 35 years await us.



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LETTER FROM THE CEO

102-14



Roberto García Merino
Chief Executive Officer

The Red Eléctrica Group works to contribute efficiently to decarbonising the economy and connecting citizens through technological innovation, the sustainable expansion of electrification and telecommunications, guaranteeing connectivity and access to new renewable generation and favouring territorial cohesion and social inclusion. With this vision in mind, the Board of Directors approved the 2018-2022 Strategic Plan of the Red Eléctrica Group in February 2019.

In order to successfully face the key role that the Company has in the transition towards a sustainable and decarbonised economy in a context of technological disruption and transformation, this new Strategic Plan is aimed at fulfilling the following objectives: make the energy transition possible, become a reference operator of telecommunications infrastructure, expand the Group's business abroad and accelerate technological innovation.

To this end, the Red Group Eléctrica will invest a total of €6 billion until 2022, of which more than half will be used to make the energy transition possible in Spain.

In 2019, the Red Eléctrica Group took important steps to consolidate the Company as a global operator of electricity and telecommunications infrastructure both in Spain and abroad. Therefore, last October the Company acquired 89.98% of the shareholding of Hispasat, S.A., the leading satellite infrastructure operator in Spain and Portugal by business volume, the fourth operator in Latin America and the eighth worldwide.

In addition, in order to meet its goal to develop its business activity abroad, the Red Eléctrica Group agreed on the acquisition of 50% of the Brazilian company Argo Energía which has enabled the Group to commence its operation in Brazil through the



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In 2019, we successfully met the challenge of integrating an all-time record of 6.5 GW of new renewable power into the electricity system and, at the same time, we continued making progress in the sustainable development of the transmission grid with an investment of 396 million euros.

co-management, for a period of 30 years, of three electricity concessions that total 1,460 km of high voltage circuit and 11 substations.

With the objectives of accelerating technological innovation, generating competitive advantages and creating business opportunities, we have created Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología. Through

this new company, we will be able to take advantage of the potential of the main technologies to boost innovation in two strategic areas such as electricity and telecommunications.

Focusing on our Company's vital role in the energy transition, in the last year we have continued to maximise the safe integration of renewables into the system while ensuring the security of supply at all times. In 2019, we managed to successfully take on the challenge of integrating an overall renewable power capacity that has risen to 6.5 GW, an all-time record for the Spanish electricity system. At the same time, we have continued to make progress in the sustainable development of the transmission grid with investments that totalled €396 million and which have enabled us to commission 198 km of new line circuit and 168 substation bays in 2019.

As it has done in previous years, the Red Eléctrica Group has maintained stable growth, showing solid results and an important strengthening of their key financial indicators, while maintaining a clear focus on operational efficiency and creating value on an ongoing basis. Additionally, in 2019 the Company strengthened its commitment to sustainable financing by establishing and adopting a Green Financing Framework, in order to issue Green Financial Instruments that allow us to promote projects that accelerate the energy transition in Spain.

The Red Eléctrica Group closed 2019 with a profit of €718 million, a figure 1.9% higher than that achieved in 2018. Investments reached €1.87 billion, around 3.4 times the amount invested in 2018, and direct shareholder return increased by 7% compared to the previous year.

In the coming years, we will continue to work to fulfil the commitments of our 2018-2022 Strategic Plan, providing essential services under the criteria of security, efficiency, and sustainability.



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The Sustainability Report of the Red Eléctrica Group reflects the Company's commitment and contribution to sustainable development and its ability to take on global challenges. In this respect, this report **incorporates the latest trends in reporting** and offers **transparent, reliable and balanced information** on the Company's management and performance in terms of sustainability during 2019, focusing on those aspects identified as material issues for the Red Eléctrica Group and its stakeholders. / 102-50

The focus on quality, rigour and transparency in this Report has enabled the Company to reach the United Nations Global Compact 'Advanced-level' reporting status, the highest qualification awarded by this body for the report in compliance with the ten Principles that protect aspects regarding human rights, labour standards, the natural environment and anti-corruption.

Furthermore, the Sustainability Report of the Red Eléctrica Group was ranked in the leading position of the 2019 Reporta Report, a study that, since 2010, analyses the quality of the information

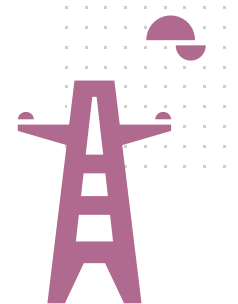
The quality, rigour and transparency of the Red Eléctrica Group Sustainability Report is recognised by its stakeholders, who consider it a leading report in Spain.

THE 2019 REPORTA REPORT

WHICH ANALYSES THE QUALITY OF THE REPORTS PUBLISHED BY COMPANIES LISTED ON THE MADRID STOCK EXCHANGE GENERAL INDEX, RANKED THE SUSTAINABILITY REPORT OF THE RED ELÉCTRICA GROUP IN THE

1st
POSITION

of the general ranking for the scores obtained in the transparency, commitment, relevance, and accessibility principles





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The Red Eléctrica Group is the first IBEX-35 company to incorporate the Sustainability Accounting Standards Board (SASB) reporting standard in its annual sustainability report.

companies listed on the Madrid Stock Exchange General Index make available to their shareholders and stakeholders when holding their ordinary Annual General Shareholders' Meeting.

The Red Eléctrica Group has published the 17th Edition of this report, which since 2003 has been prepared in accordance with the **Global Reporting Initiative (GRI) Guidelines** and includes the additional information applicable and required in the **Electric Utilities sector supplement** in its G4 version. Specifically, the 2019 Sustainability Report has been prepared following the GRI Standards: **Comprehensive option. / 102-51 / 102-52 / 102-54**. In 2019, as proof of the ongoing commitment by the Company to improve the sustainability information it publishes, noteworthy is the **early adoption of the GRI 207 standard on tax matters and the GRI 303 on water and effluents**, which will be effective and mandatory for reports published on or after 1 January 2021.

Additionally, this report fulfils the commitment of the Red Eléctrica Group 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 the Company's contribution to the **Sustainable Development Goals (SDGs)**. Similarly, it responds to **Recommendation 55 of the Good Governance Code** of listed companies of the National Securities Market Commission (CNMV) and also includes aspects defined by the **International Integrated Reporting Council (IIRC)** for the drafting of comprehensive reports.

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fulfils the Group'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 the Group's contribution to the Sustainable Development Goals (SDGs).

As a new element in 2019, and in order to continue making progress in offering stakeholders more complete and adequate information on the Company's ability to create value, the Red Eléctrica Group now also incorporates information in accordance with the Sustainability Accounting Standards Board (SASB) reporting standard for those aspects applicable to Electric Utilities & Power Generators and Telecommunication Services sectors. This framework emerged



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EXTERNAL VERIFICATION

To verify and guarantee the reliability of information provided to its various stakeholders, the Red Eléctrica Group has submitted this report to external verification, with a limited level of assurance.

in 2011 with the goal of helping companies listed on the U.S. stock exchange to report on their non-financial performance, especially in the communications industry as required by the United States Securities and Exchange Commission and has consolidated itself as a channel that responds to the demands of investors for comparable information on sustainability that is useful in their decision-making process. The incorporation of this reporting framework, of reference in the investment markets, has allowed the Red Eléctrica Group to become the first IBEX-35 company to include this standard in its Annual Sustainability Report.

The Annex section of this Report includes a table of contents in relation to GRI and SASB reporting standards.

Regarding the scope of coverage, the Sustainability Report of the Red Eléctrica Group contains relevant information on the management approach, actions, and results of the Group's activities. The shareholding structure of the Group is detailed in the Consolidated Annual Accounts Report and the 'Corporate Governance' section of this report [Chapter 3]. In this regard, it should be noted that on 3 October, 2019, Red Eléctrica Corporación [REC] formalized the acquisition of 89.68% of the shareholding of the satellite manager, Hispasat, after obtaining the corresponding permits and authorizations from both the Spanish Government as well as from those other countries in which the

company carries out its activity. / 102-10. If and when the information reported does not cover the full scope desired, the corresponding chapter of each Report can provide more in-depth data. / 102-45

In order to assess the evolution of the performance of the Red Eléctrica Group 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. / 102-48

To verify and guarantee the reliability of information to be presented to the various stakeholders, the Red Eléctrica Group 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 Annex section of this document. / 102-56

The Red Eléctrica Group invites the readers of this report to explore in greater detail the information about the Company's management and performance via the data published on its [corporate website](#), or through the Annual Corporate Governance Report and the Consolidated Annual Accounts of the Red Eléctrica Group, which include the Management Report regarding the Group's businesses and non-financial information for 2019, and which responds to the requirements of Law 11/2018, of 28 December, on non-financial information and diversity.

Red Eléctrica welcomes opinion on this report. Please send us your comments and suggestions through the various channels available through the Dígame Service. / 102-53

- **Corporate website:** www.ree.es/en/digame-attention-centre
- **E-mail:** digame@ree.es
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MATERIALITY

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In 2019, with a view to advancing the 2030 Sustainability Commitment, the Red Eléctrica Group updated its Materiality Study in accordance with the Global Reporting Initiative (GRI) standards for the drafting of sustainability reports. This report focuses on those issues identified as relevant in said materiality analyses.

DRAFTING PROCESS

OBJECTIVE

MANAGEMENT

Issue identification

Analyse the sustainability context to identify the main impacts, risks and opportunities that affect or may affect the sustainability of the Group. The process is carried out with the active participation of stakeholders.

The Company identified a total of 16 relevant issues in the analysis of the sustainability context and that include the following analysis:

- Trend analysis.
- Industry Benchmarking.
- Strategic interviews with the senior management team and key technical personnel at the Company.
- In-depth interviews with external stakeholders.
- Analysis of internal information.

Issue prioritisation

Internal and external assessment of the criticality of the identified issues for the achievement of long-term objectives of the Company and to maximise its contribution to helping fulfil the overall goals.

The prioritisation matrix provides a dual analysis of the issues, revealing both their internal importance, assigned by the senior management team and key technical personnel of the Company, and their external influence, based on the value designated by the external stakeholders who were consulted.

Issue evaluation and validation

Cross-organisational analysis of the results arising from the issue identification and issue prioritisation phases.

The validation phase included within the design of the 2030 Commitment to Sustainability has had the participation of key areas of the Red Eléctrica Group and with whom the results of the previous phases were evaluated and the opportunities associated with each of the material issues were identified, as well as their impact on the 2018-2022 Strategic Plan and any connection with the Sustainable Development Goals.

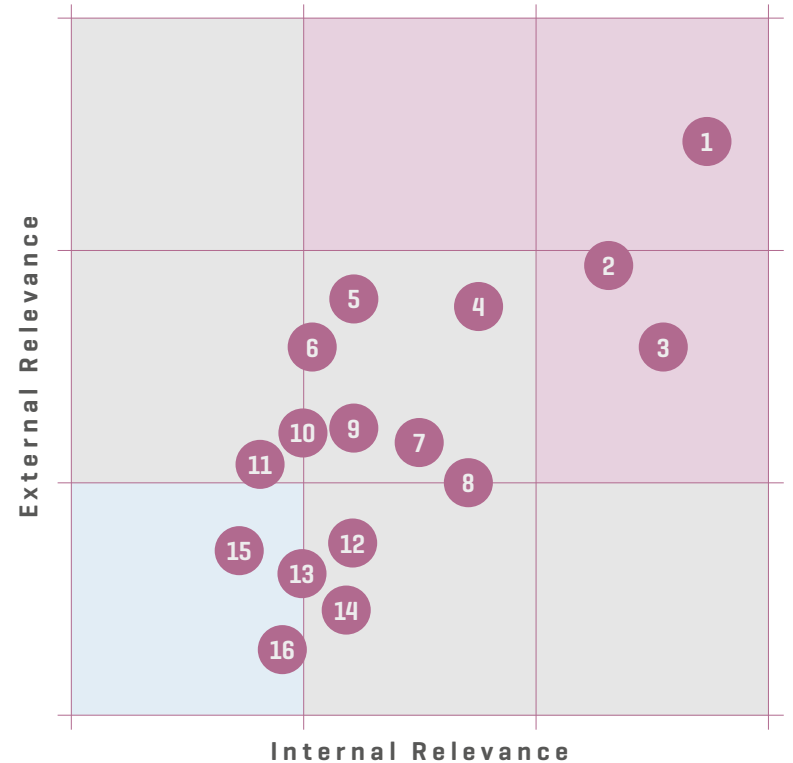


The updating of the materiality study included the identification of the opportunities associated with each relevant issue, as well as its impact on the 2018-2022 Strategic Plan and any connection with the Sustainable Development Goals.

RELEVANT ISSUE PRIORITISATION MATRIX

The materiality analysis determined 16 material issues for the Red Eléctrica Group and its stakeholders, which will set the groundwork for the update of the Company's Sustainability Plan.

PRIORITISATION MATRIX



Issue prioritisation

CRITICAL	HIGH	MEDIUM
1 Energy transition	4 Digital transformation	15 Talent
2 Climate emergency	5 Biodiversity and natural capital	16 Digital divide
3 Innovation and technology	6 Corporate governance and ethics	
	7 Diversity	
	8 Financial strength	
	9 Contribution to society	
	10 Circular economy	
	11 Occupational health & safety and wellbeing	
	12 Ties with the communities	
	13 Supply Chain	
	14 Customer oriented	



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MATERIALITY ISSUES: DESCRIPTION AND IMPACT / 103-1

ISSUES	MATERIALITY CONSIDERATION	GRI ISSUE	GRI INDICATORS	SUSTAINABLE DEVELOPMENT GOALS (SDGs)	IMPACT INT / EXT
Energy transition	The need to develop a new energy model, driven by European policies, overall climate goals and cost reduction, has implications for the business models of energy companies that must respond to specific challenges including the integration of a higher percentage of renewable sources in the energy mix, the need to have energy storage to cope with the variability of these energies and the increased use and number of electric vehicles.	Financial performance Electricity availability and reliability	201-2 EU10	 	• •
Climate emergency	Meeting the target of limiting the temperature increase to 1.5°C is only possible through the adoption and development of ambitious efficiency and emission reduction strategies. The business sector must assess the risks arising from climate change and takes a proactive stance in mitigating the problem by contributing to the achievement of the targets defined in the Paris Agreement.	Governance Financial performance Energy Emissions System efficiency	102-29 201-2 302 305 EU12	 	• •
Innovation and technology	The fourth industrial revolution will mean the development of new technologies that merge the physical and digital world. In this regard, in the coming years, it is expected that tools, such as artificial intelligence, robotisation and virtualisation will be part of the processes, providing efficiency and security and that the creation of internal innovation fabric and the establishment of collaborations with external agents will be contemplated, allowing the incorporation of new ideas within companies.	Governance Indirect financial impacts	102-31 203-1	 	• •
Digital transformation	Advanced data analytics (big data, predictive analysis, etc.) will provide flexibility to the management of data, as well as its traceability and the possibility of monitoring it, thus enabling the complete control of the data. Thanks to these systems, the information generated by the internet of things (IoT) can be analysed and interpreted, obtaining an unprecedented vision and amount of valuable data that robotisation will take to the physical plane.	The current GRI Standards do not include indicators linked to this issue	-	 	•

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ISSUES	MATERIALITY CONSIDERATION	GRI ISSUE	GRI INDICATORS	SUSTAINABLE DEVELOPMENT GOALS (SDGs)	IMPACT INT / EXT
Biodiversity and natural capital	Biological diversity is under threat worldwide, which will affect the quality and quantity of resources that can be obtained from ecosystems. Similarly, the climate emergency will put additional pressure on ecosystems and contribute to the sixth mass extinction.	Strategy Governance Water Biodiversity Effluents and waste	102-15 102-29 and 102-31 303 304 306-1, 306-3 and 306-5		• •
Corporate governance and ethics	Companies integrate sustainability into their corporate governance structures and design incentives linked to sustainability objectives, with an impact on remuneration schemes at the highest level of management, in order to ensure that the goals of the governing bodies and the management team are geared towards achieving the business purpose. All this reflects a growing ESG shareholder activism marked by an increase in passively managed assets, the concentration of equity in a smaller number of managers and the greater presence of institutional investors who integrate ESG criteria into their decision-making process.	Ethics and integrity Governance Anti-corruption	102-16 and 102-17 102-18 to 102-39 205-1 to 205-3		• •
Diversity	Companies are aware that having diverse environments according to different factors (age, knowledge, culture, skills) brings many advantages to organisations. With respect to gender equality, there is consensus that cultural stereotypes that have limited women's ability to take advantage of career opportunities to the same extent as their male peers must be addressed.	Organisational profile Governance Employment Diversity and equal opportunities Non-discrimination	102-8 102-22, 102-24 and 102-35 401-1 405 406-1		• •
Financial strength	Investors have progressively moved towards more responsible positions in their asset allocations, consolidating the concept of socially responsible investment (SRI). Sustainable loans and green bonds are also one of the fastest-growing market segments, although they still occupy a marginal position in the global market.	Financial performance	201-1, 201-2 and 201-4		•

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MATERIALITY ISSUES: DESCRIPTION AND IMPACT / 103-1











Continued

ISSUES	MATERIALITY CONSIDERATION	GRI ISSUE	GRI INDICATORS	SUSTAINABLE DEVELOPMENT GOALS (SDGs)	IMPACT INT / EXT
Contribution to society	Society increasingly demands that companies develop their operations not only to ensure the provision of a service but ensuring that this is done responsibly and with the aim of generating value for society and especially in the areas where the Company's facilities are located. Stakeholders expect companies to be involved in the solution of the main social and environmental problems, integrating them into their business strategies and measuring and clearly communicating the value that their activity brings to society.	Organisational profile Financial performance Procurement practices Employment	102-12 and 102-13 201-1 204-1 401-1	 	•
Circular economy	The need to make more efficient use of natural resources has precipitated a change in production models and consumption patterns, encouraging reuse and savings in the consumption of materials. At the same time, growing restrictions on access to some of these resources have led to greater price volatility, which generates significant uncertainty in how business is carried out.	Effluents and waste	306-2, 306-3 and 306-4	 	• •
Occupational health & safety and well-being	Poor occupational health and safety performance can be a risk that may have a high impact on a Company's reputation. In addition, a new trend in the field of occupational health is the consideration by companies of issues such as the well-being or the care of the mind health of employees to prevent accidents arising from situations of emotional stress.	Occupational health and safety Forced or compulsory labour Employment	403 409-1 EU18		• •
Ties with the community	The level of conflict with local communities has increased due to opposition to the development and construction of new infrastructure. Companies should consider the population as a potential ally for the implementation of their projects. In this regard, it is essential to generate trust and develop effective communication channels in order to produce positive results and impacts for all the players involved.	Governance Participation in stakeholder groups Local communities	102-21 102-43 413-1 and 413-2		•

Continued on next page

MATERIALITY ISSUES: DESCRIPTION AND IMPACT / 103-1

Continued

ISSUES	MATERIALITY CONSIDERATION	GRI ISSUE	GRI INDICATORS	SUSTAINABLE DEVELOPMENT GOALS (SDGs)	IMPACT INT / EXT
Supply chain	The supply chain is a strategic component of business activity given the potential economic, environmental, and even reputational impacts of inadequate management. This is particularly evident with regard to sustainability, where companies must extend their commitment to suppliers. Supply chain performance is key to achieving common goals. In addition, other opportunities are arising from this increased engagement of companies with their suppliers and the generation of alliances that allow access to new best practices and raising awareness on the relevant know-how.	Organisational profile Procurement practices Supplier environmental assessment Freedom of association and collective bargaining Child labour Forced or compulsory labour Supplier social assessment	102-9 and 102-10 204-1 308 407-1 408-1 409-1 414	 	•
Customer orientation	A new generation of consumers with growing expectations in their relationship with companies is becoming more evident. Given this, companies focus their efforts on maintaining a constant dialogue with customers in order to know their expectations to improve the services provided. This becomes especially relevant in a context of growing consumer empowerment. Customers demand joint value creation with companies and increased access to relevant information.	Governance Customer health and safety Customer privacy	102-21 416, EU26, EU28 and EU29 418-1		•
Talent	Companies must adapt to the characteristics and preferences of new generations of employees in order to be more competitive in attracting new talent and retaining existing talent, particularly digital talent. The shortage of professionals trained in these new areas in the market and the increasing competition from employers for their services poses a major challenge. Similarly, in contexts of business growth and diversification, where there are increasingly large and diverse workforces, it is necessary to promote a business culture based on common corporate values.	Employment Training and education Human rights assessment	401-1 404-1, 404-2 and 404-3 412-2	  	•
Digital divide	The spread of new technologies and Internet access worldwide is an indicator of economic growth. However, this expansion has occurred unevenly, resulting in the creation of a digital divide that, if maintained, could increase the existing situation of inequality both between countries and between regions within countries.	The current GRI Standards do not include indicators linked to this issue	-	   	• •



RED ELÉCTRICA GROUP

We are a global operator of essential infrastructure, and we manage electricity transmission grids, fibre optic networks and satellites.

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THE COMPANY

OUR STRENGTHS

AT PRESENT WE ARE A BUSINESS GROUP:



More diversified in key sectors of the economy



More committed to sustainable development



Stronger, more solid and a more capitalised business



More necessary to make the energy transition possible



Larger, with greater investment



More useful socially



More stable by diversifying its activity in various sectors and markets



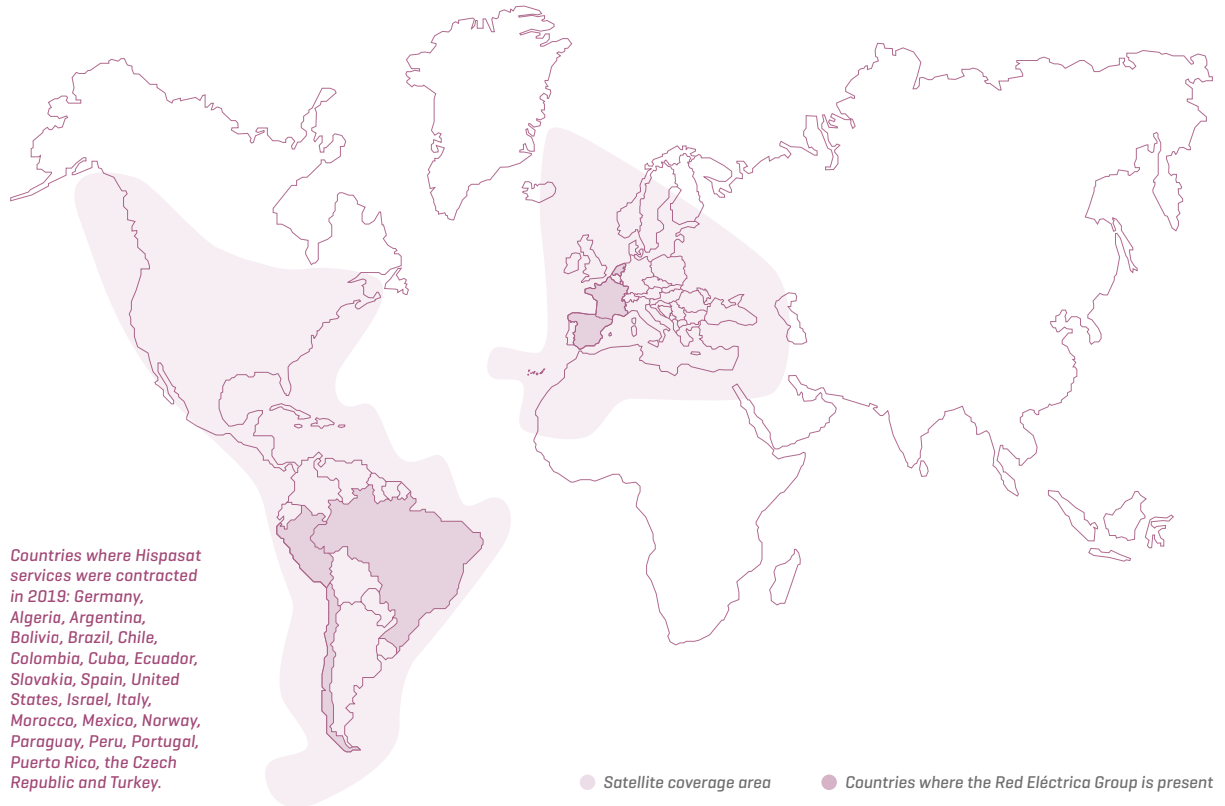
More profitable for its stakeholders

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.

At present, the Red Eléctrica Group has established itself as a global operator of essential infrastructure, managing electricity transmission grids in Spain, Peru and Chile, and telecommunications networks (fibre optics and satellites) and with an important element of innovation and technological development.

PRESENCE OF THE RED ELÉCTRICA GROUP WORLDWIDE





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BUSINESS ACTIVITIES

102-2 / 102-4 / 102-6

ELECTRICITY · BUSINESS



RED ELÉCTRICA DE ESPAÑA is the sole transmission agent and operator (TSO) of the Spanish electricity system. Its mission is to operate the system in real time, guaranteeing the security of supply and the safe integration of renewable energy. Furthermore, it develops, expands, and maintains the high-voltage electricity transmission grid in a sustainable way.

44,472 km

of line circuit in service

265 TWh

of energy managed

37.5 %

Integration of renewables into the electricity generation mix in Spain



RED ELÉCTRICA INTERNACIONAL is oriented to the construction and operation of electricity transmission grids outside of Spain. Currently, it carries out projects in Peru and Chile, through the companies integrated within it. In addition, the Company carries out electrical maintenance of medium and high voltage infrastructure, protection systems and telecommunications systems, as well as technical consulting for energy projects in Peru.

1,558 km

of electricity infrastructure in service in Peru

1,471 km

of electricity infrastructure in service in Chile



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Hispasat offers video satellite communication services, data retransmission and mobility services, through 7 operational satellites.

TELECOMMUNICATIONS · BUSINESS



REINTEL operates and manages a dark fibre optic network that is deployed along the electricity transmission grid and the Spanish railway network, acting as a neutral supplier of telecommunications infrastructure for the main agents of the sector and telecommunications operators with a presence in Spain. Its main activity is the leasing of surplus dark fibre optic network and technical sites and spaces for the housing of telecommunications equipment. Additionally, REINTEL provides maintenance services for fibre optic cables and telecommunications equipment.

50,688 km

of fibre optic network

1,181

telecommunications sites



Hispasat offers video satellite communication services, data retransmission and mobility services, through 7 operational satellites. It is the leading Spanish operator of communications satellites in the distribution of content in Spanish and Portuguese, including the transmission of important digital platforms for Direct to Home Television and High Definition Television. Hispasat also provides broadband and satellite connectivity services in the Americas, Europe and North Africa.

8th

satellite operator in the world

4th

satellite operator in Latin America

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OTHER ACTIVITIES

TECHNOLOGICAL COMPANY

Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología (RETIT) is focused on accelerating technological innovation, generating competitive advantages and creating business opportunities in order to help the Red Eléctrica Group become a benchmark company in the field of technology. RETIT will contribute to driving the energy transition and the transmissibility of data and accessibility to information, streamlining the relationships between the Red Eléctrica Group and the entire national and international innovation and entrepreneurship ecosystem.

Programmes Investment

for the acceleration of startups in venture capital



Red Eléctrica Infraestructuras en Canarias (REINCAN) develops pumped-storage hydroelectric projects that can serve as tools at the service of the electricity system operator to improve guarantee of supply, system security and the integration of non-manageable renewable energy on the Canary Islands.

200 MW

turbine power capacity

220 MW

pumping capacity

IN THE CHIRA-SORIA PUMPED-STORAGE HYDROELECTRIC POWER STATION

RELEVANT EVENTS IN 2019

JAN 2019	FEB 2019	MAR 2019	APR 2019	MAY 2019	JUN 2019	JUL 2019	AUG 2019	SEP 2019	OCT 2019	NOV 2019	DEC 2019
	Approval of the 2018-2011 Strategic Plan of the Red Eléctrica Group.			Creation of the Group's new technological company: Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología (RETIT).		Acquisition of 100% of Concesionaria Línea de Transmisión CCNCM S.A, the company holder of the concession contract for the Carhuaquero-Moyabamba line in Peru.			Acquisition of 89,68% of the shareholding of Hispasat, S.A	Agreement for the acquisition of 50% of the Brazilian company Argo Energía.	Completion of the Works for the laying of subsea cable of the new the new link between the islands of Menorca-Majorca.



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A BUSINESS MODEL FOCUSED ON THE CREATION OF VALUE

The business model of the Red Eléctrica Group creates value for all its stakeholders and for society in general, through the following levers:

- **Taking a leading role in the energy transition**, through the integration of renewable energy, energy efficiency and the electrification of the economy.
- **Guaranteeing an efficient, safe and sustainable electricity supply to all of society**, through the neutral management of the transmission grid.
- **Being an operator of reference in the management of telecommunications infrastructure**; a strategic element for society and for future economic development.
- **Contributing to reduce the digital divide** by improving the connectivity of the communities located in the vicinity of the Group's infrastructure and facilitating their access to information and communication technologies.

We are a company where sustainability is always present in our decision-making process, seeking to provide added value to all stakeholders and to generate a positive and continuous social impact in the territory.

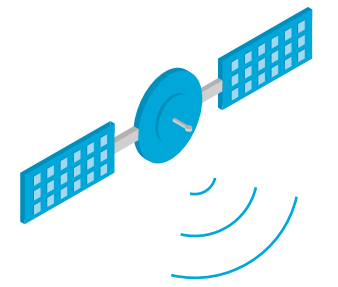


- **Undertaking technological innovation** to respond to current and future challenges.
- **Promoting the conservation and protection of the natural environment**, always seeking to implement solutions that generate the least possible impact, or that help to offset any effects that may be generated.
- **Contributing to the socio-economic development of the communities in which our facilities are located**, through collaboration and social innovation programmes, with a special focus on the rural environment.

VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL

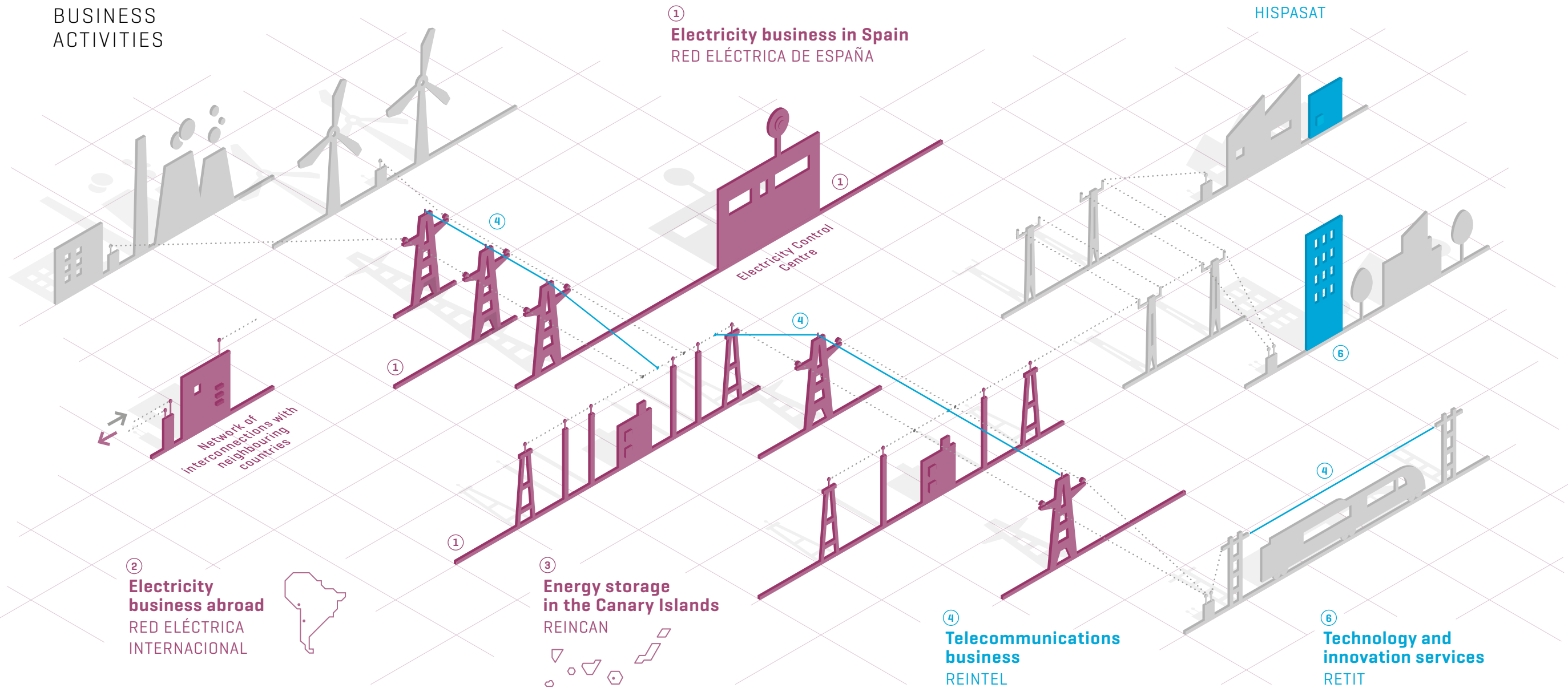
RESOURCES

INFRASTRUCTURE 47,401 km of circuit in service 50,688 km of fibre optic network 7 satellites in operation	FINANCIAL RESOURCES 1,870.4 M€ investment 1,071 suppliers	HUMAN RESOURCES 2,056 employees in the Group 4,306 € training per employee	INNOVATION 10.6 M€ investment in innovation 88 innovation projects	ENVIRONMENT 27.8 M€ environmental expenditure, of which 19.5 M€ were allocated to the protection of biodiversity	SOCIETY 8 M€ investment in the community 109 agreements signed with local administrations in Spain 545 social initiatives
--	--	---	---	--	--



5 **Telecommunications business**
HISPASAT

BUSINESS ACTIVITIES



CREATION OF VALUE

EMPLOYEES 160.1 M€ personnel costs 96.7% fixed contracts	SOCIETY 283 M€ GDP contribution as a result of the investments made in Spain 4,727 job positions corresponding to the investment in Spain 732 M€ total tax contribution for the year	SUPPLIERS 617 M€ in purchases of goods and services 91% of suppliers with their head office in Spain	CUSTOMERS 97.94% availability rate of the electricity grid on the Spanish peninsula 99.86% availability rate of the transmission system managed in Peru 99.67% availability rate of the transmission system managed in Chile (TEN) 100% availability of the payload capacity of the satellite fleet	SHAREHOLDERS AND INVESTORS 495 M€ distribution of dividends	ENVIRONMENT 26,675,082 t of CO ₂ avoided 37.5% Integration of renewables in Spain
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STRATEGY

The 2018-2022 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 channel for growth and the creation of value.



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MACROECONOMIC & SOCIAL ENVIRONMENT, AND THE ENERGY & TELCO REGULATORY FRAMEWORK

At the time this Report was compiled, the World Health Organisation (WHO) had not issued the declaration of a global pandemic regarding the COVID-19 outbreak, known as Coronavirus. Therefore, it is necessary to point out that the following information does not integrate the potential impacts of COVID-19.

MACROECONOMIC ENVIRONMENT

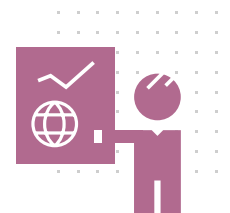
International

- Growth rates in the global economy are experiencing a slowdown and forecasts have been made that would put **world GDP growth at around 2.9% in 2019**. This slowdown is conditioned, in part, by the downturn in the growth of the economies of China and India, the US-EU and US-China trade relations, and geopolitical tensions such as, for example, those in the Persian Gulf.
- **Monetary policy** has played a significant role in supporting growth, feasible due to the simultaneous relaxation of economic policies in advanced economies and emerging markets, which has

For 2020, the forecasts point to a stabilisation in world growth rates, which are expected to increase to 3.3% next year.



GLOBAL GDP GROWTH IN 2019



2.9%

AS A RESULT OF THE SLOWDOWN IN GDP GROWTH RATES IN THE GLOBAL ECONOMY



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ECONOMIC GROWTH RATE IN SPAIN IN 2019

2%

WITH AN EXPECTED GROWTH OF 1.6% FOR 2020 AND 2021



IN 2019

There has been a greater involvement of the various political, economic and social agents in contributing to the achievement of the Sustainable Development Goals (SDGs).

allowed, to a certain extent, to counteract the conditioning factors indicated in the previous bullet point.

- Falls in the price of crude oil, which placed the average price of Brent Crude at \$64.36 per barrel in 2019, 9.4% lower than in 2018, have represented a saving for society and has helped reduce the overall impact on the incomes of individuals.
- Latest forecasts point to a stabilisation in **global growth rates for 2020**, which is forecasted to increase to **3.3%**. These favourable signs are accompanied by the appeasement of various sources of risk, such as a certain relaxation in the trade conflict between China and the US, as well as a higher level of optimism associated with Brexit happening with an agreement in place.

Spain

- The 'advance estimate' of the latest quarterly Gross Domestic Product (GDP) Report published in January 2020 estimates a **2% growth in the Spanish economy for 2019**, with a trend showing a slight slowdown in growth rates, although maintaining variations in the country's activity that are higher than those of the EU which is Spain's main trading partner.



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For Spanish citizens, the climate emergency is the second most serious problem facing the world, only behind that of poverty, hunger and the lack of drinking water (Eurobarometer of the European Commission 2019).

- The growth forecast for Spain is estimated at 1.6% for 2020 and 2021 according to the International Monetary Fund's outlook report published in January 2020.

- After a year of some uncertainty and political stalemate, with the repetition of general elections, the beginning of 2020 has been accompanied by an unblocking of the political situation in Spain, with the formation, for the first time ever, of a coalition government (PSOE- Unidas Podemos).

Social Environment

- The social context is still very marked by demographic changes. In the first half of 2019, the Spanish population reached its all-time high, exceeding 47 million inhabitants thanks to the increase in immigration, as the natural rate of population growth reached a negative rate with more deaths being registered than births. Thus, **the ageing of the population** (with an average age of 43.4 years) and the **depopulation of rural areas of Spain**, with 61% of the municipalities at risk of disappearing in the mid-term as they have less than 1,001 inhabitants, are two of the main challenges that have set the social agenda during 2019 and will probably continue to do so next year.
- Spain has continued to advance in the fulfilment of the 2030 Agenda during 2019, with an ever-increasing involvement by the different political, economic and social agents, who have placed the **United Nations Sustainable Development Goals (SDGs)** at the centre of public debate.

- During 2019, of note were the **social demonstrations that were held around the world** to demand governments and companies take urgent and effective actions against the climate emergency; protests that were also widespread in Spain. In fact, according to the Eurobarometer of the European Commission for 2019, Spanish citizens place the climate emergency as the second most serious problem facing the world, only behind that of poverty, hunger and the lack of drinking water, and ahead of international terrorism. Within this framework, the Government of Spain hosted the **25th United Nations Summit on Climate Change (Conference of the Parties or COP25)** in Madrid, chaired by the Government of Chile during the 2019 Summit, thus reflecting the commitment to this global challenge.

ENERGY ENVIRONMENT

- The **variation in annual demand** of the Spanish electricity system for 2019 stood at -1.6%, decreasing to -2.5% once the influence of seasonal and working patterns have been factored in.
- In the regulatory field at European level, of note was the final approval of the latest legislative acts that develop the **'Clean Energy for all Europeans Package'**. Of the eight legislative acts it comprises of, four had already been published during 2018: The Energy Performance of Buildings Directive, the Energy Efficiency Directive, the Renewable Energy Directive and the Regulation on the Governance of the Energy Union. The other four provisions of the Package, further behind in their processing, were finally adopted by the European Parliament and by the Council and published in the Official Journal of the European Union on



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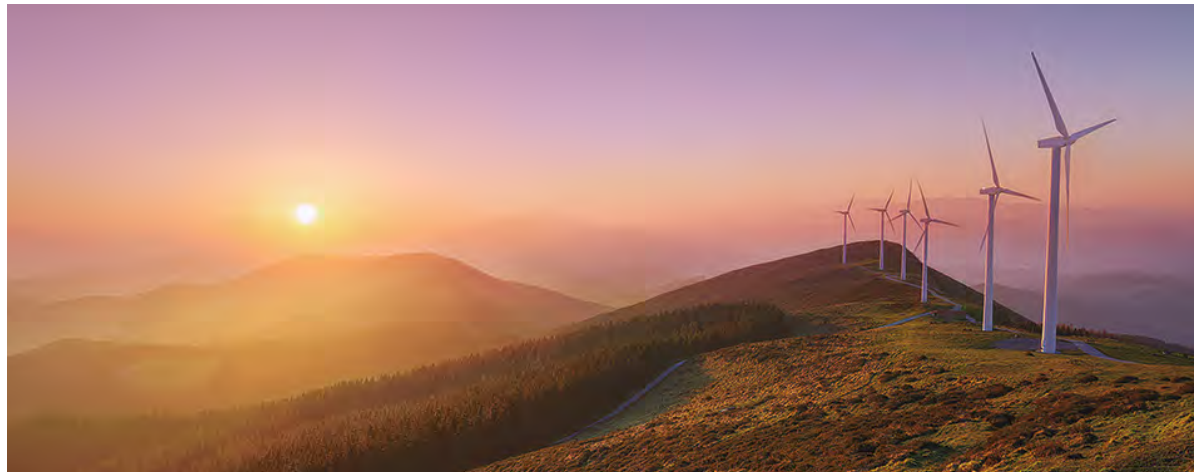
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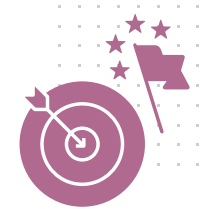


IN 2019

Noteworthy in the European regulatory scope was the final approval and publication of the 'Clean Energy for all Europeans Package'.

14 June. These provisions are the Electricity Directive and Electricity Regulation, the Risk Preparedness Regulation in the electricity sector and the Agency for the Cooperation of Energy Regulators [ACER].

- The latter four legislative acts indicated in the previous bullet point are part of the framework of a **new and modern design of the European electricity market**, reinforcing supranational aspects such as the establishment of the Regional Coordination Centres, the creation of the European Entity for Distribution System Operators (DSOs) or the strengthened role of the Agency for the Cooperation of Energy Regulators [ACER].
- The other essential pillar of the Package is the fight against climate change, setting **ambitious targets for 2030** such as the 40% reduction of emissions, increasing to at least 32% in renewable energy sources in the energy mix and a 32.5% increase in energy efficiency.
- As a target for 2050, the new European Commission chaired by Ms. Ursula Von der Leyen presented its **European Green Deal** on 11 December. This agreement consists of an ambitious set of proposals



EUROPEAN ENERGY TARGETS FOR 2030

40%

REDUCTION OF EMISSIONS

32%

OF RENEWABLE ENERGY SOURCES IN THE ENERGY MIX

32.5%

ENERGY EFFICIENCY



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in the field of energy, environmental and climate policy with the primary goal of helping the European continent become the first neutral actor in carbon emissions by 2050.

- At a national level and to comply with the provisions of Regulation [EU] 2018/1999 on the Governance of the Energy Union and Climate Action, Spain has addressed how it is going to contribute to the EU's 2030 energy and climate targets in the draft of its **Integrated National Energy and Climate Plan [NECP]**. Thus, according to the draft that was sent in February 2019 to the European Commission, by 2030 Spain plans to achieve a 21% reduction in CO₂ emissions, a 42% share of renewable energy in the final energy mix and an energy efficiency of 39.6%. In the latest version of the draft, published in January 2020 following the consultation process regarding the Strategic Environmental Study, the emissions reduction target has been raised to 23%.
- On the other hand, after the publication in January of Royal Decree-Law 1/2019, on measures to bring the competencies of the **Spanish National Markets and Competition Commission [CNMC]** in line with the requirements derived from EU law. The CNMC, in its capacity as national regulatory authority, has now taken **on the powers in the field of electricity and natural gas** that correspond to it in accordance with EC law. These powers include those directly linked to the remuneration of Red Eléctrica de España.
- To exercise its new powers in regulatory matters, the CNMC envisaged the approval of thirteen regulatory circulars, although, in the end, it presented fourteen. Those circulars with an impact on the electricity sector [i.e. those not relating to the gas sector] have been approved. These circulars include all those relating to methodologies and remuneration parameters of regulated activities, [electricity transmission, distribution and system operation] and those of market operation, as well as the methods for calculating the tariff for electricity transmission and distribution. The circular establishing the methodology and



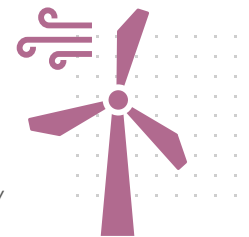
IN 2019

The European Green Deal was presented, an agreement which aims to help the European continent become the first neutral actor in carbon emissions by 2050.

INTEGRATED NATIONAL ENERGY AND CLIMATE PLAN

42%

SHARE OF RENEWABLES IN THE FINAL ENERGY MIX BY 2030





KEY PERFORMANCE INDICATORS



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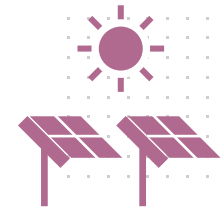


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By 2030, the Integrated National Energy and Climate Plan presented by Spain seeks to achieve a 21% reduction in CO₂ emissions, a 42% share of renewable energy in the final energy mix and an energy efficiency of 39.6%.

conditions of access and connection to transmission grids and distribution networks is pending approval.

- Thus, in November, Circular 2/2019 was approved, establishing the **methodology for calculating the financial rate of return (FRR)** for those activities related to electricity transmission and distribution, as well as to the regasification, transmission and distribution of natural gas; Circular 3/2019, which establishes the methodologies that regulate the operation of the wholesale electricity market and the management of system operators; and Circular 4/2019, which determines the remuneration methodology for the electricity system operator. Circular 4/2019 establishes for the first time ever a method which, as of 2020, will be used to calculate the revenues Red Eléctrica will receive for its activity as electricity system operator, prior to said Circular these revenues were set on a discretionary basis. For its part, Circular 2/2019, on the calculation methodology for the financial rate of return, establishes for the next regulatory period, until the year 2025, a pre-tax rate of 5.58%, while for the year 2020, it sets this parameter at 6.003%.
- In December 2019, the **CNMC Circulars** establishing the **new methodologies for the remuneration of electricity transmission**



RENEWABLE ENERGY

74%

OF THE ELECTRICITY DEMAND TO BE COVERED BY RENEWABLES

2030 Forecast

IN 2019

The methodology for calculating the financial rate of return for the electricity transmission activity until 2025 is established, setting a pre-tax rate of 5.58%.



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and electricity distribution were published. The new electricity transmission remuneration methodology, included in Circular 5/2019, maintains the fundamental principles of the previous remuneration model and introduces some modifications. Circular 7/2019 was also approved together with the Circulars previously indicated. The purpose of this Circular is to establish the standard facilities and the benchmark operation and maintenance (O&M) unit values per fixed asset included as electricity transmission facilities, which will be applicable between 1 January 2020 and 31 December 2025.

- Other relevant regulations that should be highlighted due to their impact on the sector are Royal Decree 244/2019, which regulates **the administrative, technical and economic conditions of self-consumption of electrical energy**, and Royal Decree-Law 17/2019. The first of these regulations completes the regulatory framework on self-consumption, promoted through Royal Decree-Law 15/2018 that repealed the so-called 'sun tax', providing a higher level of certainty and security for users. The second establishes the value

of the reasonable profitability to be applied to facilities engaged in electricity production from renewable energy sources, cogeneration and waste in the second regulatory period (2020-2025).

- Finally, in the national context, noteworthy was the launch in February 2019 of the **new electricity transmission grid planning for the period 2021-2026** with the publication of Order TEC/212/2019. The result of said planning will be of special relevance in achieving the targets established in Spain's NECP. The proposed planning prepared by the System Operator was submitted to the Ministry for Ecological Transition (MITECO) on 3 December 2019.

TELECOMMUNICATIONS AND TECHNOLOGICAL INNOVATION ENVIRONMENT

- Telecommunications activity is regulated by the General Telecommunications Act 9/2014, of 9 May, and by Royal Decree 330/2016, on measures to reduce the real cost of deploying high-speed electronic communications networks.
- At a European level, of note, is Directive 2018/1972/EU establishing the **European Electronic Communications Code** which recasts the current European regulatory framework on telecommunications [Directives 2002/19/EC; Directive 2002/20/CE; Directive 2002/21/CE, Directive 2002/22/CE and Regulation 1211/2009 establishing the Body of European Regulators for Electronic Communications (BEREC) and introduces some minor modifications.

As a result of this new regulatory framework, and in view of the need to transpose said Directive into the national legal system, the Ministry of Economy and Business (MINECO) launched a prior public consultation on the need to amend the current **General Telecommunications Act** or whether on the contrary, to opt for the drafting of a new Telecommunications Act that transposes the provisions of the aforementioned Directive [consultation conducted from 6 March to 8 April 2019].



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- In this legislative context, innovation is configured as a key element for the technology and telecommunications sector. Thus, **R&D spending** in Spain stands at **1.24% of GDP** and, in the case of companies, 0.71%. This data shows increases in investment in innovation above the growth of the economy in recent years, but Spain and its companies still continue to be below the average of the European Union. In this regard, the European Commission has classified Spain as 'moderate innovator' due to the increasing weight of innovation in recent years, especially in the private sector, but there is still a lot of room for improvement in the coming years.

- 2019 has been characterised by a clear introduction of **new disruptive digital technologies** that are optimising processes, reducing costs, and laying the foundations for change in the value chain and the generation of new business models. Among these technologies, due to their relevant contribution to the ecological transition, the following stand out:

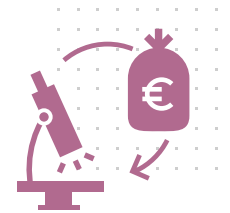
- **Artificial intelligence**, which addresses the challenges of making better predictions and better business decisions, monetising the vast amount of data available, and all this considering the requirements imposed by ethics and sustainability in its implementation.
- **The Internet of Things (IoT)**, which is allowing the massive interconnectivity of devices, offering increasingly lower latencies and more value creation possibilities, and faces the challenge of cyber security that must evolve at the same rate as the number of connected devices.
- **Digital platforms**, through which the use of technologies such as blockchain enable direct services to be offered to citizens, and which will contribute to the change of the traditional value chain in the sector.



IN 2019

The emergence of new digital technologies has taken place: artificial intelligence, the Internet of Things (IoT) and digital platforms such as blockchain, with the aim of contributing to the ecological transition.

R&D EXPENDITURE IN SPAIN



1.24

% OF GDP

DATA THAT SHOW AN INCREASE IN INVESTMENT ABOVE THE GROWTH OF THE ECONOMY

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STRATEGIC PLAN

The 2018-2022 Strategic Plan of the Red Eléctrica Group, approved by the Board of Directors in February 2019, was conceived to efficiently contribute to decarbonising the economy and to connect with citizens through technological innovation, the sustainable expansion of electrification and telecommunications, guaranteeing connectivity and access to the new renewable generation and enhancing territorial cohesion and social inclusion.

The new Strategic Plan of the Group seeks to strengthen the role of the TSO as a promoter of the energy transition in order to advance towards a more decarbonised and sustainable system, but it additionally shows the ambition of being more than just a TSO by developing new activities outside the regulated sphere in Spain. This roadmap outlines a balanced business model between regulated activities and operations subject to market risk.

The new Plan also responds to the challenges posed by the transformation of the production model, marked by technological disruption and by sustainability. Electricity, telecommunications and talent have become the new assets of economic development

The 2018-2022 Strategic Plan outlines a business model that is balanced between regulated activities and operations which are subject to market risk.

OUR PURPOSE

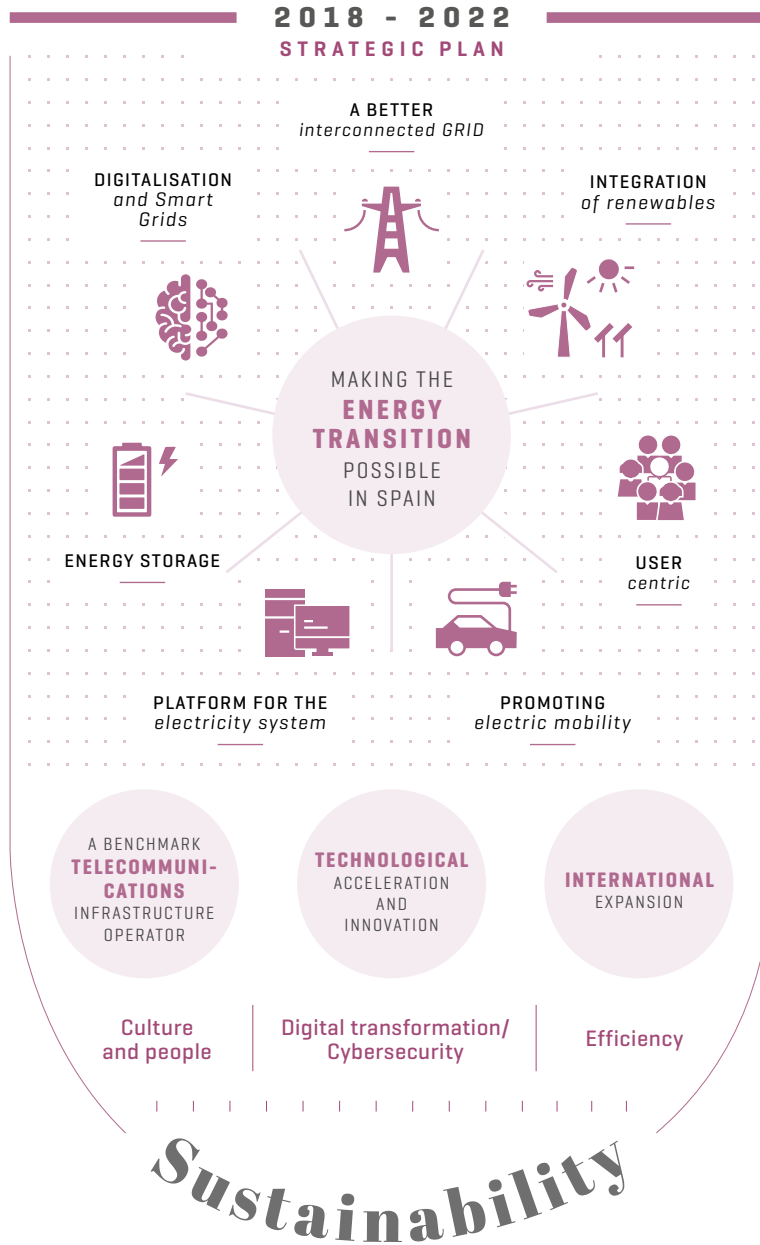
Be at the heart of the **global transformation**

This means to drive the electricity and telecommunications sector by focusing the human and technological talent that the Company possesses and that which it is capable of attracting, in order to facilitate economic activity and the lives of citizens, in a sustainable manner, by adequately operating systems and power grids & telco networks that provide access to electricity and telecommunications, which are essential services in the 21st century.

OUR AREAS OF EXCELLENCE

Electricity | Telecommunications | Talent

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of today and are also the hallmarks of the Red Eléctrica Group's new strategy.

2018-2022 STRATEGIC PLAN OF THE RED ELÉCTRICA GROUP

Knowledge of the content of the 2018-2022 Strategic Plan by all personnel of the Red Eléctrica Group is essential for compliance with the Company's strategy and for the integration and engagement of employees to ensure the Plan's goals are achieved. Therefore, its communication by the management team to all employees has been one of the leadership objectives for 2019, in order to disseminate and provide in-depth knowledge of the Group's strategic approach and courses of action for the coming years.



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ESSENTIAL STRATEGIC PILLARS



Making the energy transition possible

Red Eléctrica is responsible for making the energy transition possible. As TSO, it must adopt a driving role to make the energy transition possible and contribute to the fight against climate change, supporting the shift to emission-free energy vectors in all sectors of the economy, safely integrating renewable generation and enabling greater energy efficiency in a more technological environment, which in turn will result in benefits for society as a whole.

To make the energy transition possible, the Red Eléctrica Group will address the following challenges in the 2018-2022 horizon:

- Execution of major investments in the transmission grid to achieve a more robust and interconnected grid.
- Greater effort regarding digitalisation and technology.
- Integration of a growing volume of renewables.
- Making new investments in energy storage, with a view to meeting the needs of the system.
- Placing the user at the centre of our activity.
- Creation of the platform for the electricity sector.
- Promotion of electric mobility.



Become a benchmark telecommunications infrastructure operator

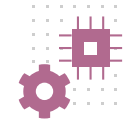
Fibre optics and satellites are increasingly important in the world we live in, and much more so in the world of the future, as they provide significant value for society and definitely play a key role in the fourth industrial revolution.

Therefore, the Red Eléctrica Group wants to become a benchmark operator in telecommunications through the management of this type of strategic infrastructure.



Expand our business abroad

The Red Eléctrica Group considers the development of the transmission business abroad as a natural growth path for its core business: the construction and operation of transmission grids. Investments in the transmission activity abroad are channelled in two ways: public tenders to expand the electricity transmission grids in different countries and the processes for the acquisition of in-operation assets.



Technological Acceleration and Innovation

The Red Eléctrica Group intends to undertake an ambitious plan for innovation, entrepreneurship and technological development. To accomplish this mission, it has created a new subsidiary company, called RETIT (Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología), under the umbrella of the Group which will contribute to the development of the energy transition and telecommunications through the conceptualisation, incubation and acceleration of technology-based entrepreneurship initiatives.

From the outset, the new company has been designed to be agile and efficient and will make the Group's commitment to innovation and technological development visible both externally and internally. It seeks to attract, integrate and develop talent, ideas and value propositions in an open innovation environment, hence fostering a new innovation ecosystem which combines the internal and business perspective with external entrepreneurship and trends.

As transmission agent and operator of the Spanish electricity system, our main responsibility is to contribute to making the energy transition possible.



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CROSS-CUTTING STRATEGIC COURSES OF ACTION



Culture and People

In order to face the uncertainty of the continuous changes in the socio-economic environment and to successfully overcome the demanding strategic challenges facing the Group, a cultural transformation will be carried out to increase internal agility and efficiency and to promote the organisation's ability to capture the value of new opportunities, providing both flexibility and ability to quickly adapt to changes in the business activities in which it operates. This transformation is supported by a shift in working habits, the development of digital skills and the adaptation of human resources policies, promoting a less hierarchical and more agile culture in decision-making, which helps the Company prepare for the future and embrace an ever-changing reality.



Efficiency

Efficiency is based on the generation of value through the identification of synergies, the optimisation of operating processes and the adequate management of resources. Therefore, operational and financial efficiency and continuous improvement are key success factors in achieving our strategic goals.

The quest for greater efficiency, generating value through the improvement of operating margins, leads to a focus on the profitability of regulated activities while maintaining system security.

Digitalisation constitutes the lever to optimise operations, it represents an essential basis to improve the efficiency of the Company's regular activities, as the Red Eléctrica Group is immersed in a process of ongoing technological renovation and the Group will use digital technologies that offer the best cost/benefit ratio. In this regard, consolidating the implementation of digital technologies in the assets of the Group's business areas will allow the Company to extend the transformative vision of digitalisation to operational processes in order to ensure that the benefits they offer are maximised.



Digital Transformation/ Cyber Security

Digital transformation will permeate all the strategic pillars of the Red Eléctrica Group, as it constitutes a process which represents a change in operations, business models and ways of working in order to provide greater value, and is made possible as a result of the rapid development and implementation of new digital technologies.

The Red Eléctrica Group is committed to approaching corporate security from a global and comprehensive point of view for the Group as a whole, so that it not only encompasses the protection of essential infrastructure, but also the protection of people, data and IT assets.

The cultural transformation which the Company is undergoing is geared towards promoting a change in working habits, the development of digital skills and the promotion of a less hierarchical and more agile culture in decision making.



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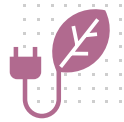


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OUTLINING STRATEGY



Sustainability

The sustainability strategy aims to consolidate the Group as a worldwide reference in a global context, capable of anticipating future changes and taking advantage of the opportunities arising from them.

The Red Eléctrica Group takes on a sustainability commitment that is strategic, cross-cutting in nature and with a long-term vision. Through sustainability, the Company aims to consolidate a business model capable of responding to future challenges, based on criteria of excellence, innovation, integrity and transparency, in order to make the Group's activity compatible with environmental care and the generation of shared value through alliances with its socio-economic environment.

The 2030 Sustainability Commitment of the Red Eléctrica Group serves as the reference framework for the deployment of the essential strategic pillars and the cross-cutting strategic courses of action.

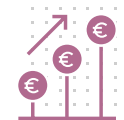
We are a Company in which sustainability is omnipresent in our decision-making and in the execution of our activities.

OUR COMMITMENT 2018 - 2022



6,000 M€
TOTAL INVESTMENT

~ **50%**
Earmarked for energy transition in Spain



EBITDA
MARGIN

> **76%**
Average for the period



Financial discipline
NET FINANCIAL DEBT/
EBITDA

average of
~ **4** x



Sustainability
NET PROFIT
ATP
(After tax profit)

> **1%**
CAGR 2018-2022 (1)



Dividend Policy

2019

1.05 €/share

2020-2022

AT LEAST

1 €/share

[1] Calculated using 2017 as the base year.

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CORPORATE GOVERNANCE

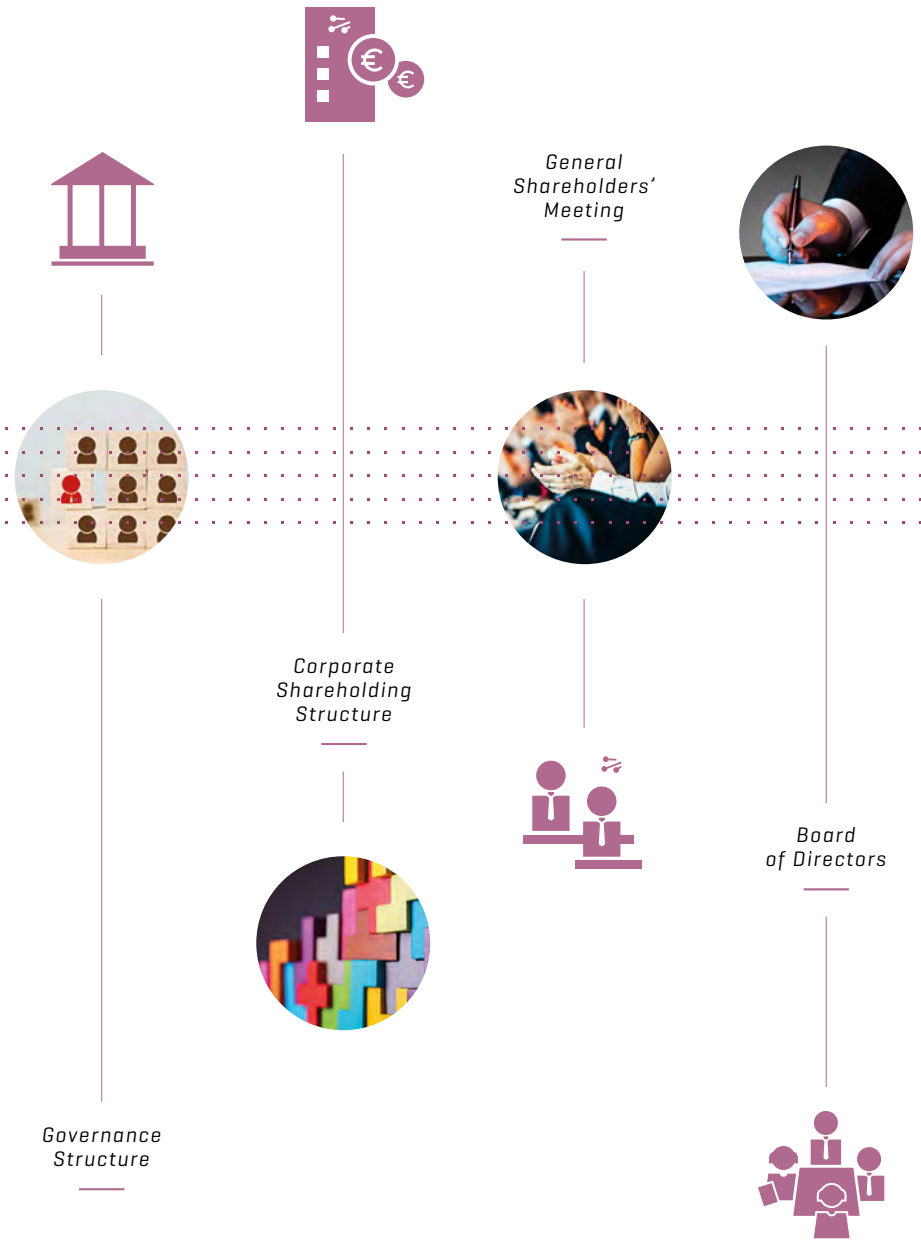
The Board of Directors is fully committed to the development and improvement of good corporate governance.

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CORPORATE GOVERNANCE

The Red Eléctrica Group has a robust and transparent corporate governance system that, through the adoption of best practices and international recommendations, constitutes an essential strategic element to ensure 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, with the aim of strengthening its commitments and aligning the interests of the Company with those of its shareholders, investors, markets and other stakeholders.



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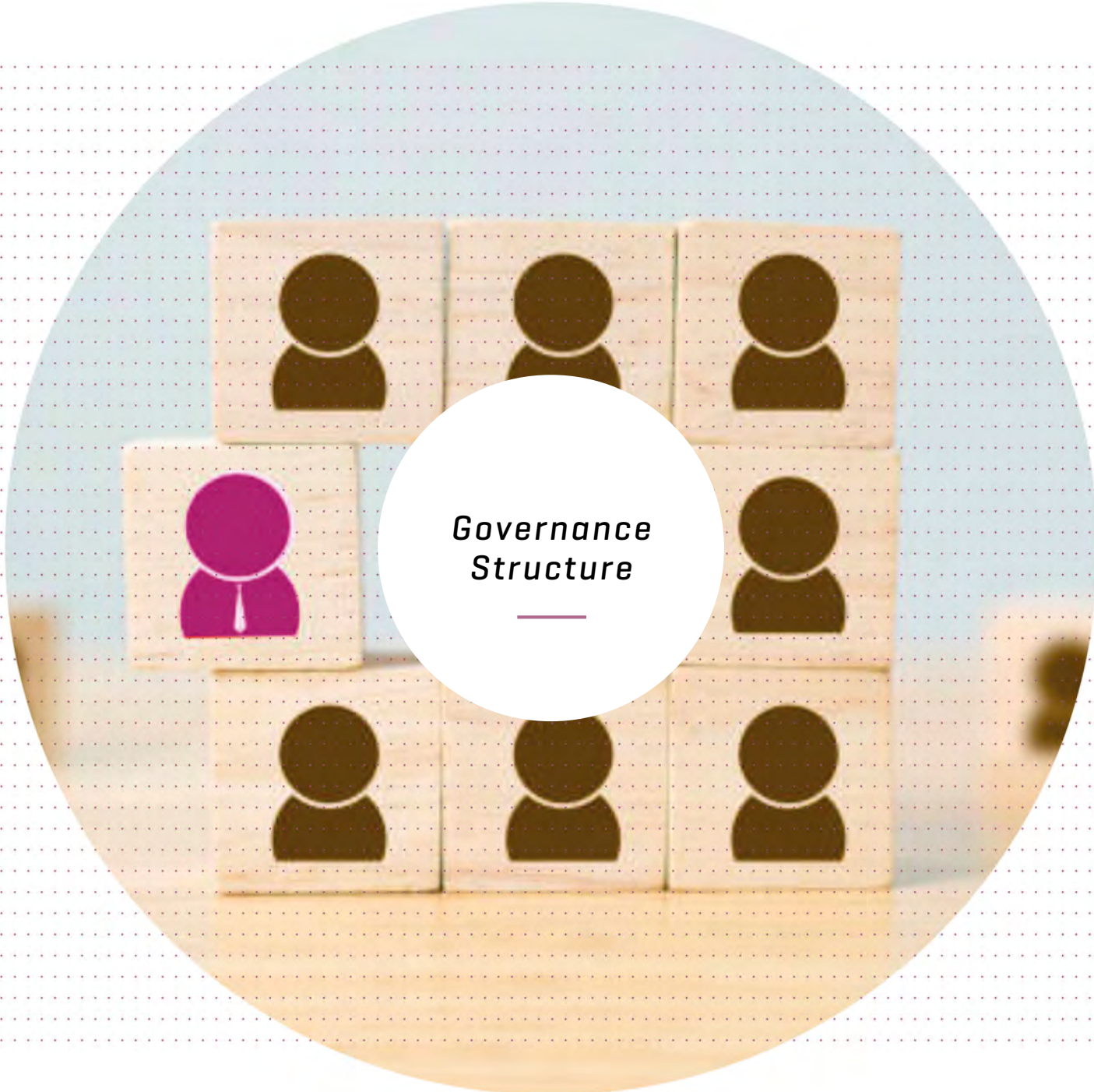
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Governance Structure



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GOVERNANCE STRUCTURE

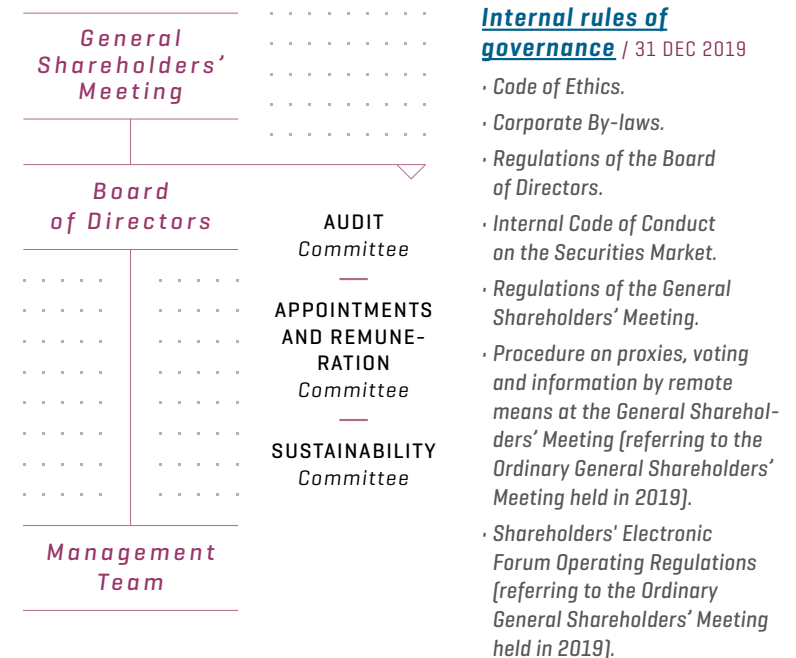
102-18

The governance and management of the Red Eléctrica Group and the parent company, Red Eléctrica Corporación, S.A. (REC), are entrusted to the General Shareholders' Meeting and the Board of Directors.

The General Shareholders' Meeting is governed by the Corporate By-laws and the Regulations of the General Shareholders' Meeting, in accordance with the provisions of the Spanish Companies Act.

Since November 2018, the Company has had three Board Committees (Sustainability Committee, Audit Committee, and Appointments and Remuneration Committee). The three Committees have been set up by the Board of Directors, with a highly technical profile, to support it in the performance of its duties and responsibilities, with the goal of achieving greater efficiency and transparency.

The Committees have been set up by the Board of Directors, with a highly technical profile, to support it in the performance of its duties and responsibilities, with the goal of achieving greater efficiency and transparency.





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In 2019, the new CEO was appointed as a result of the process of implementing the new corporate structure of the Red Eléctrica Group, following the approval of the 2018-2022 Strategic Plan. This has allowed an orderly and reasonable succession within the framework of the current corporate system of separation of powers between the Chairperson and the CEO in the structure and composition of the Board of Directors.

NOTEWORTHY ACTIONS

IN 2019

Effectiveness, efficiency and professionalisation

- Appointment of the new Chief Executive Officer.
- Orderly succession of the Company's Chairperson.
- Ratification and appointment of the Chairperson of the Board and two nominee directors at the Ordinary General Shareholders' Meeting, with an average percentage of votes in favour of 96.3%.
- Appointment of an independent board director with extensive and proven professional experience in the Company's sector of activity at the Ordinary General Shareholders' Meeting, with an average percentage of votes in favour of 98.7%.
- Re-election of the Lead Independent Director.
- Update of the contingency plans for the succession of the Chairperson of the Board of Directors and of the Chief Executive Officer.

- Assessment of the Board of Directors with the collaboration of an external consultant.
- Implementation, during the year, of the induction [welcome] plan for new board directors.

Diversity

- Implementation and continuous updating of the individual skills and competencies matrix of the Board of Directors.
- Women represent 41.7% of the Board of Directors following the ratification and appointment of Ms. María Teresa Costa at the Ordinary General Shareholders' Meeting. This is one of the highest gender parity levels of the IBEX 35.



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Corporate Shareholding Structure



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CORPORATE SHAREHOLDING STRUCTURE

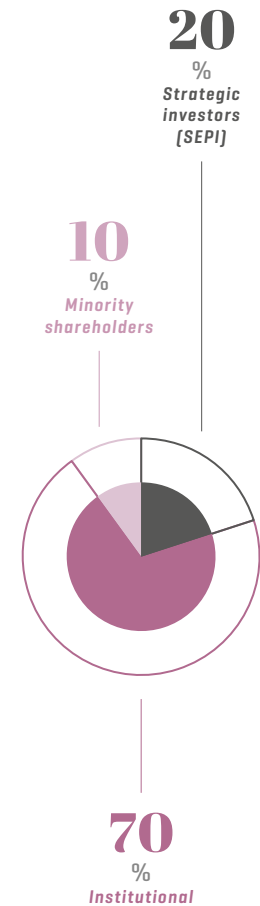
As at 31 December 2019, the Company's share capital was comprised of 541,080,000 fully subscribed and paid-up shares belonging to a single class and series, each with a par value of 0.5 euros, represented by book entries and listed on the four Spanish stock exchanges.

In 2019, the share capital of the Company was comprised of a 20% shareholding owned by SEPI, with the remaining 80% being free float. For more information on the Company's shareholding structure, consult the Significant Shareholders section of the CNMV [Spanish National Securities Market Commission] website.

The shareholding limits for participation in the Company's share capital, established by law and seeking to guarantee the independence of the Company vis-a-vis all other electricity sector activities and agents, are stipulated in the twenty-third additional provision of Law 54/1997 of 27 November 1997 [amended by Law 17/2007 of 4 July] which remain in force by virtue of what is expressly established by the sole repealing provision of Electricity Industry Law 24/2013 of 26 December 2013.

There is specific legislation that sets the shareholding limits for participation in the Company's share capital in order to guarantee the independence of the Company vis-à-vis all other electricity sector activities and agents.

SHAREHOLDING STRUCTURE





KEY PERFORMANCE INDICATORS



LETTER FROM THE CHAIRWOMAN AND FROM THE CEO



A BENCHMARK REPORT AT THE FOREFRONT OF REPORTING STANDARDS



1 RED ELÉCTRICA GROUP



2 STRATEGY



3 CORPORATE GOVERNANCE



4 COMMITMENT TO SUSTAINABILITY



5 ANTICIPATING CHANGE AND TAKING ACTION



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

Said share capital limits are the following:

- 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 share capital does not exceed 5%, and they do not hold more than 3% of the voting rights. These shares may not be syndicated for any purpose.
- Entities 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 [Sociedad Estatal de Participaciones Industriales - SEPI] is maintained, whereby it must hold at least ten per cent [10%] of the share capital in all cases.

SHARE CAPITAL

The Company's share capital is comprised of 541,080,000 shares belonging to a single class and series, each with a par value of 0.5 euros.

SHAREHOLDING OWNERSHIP



In 2019, the shareholding structure of the Company was

20

%

OWNED BY SEPI

80

%

FREE FLOAT



KEY PERFORMANCE INDICATORS



LETTER FROM THE
CHAIRWOMAN AND FROM
THE CEO



A BENCHMARK REPORT AT THE
FOREFRONT OF REPORTING STANDARDS



1
RED ELECTRICA
GROUP



2
STRATEGY



3
CORPORATE
GOVERNANCE



4
COMMITMENT
TO
SUSTAINABILITY



5
ANTICIPATING
CHANGE AND TAKING
ACTION



6
DECARBONISATION
OF THE
ECONOMY



7
RESPONSIBLE
VALUE CHAIN



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General Shareholders' Meeting



KEY PERFORMANCE INDICATORS



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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

ATTENDANCE, REPRESENTATION AND INFORMATION RIGHTS
(Defined in the Corporate By-laws and in the Regulations of the General Shareholders' Meeting)

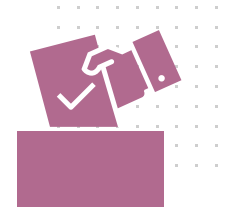
- Possibility of issuing a voting certificate.
- No minimum number of shares required to attend the Meeting.
- External audit of the management processes of the General Shareholders' Meeting.
- Separate voting on each of the Agenda items submitted for approval at the Meeting.
- Representation at the Meeting by any person, without having to be a shareholder.

The General Shareholders' Meeting represents all the Company's shareholders and exercises those functions attributed to it as one of the governing bodies of the Company.

APPROVAL OF AGREEMENTS

THE 2019 ORDINARY GENERAL SHAREHOLDERS' MEETING, HAD AN AVERAGE PERCENTAGE OF VOTES OF

92.3%



In favour of the approval of the items on the agenda



KEY PERFORMANCE INDICATORS



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Red Eléctrica has various platforms and information channels to guarantee the right to information of shareholders and their participation at the meeting.

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.
- Publication on the corporate website of complete information on the Meeting.
- Live broadcast of the Meeting via Internet, with simultaneous translation in English and sign language in Spanish.
- Shareholders' Electronic Forum.
- Shareholders and investors office.
- Dissemination via social networks.

GENERAL SHAREHOLDERS' MEETING A SUSTAINABLE MEETING

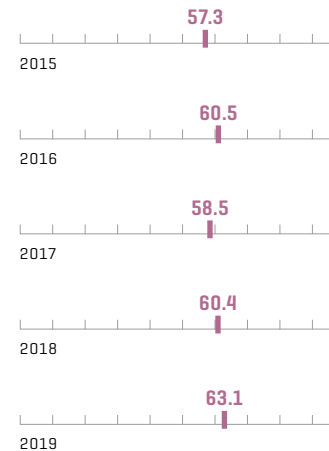
As a result of the commitment to integrate sustainability criteria in all Company's activities, throughout 2019 Red Eléctrica has designed a management system with the goal of obtaining the certification of its General Shareholders' Meeting in accordance with the UNE-EN ISO 20121 standard for sustainable events.

The Company has defined the following six sustainability objectives, which encompass an action plan that entails 27 actions, with a view to holding the General Shareholders' Meeting in 2020:

- Minimising the carbon footprint of the event.
- Integration of circular economy criteria in the development of the event.
- Universal access to the event.
- Guaranteeing the health and safety of all participants.
- Promoting the contracting of vulnerable groups.
- Sustainability awareness of all participants at the event.

These six sustainability objectives will be applied to all events held by the Red Eléctrica Group.

ATTENDANCE AT THE GENERAL SHAREHOLDERS' MEETING [% over share capital]



KEY PERFORMANCE INDICATORS



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*Board
of Directors*



KEY PERFORMANCE INDICATORS



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BOARD OF DIRECTORS

102-18 / 102-22 / 102-26

Red Eléctrica's 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 of Directors, putting the interests of the Company and of its shareholders above their own interests, while upholding the law, the Corporate By-laws and the principles of good corporate governance.

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

APPROVAL

Approval of the general policies and strategies of the Company and the Group, with a special mention for the Risk Management and Control Policy.

DECISION

Decision-making on appointments of senior-level directors who report directly to the Board, remuneration of board members, financial & non-financial information and strategic investments (except for those that rest with the General Shareholders' Meeting).

ASSESSMENT

Annual assessment of the quality and efficiency of the Board and of the functioning of its Committees.

The Board of Directors puts the interests of the Company and of its shareholders above its own interests, while upholding the law, the Corporate By-laws and the principles of good corporate governance.

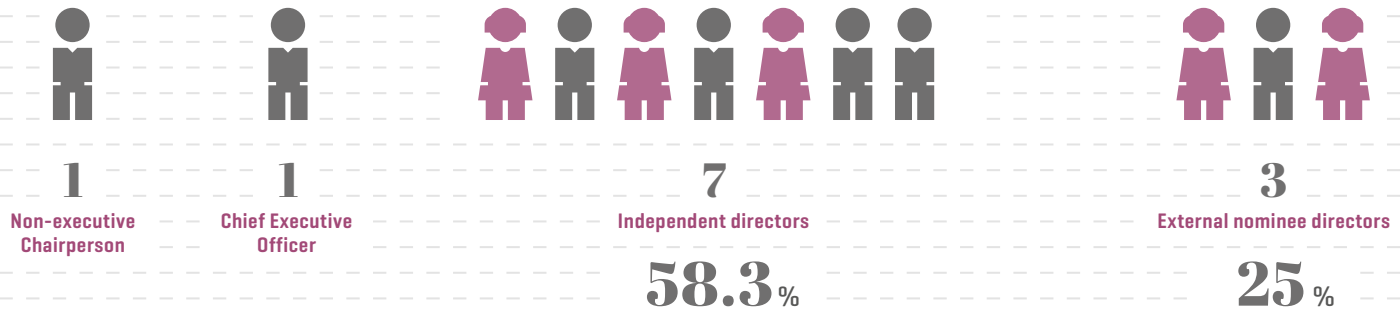


During 2019, the Board of Directors held thirteen [13] sessions and in the course of these sessions there were no absences registered, so the number of physical attendances stood at 156, representing an overall attendance of 100%.

Article 20 of the Corporate By-laws sets the term of office for directorships at four years, and the directors may be re-elected indefinitely, without prejudice to the authority of the Annual General Shareholders' Meeting to remove directors at any time. According to

A REDUCED, BALANCED AND EFFICIENT BOARD OF DIRECTORS

BOARD OF DIRECTORS [12 members]
[31.12.2019]



APPOINTMENTS AND REMUNERATION COMMITTEE
[3 members]

CHAIRPERSON
Independent director



AUDIT COMMITTEE
[4 members]

CHAIRPERSON
Independent director



SUSTAINABILITY COMMITTEE
[3 members]

CHAIRPERSON
Independent director





KEY PERFORMANCE INDICATORS



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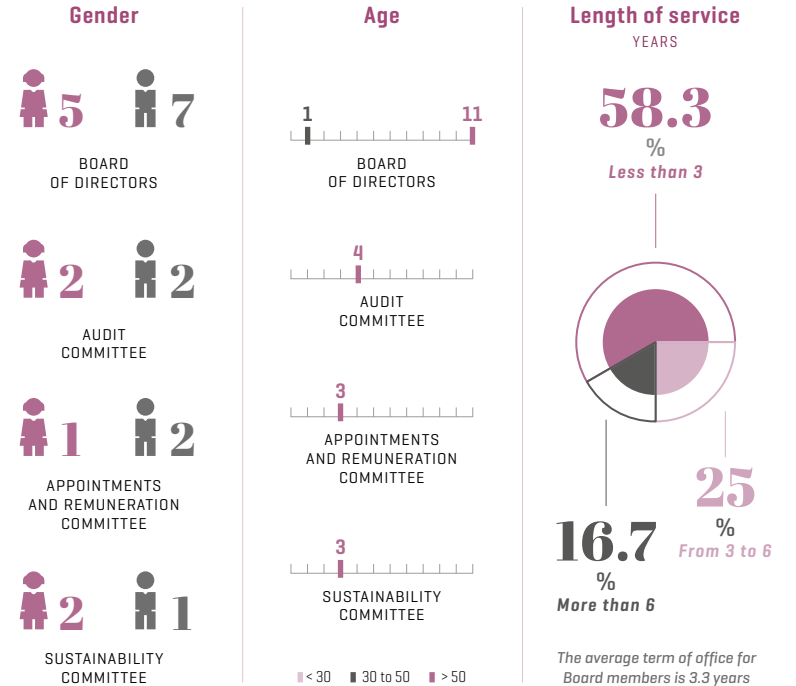
41.7% of the members of the Board are women, exceeding the 30% target recommended in the Good Governance Code for 2020 and, even exceeding the target (40%) set out in the reform proposal of the CNMV.

article 7 of the Board of Directors Regulations, independent directors may not continue discharging their duties as such independent directors for a continuous period of more than twelve years.

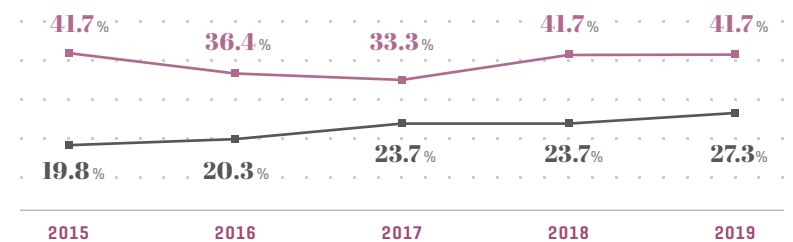
For its part, Article 18.1 letter k of the Regulations of the Board establishes, among the essential responsibilities of the Appointments and Remuneration Committee, the following: evaluate the time and dedication necessary for directors to be able to duly discharge their duties, assessing, for such purposes, compatibility with membership on other management bodies of companies and ensuring that they have sufficient time available to perform their functions properly.

In this regard, Article 7 of the Regulations of the Board establishes that independent directors of the Board cannot hold directorships on more than two boards of directors at other listed companies, unless expressly approved by the Board. Similarly, it establishes that nominee directors cannot simultaneously hold directorships in more than five listed companies, whereas Executive directors may only hold a directorship on one board of directors of another company; this limit does not include positions on boards of directors of the Company's subsidiaries or investees.

DIVERSITY ON THE BOARD OF DIRECTORS / 405-1 [31.12.2019]



Women on the Board. Red Eléctrica Corporación vs IBEX 35



Source: IBEX 35 data: 8th Report on Women in the Ibx. 'Women on the Boards of Listed Companies' Report. ATREVIA-IESE, February 2020.



KEY PERFORMANCE INDICATORS



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The Corporate Governance Policy establishes the essential guideline for preserving the appropriate balance and proportionality in the structure and composition of the Board of Directors.

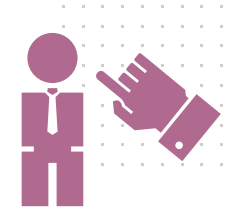
BALANCE OF POWERS

Red Eléctrica establishes in its [Corporate Governance Policy](#) the essential guideline to preserve an **adequate balance and proportionality in the powers inherent to the structure and composition of the Board**, by adopting the necessary measures to enable action with unity of purpose and impartiality, **pursuing the interests of the Company and of its shareholders, as well as the sustainability of the Company.**

SEPARATION OF THE POSITIONS OF THE CHAIRPERSON OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER (CEO)

/ 102-23

Responding to the commitment undertaken by the Company's Chairperson 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 Chairperson of the Board and the CEO of the Company, as well as the consequent appointment of a new executive board director, for approval by the General Shareholders' Meeting at its extraordinary session held in July 2015 and convened



SEPARATION OF POWERS

THE GENERAL SHAREHOLDERS' MEETING HELD IN JULY 2015, APPROVED THE SEPARATION OF THE POSITIONS OF THE CHAIRPERSON OF THE BOARD AND THE CEO OF THE COMPANY

In accordance with the best corporate governance practices

THE CORPORATE GOVERNANCE POLICY

Establishes the essential guideline for preserving the adequate balance and proportionality of powers in the structure and composition of the Board of Directors.



KEY PERFORMANCE INDICATORS



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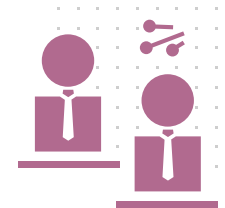
Full separation of duties and responsibilities between the position of Chairperson of the Board of Directors and that of Chief Executive Officer since 2016, maintaining the corporate system of separation of powers with the appointment in 2019 of the new CEO of the Company.



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 established which culminated at the Annual Ordinary General Shareholders' Meeting in 2016 with the full separation of the duties between the Chairperson of the Board and the Chief Executive Officer. As of said Meeting, the Chairperson of the Board of Directors has been conferred the responsibilities inherent exclusively to said position.

It should be noted that the Board, at its meeting held on 27 May 2019, resolved to remove Juan Francisco Lasala Bernad as Chief Executive Officer as part of the process for the implementation of the **new corporate governance structure of the Red Eléctrica Group**, following the recent approval of the 2018-2022 Strategic Plan. At the same meeting, the Board resolved to appoint Roberto García Merino as executive director of Red Eléctrica Corporación, S.A., until said appointment is ratified at the next General Shareholders' Meeting. Furthermore, he was appointed by the Board as CEO of Red Eléctrica Corporación, S.A.



Separation of the positions of

CHAIRPERSON AND CEO

APPROVED AT THE 2015 GENERAL SHAREHOLDERS' MEETING WITH A FAVOURABLE VOTE OF 99% OF SHAREHOLDERS AND WITH AN ATTENDANCE FIGURE OF 58%



Consequently, with the appointment in 2019 of Roberto García Merino as executive director of the Company, **an orderly and reasonable succession** took place within the framework of the current **corporate system of separation of powers between the Chairperson 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 their execution and modification, spearheaded by the Group's non-executive Chairperson, who assumes the strategic corporate functions, such as regulation, sustainability, institutional relations, communication, compliance, internal audit and risk control, among others, as well as the leadership and promotion of the Group's technological and digital transformation process and the function of ensuring the principle of independence of the Electricity System Operator and the adequate separation between regulated and non-regulated activities, with the management of the Group's business, 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, despite the fact that it is not mandatory for the Company as the Chairperson of the Board does not have the status of executive director, and, together with the responsibilities attributed to the Chairperson, is recognised by shareholders and proxy advisors

BOARD OF DIRECTORS

[31.12.2019]

Chairman	Jordi Sevilla Segura
Chief Executive Officer	Roberto García Merino
External Independent Directors	<p>Carmen Gómez de Barreda Tous de Monsalve <i>Chairwoman of the Sustainability Committee and Lead Independent Director</i></p> <p>María José García Beato <i>Member of the Audit Committee</i></p> <p>Socorro Fernández Larrea <i>Chairwoman of the Appointments and Remuneration Committee</i></p> <p>Antonio Gómez Ciria <i>Chairman of the Audit Committee</i></p> <p>Arsenio Fernández de Mesa y Díaz del Río <i>Member of the Audit Committee</i></p> <p>Alberto Carbajo Josa <i>Member of the Sustainability Committee</i></p> <p>José Juan Ruiz Gómez <i>Member of the Appointments and Remuneration Committee</i></p>
External Nominee Directors (SEPI)	<p>Mercedes Real Rodríguez <i>Member of the Audit Committee</i></p> <p>María Teresa Costa Campi <i>Member of the Sustainability Committee</i></p> <p>Antonio Gómez Expósito <i>Member of the Appointments and Remuneration Committee</i></p>
Secretary of the Board of Directors	Rafael García de Diego Barber <i>Non-Board Director</i>



KEY PERFORMANCE INDICATORS



LETTER FROM THE CHAIRWOMAN AND FROM THE CEO



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LEAD INDEPENDENT DIRECTOR

A figure that is recognised by shareholders and proxy advisors as an efficient corporate governance practice.

as an **efficient corporate governance practice**. At its meeting held on 26 March 2019, the Board of Directors, at the proposal of the Appointments and Remuneration Committee, has agreed to re-appoint Ms. Carmen Gómez de Barreda Tous de Monsalve as Lead Independent Director for a period of three years as established in the Regulations of the Board, pursuant to Article 25 bis of the Corporate By-laws and developed in Article 10 of the Regulations of the Board.

The Board of Directors, at its meeting held on 28 January 2020, accepted the irrevocable resignation tendered by Mr. Jordi Sevilla Segura as a director and, consequently, as non-executive Chairman of the Board of Directors and of the Company. At that same meeting, the Board resolved to implement the Contingency Plan for the succession of the Chairperson approved by the Board on 19 December 2017 and updated on 29 January 2019. The Plan has been a key tool to distribute the functions, performed by the Chairman up until that time, between the CEO, the Lead Independent Director and the Chairperson of the Audit Committee. Hence, after the activation of said Plan and as a result of its implementation, the following took place:

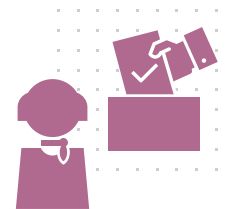
- The Lead Independent Director assumed the management of the Board and temporarily chaired the meetings of the Board.

- The Chief Executive Officer, in addition to the duties and responsibilities vested in him, managed the vis-à-vis representation of the Company with the Government and the Public Administration of the State. In addition, the CEO was the person responsible for communicating information to the media, investors and shareholders.
- The Chairperson of the Audit Committee temporarily undertook the management of the internal audit and risk control functions.

Furthermore, the Board of Directors, in the meeting held on 25 February 2020, resolved to appoint Ms. Beatriz Corredor Sierra director of Red Eléctrica Corporación, S.A., within the category of 'other external', at the proposal of the Appointments and Remuneration Committee, until the first General Shareholders' Meeting in 2020 is held, and, in addition, upon a prior favourable report by the Appointments and Remuneration Committee, the Board agreed to appoint Ms. Beatriz Corredor Sierra Chairwoman of the Board of Directors and non-executive Chairwoman of the Company.

25 February 2020

APPOINTMENT OF BEATRIZ CORREDOR SIERRA



AS CHAIRWOMAN OF RED ELÉCTRICA CORPORACIÓN, S.A.,
IN THE CATEGORY OF 'OTHER EXTERNAL' DIRECTORS



LETTER FROM THE CHAIRWOMAN AND FROM THE CEO



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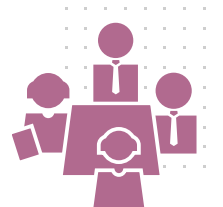
In 2019, the Appointments and Remuneration Committee took on the task of proposing to the Board of Directors a protocol for the Board's relationship with employees to ensure that their interests are adequately protected.

MEETINGS HELD IN 2019

The Sustainability Committee held

12 SESSIONS

11
SESSIONS
HELD BY
THE AUDIT
COMMITTEE



16
SESSIONS
HELD BY THE
APPOINTMENTS
AND REMUNERATION
COMMITTEE

COMMITTEES OF THE BOARD OF DIRECTORS

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, the oversight of internal control and risk management of the Company, the independence of the external auditor, as well as the monitoring of the 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 2019, 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-level executives that report directly to the Board, the Chairperson or the CEO. These powers also encompass the oversight of the remuneration policy of the Board, as well as the fulfilment of the duties and responsibilities of the Board members and their observance of the corporate governance principles and guidelines, in addition to those applicable to the relationship with the employees of the companies of the Red Eléctrica Group.

It is worth highlighting, as a new concept, among the functions that were incorporated in the modification of the Regulations of the Board, approved by the Board of Directors at its meeting held on 19 February 2019, the function of proposing to the Board of Directors a new protocol for the relationship between the Board of Directors and the employees of the companies of the Group, to ensure adequate protection of their interests, thus responding to the most advanced international good governance practices, especially those contemplated in the new Code of Corporate Governance of the United Kingdom.



KEY PERFORMANCE INDICATORS



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The Sustainability Committee is a voluntarily created body that responds to the strategic nature that the Board of Directors gives to sustainability for the Company, contributing significantly to the ranking of Red Eléctrica in the field of sustainability.

During 2019, the Appointments and Remuneration Committee held 16 meetings and in the course of these meetings no members were absent nor was there any attendance by proxy.

Sustainability Committee

The creation of the Sustainability Committee is voluntary and does not respond to any legal requirement. Additionally, it responds to the strategic nature that the Board of Directors wants to grant to sustainability within the Company, contributing significantly to the ranking of Red Eléctrica in the field of sustainability.

This Committee is assigned, among other functions, the oversight of the Group's strategy and practices in relation to the 2030 Sustainability Commitment sustainability policies and their link to the Strategic Plan. This Committee also oversees compliance with the Group's sustainability policies, aimed at achieving the Sustainable Development Goals, monitors stakeholder relationship processes and oversees and coordinates the information reporting process regarding sustainability. The functions of the Sustainability Committee are included in the new article 18 TER of the Board of Directors Regulations subsequent to the amendment of those rules that was approved on 19 February 2019.

IN 2019

The current Board Regulation was approved, incorporating the functions of the Sustainability Committee.

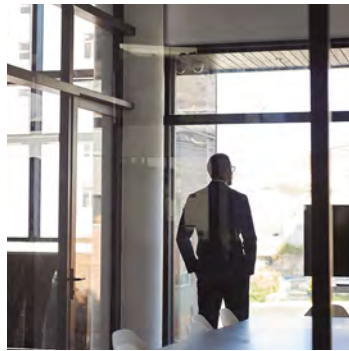
During 2019, the Sustainability Committee held 12 meetings and in the course of these meetings no members were absent nor was there any attendance by proxy.

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 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 Chairperson of the Board and of the Chief Executive Officer, the Company has two clearly differentiated management bodies composed of senior-level executives: the **Advisory Committee**



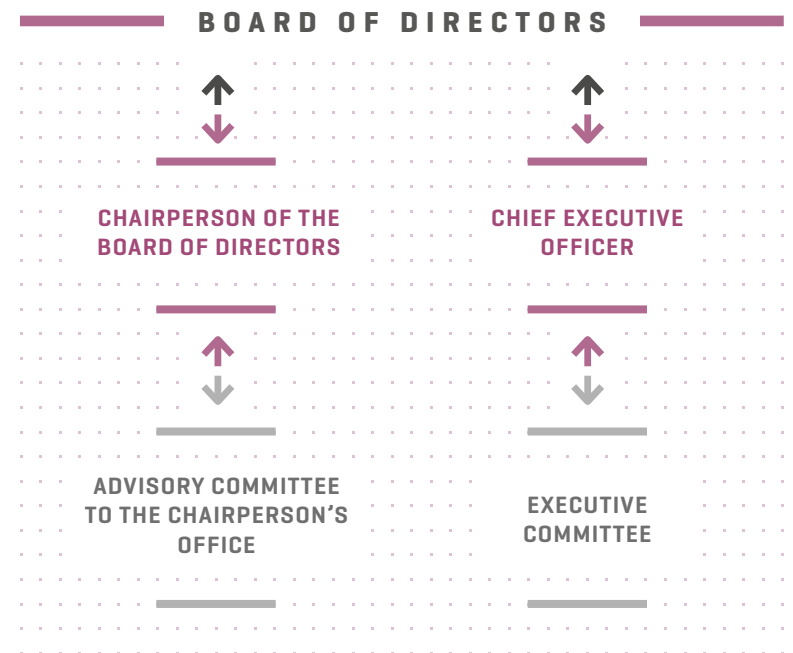
to the Chairperson's Office, headed by the Chairperson of the Board, and the **Executive Committee**, chaired by the CEO. In both committees, the secretary of the Board of Directors acts as the secretary.

The creation of these two separate committees seeks to **replicate**, within the organisation, **the model of separation of duties and powers between the Chairperson and the Chief Executive Officer** so that the Committee chaired by the Chairperson exercises the duty of strategic supervision and control, while the Committee chaired by the CEO carries out a permanent oversight of how the businesses and activities of the companies of the Group are carried out.

In any case, the Board Regulations allow Board members to request the Board to **contract, at the Company's expense, legal, accounting, financial or other expert services** to assist them in the performance of their duties. Similarly, in order to better fulfil their functions, the Board's Committees may seek advice from independent professionals in the exercising of their responsibilities.

It should be noted that in 2019 Red Eléctrica created the **TSO Supervisory Committee**, chaired by the Chairperson of the Board, and the Regulations of the Board were modified to strengthen the Board's

In 2019, the TSO Supervisory Committee, chaired by the Chairperson of the Board, was created and the Regulations of the Board were modified to strengthen the Board's role as supervisor and guarantor of the functional independence of the Electricity System Operator.





KEY PERFORMANCE INDICATORS



LETTER FROM THE CHAIRWOMAN AND FROM THE CEO



A BENCHMARK REPORT AT THE FOREFRONT OF REPORTING STANDARDS



1 RED ELÉCTRICA GROUP



2 STRATEGY



3 CORPORATE GOVERNANCE



4 COMMITMENT TO SUSTAINABILITY



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Red Eléctrica, year after year, strengthens relations, increases commitment and reinforces the confidence of shareholders, investors and the main stakeholder groups.

role as supervisor and guarantor of the functional independence of the Electricity System Operator.

DIALOGUE BETWEEN STAKEHOLDERS AND THE HIGHEST GOVERNANCE BODY

102-21 / 102-33 / 102-34

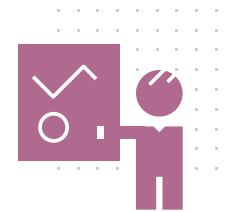
One of the underlying principles of the Corporate Governance Policy of Red Eléctrica and that serves as a benchmark for the performance of the Company in its relationship with its stakeholders is: **to consolidate, develop and nurture symmetrical mechanisms of dialogue and engagement with shareholders, investors and key stakeholders** seeking to improve relationships, increase levels of engagement and thereby increase their level of trust 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 provides its shareholders with **periodic and standardised information** that communicates the corporate environmental, social and good governance objectives that are part of the Company's business interest. In no case does the Company facilitate institutional shareholders with information that could place them in an advantageous or privileged

ONGOING DIALOGUE

The Company ensures that its stakeholders have regular and timely access to relevant, sufficient and reliable information on the Company's governance rules and practices as well as on the results obtained.



SHAREHOLDER INFORMATION

STANDARDISED AND SYSTEMATISED INFORMATION THAT ESTABLISHES THAT ENVIRONMENTAL, SOCIAL AND GOOD CORPORATE GOVERNANCE OBJECTIVES FORM PART OF THE BUSINESS INTEREST OF THE COMPANY

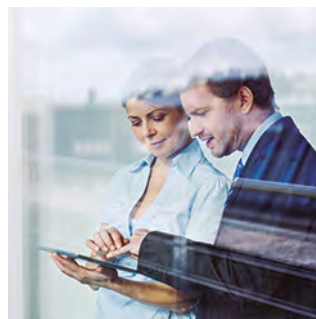


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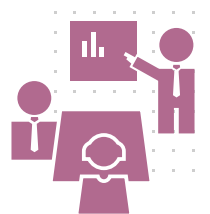
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The Company provides institutional shareholders with publicly available information in a rational and orderly manner to avoid them being in a privileged position compared to other shareholders.



The Company regularly organises

ROAD- SHOWS



REGARDING CORPORATE GOVERNANCE WITH THE MAIN PROXY ADVISORS, IN WHICH THE COMPANY'S SENIOR EXECUTIVES PARTICIPATE AND IN WHICH THE LEAD INDEPENDENT DIRECTOR ACTIVELY TAKES PART

position with respect to other shareholders, but it does provide them with publicly available information in a rational and orderly manner.

Since 2016, the Company has regularly organised **roadshows for its main proxy advisors regarding corporate governance** matters. These roadshows are presented by the Company's top executives and have the active participation of the Lead Independent Director. Additionally, as part of the framework of the informative sessions under the title 'Creating a sustainable future together' organised by the Company in October 2019, noteworthy was the conference 'Red Eléctrica, a key player of the energy transition' that was held for analysts, ESG investors and proxy advisors at the Company's head office in Madrid. During said sessions, the Red Eléctrica Group unveiled its commitment to sustainability, explained its role in the energy transition process and discussed views on the roadmap to be taken with stakeholders to achieve the Sustainable Development Goals. Furthermore, the event enabled the Company to disclose the Board's full and firm commitment to sustainability.

Besides the direct communication channels previously indicated in the 'Transparency 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 also 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 2019, there have not been any relevant issues stemming from the management reports of said channels that required their submission to the Board.



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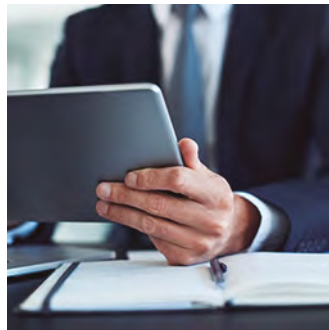
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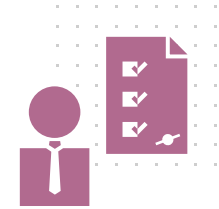
The system used for the selection, appointment and re-election of members of the Board of Directors is expressly governed by the Corporate By-laws and the Regulations of the Board.

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, competences 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 competences and knowledge of the members of the Board of Directors, culminating with the approval of the new **Board**



BOARD MEMBER PROFILE

THE APPOINTMENTS AND REMUNERATION COMMITTEE DEFINES THE QUALITIES, SKILLS AND EXPERIENCE THAT A BOARD MEMBER MUST POSSESS

THE COMPANY'S CORPORATE GOVERNANCE POLICY

includes the principle of ensuring the existence of appropriate procedures for the selection of Board directors.



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The skills and competencies matrix facilitates the supervision of the overall and individual balance, diversity and quality of the Board of Directors, keeping in line with the strategy of the Red Eléctrica Group at all times.

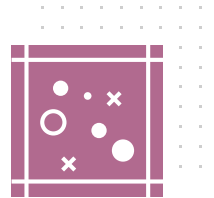
of Directors' skills and competencies matrix, personalised for each board director. The Board's skills and competencies matrix is a tool of good governance that facilitates the supervision of the overall and individual balance, diversity and quality of the Board of Directors, at all times, and is aligned with international practices and most advanced recommendations on corporate governance.

The application of the new matrix of individual skills and competencies of board directors, which reflects the competences, 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; 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 length of service as a board director, among others.

SKILLS AND COMPETENCIES MATRIX

Aligned with international best practices and the latest recommendations on good governance.



THE SKILLS AND COMPETENCIES MATRIX

Consists of

3 BLOCKS

KNOWLEDGE-EXPERIENCE IN THE BUSINESS SECTORS OF THE COMPANY

OVERALL KNOW-HOW AND EXPERTISE

DIVERSITY



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The Appointments and Remuneration Committee may request the opinion of international external advisors specialised in the selection process of board directors.

The aforementioned skills and competencies matrix is continuously updated 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 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 requests, 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 evaluated by the Appointments and Remuneration Committee so that they can draft the proposal for the appointment of a board director and subsequently 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 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 hunters] 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.



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 OF BOARD MEMBERS

These are regulated in the Code of Ethics, and in the Guidelines for the Management of Conflicts of Interest approved in 2018.

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 cases, board directors shall disclose to the Board of Directors any situation of direct or indirect conflict that may exist between their own interests, or those of persons related to them, and the interests of the Company. Any conflicts of interest that involve board directors shall be disclosed in the notes to the financial statements.

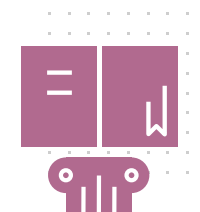
With respect to the Management team, conflicts of interest are regulated within the Code of Ethics, specifically in section 6 thereof, and in the Guide for the Management of Conflicts of Interest approved in 2018, as set out in the section in this report entitled 'Ethics and compliance'.

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 Chairperson of the Board, the Chief Executive Officer of the Company and the Committees of the Board, ensuring that this is conducted with the support of independent external advisors. The process corresponding to 2018 has had the collaboration of an external consultant and was carried out under the oversight of the Appointments and Remuneration Committee in coordination with the lead independent director. 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 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

REGULATION OF THE BOARD



BOARD DIRECTORS MUST TAKE MEASURES TO AVOID SITUATIONS IN WHICH THEIR INTERESTS MAY CONFLICT WITH THE COMPANY'S INTERESTS OR WITH THE DUTIES THEY CARRY OUT IN THE COMPANY



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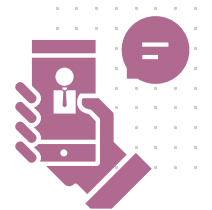
The Induction Plan for new Board members includes the basic information to be provided to those Board members who have recently joined the Company.



The digitalisation of the meetings of the Board of Directors and the Board Committees, allows the holding of the meetings via

MOBILE DEVICES

AND FACILITATES ACCESS TO A CUSTOM-DESIGNED CORPORATE INTRANET



and shall also offer **programmes for board directors to update their knowledge** when circumstances deem it appropriate. In this regard, the Company has an **Induction Plan 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 the 2018 and 2019 financial year. It should be noted that the aforementioned Plan includes information on sustainability, among other areas.

In addition, periodically, 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. Also, noteworthy in this aspect in 2019 is the complete **digitalisation of the sessions of the Board of Directors and of the Board's Committees** which allows the holding of meetings through mobile devices (tablets and smartphones) and facilitates access to a custom-designed corporate intranet.

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, and includes performance incentives whose monetary value would, in no way, influence on 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



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Red Eléctrica voluntarily submits the Annual Report on Remuneration of Board Directors and 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 Meeting.

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, a new remuneration scheme 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. Only the remuneration of the executive directors includes variable compensation elements linked to short and long-term goals aligned with the key objectives of the Company.

The proposal regarding the remuneration of the Board was approved by a clear majority at the General Shareholders' Meeting held on 22 March 2019 with just 0.53 per cent 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, as proof of its commitment to transparency with its shareholders, **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 2019, this same course of action was continued and both the 2018 Annual Report on Remuneration of Board Directors and the 2019 proposal for the remuneration of the Board of Directors, were submitted to the shareholders' approval (binding vote) as separate and independent items on 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 impartiality to vote individually and separately on each of the wide range of items on the Agenda, which correspond to the competence of the General Shareholders' Meeting.

REMUNERATION

The annual remuneration of the Board of Directors, and the Annual Report on Remuneration of Board Directors are approved by the shareholders.



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Red Eléctrica applies sustainability criteria to calculate the variable remuneration of the CEO and senior-level executives.

In addition, as of 2015, Red Eléctrica also submits the Remuneration Policy for Board Directors to the General Meeting for approval. Due to the fact that the period of validity (2016 to 2018) of the Remuneration Policy for Board Directors of Red Eléctrica Corporación, S.A., approved by the General Shareholders' Meeting on 15 April 2015 had expired, the new Remuneration Policy for Board Directors for the next three-year period was approved by the Ordinary General Shareholders' Meeting held on 22 March 2019.

It should be noted that in 2019 the remuneration system for the Chief Executive Officer, as well as for the senior-level executives, includes fixed elements and variable components tied to short and long-term goals, aligned with the objectives and strategies of the Red Eléctrica Group.

In particular, the variable annual remuneration of the CEO is based on compliance with a combination of quantitative and qualitative business objectives, measured at Group level - which have a 75% weighting in the total variable annual remuneration - as well as compliance with operational goals linked to the businesses of the Red Eléctrica Group - which have a 25% weighting in the total variable annual remuneration. Among the latter is the **objective linked to sustainability**, which has a weighting of 14% and which is related to the fulfilment with a series of key projects within the framework of the Red Eléctrica Group's sustainability strategy.

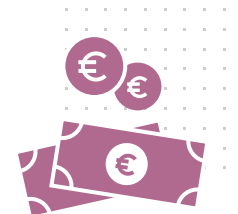
With regard to multi-annual variable remuneration, on 31 December 2019 the 2014-2019 Multi-Year Variable Remuneration Plan expired. Said Plan was conditioned, not only on the CEO's continuity in the Company for the established duration of the Plan but also on the fulfilment of objectives

VARIABLE REMUNERATION

The annual variable remuneration for the CEO includes the sustainability objective, which is linked to the fulfilment of a number of key projects within the framework of the sustainability strategy, with a weighting of 14%.

VARIABLE REMUNERATION OF THE CHIEF EXECUTIVE OFFICER

IS A COMBINATION OF BUSINESS OBJECTIVES (75%) AND OPERATIONAL OBJECTIVES (25%) LINKED TO THE BUSINESSES OF THE RED ELÉCTRICA GROUP





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Sustainability Report 2019

linked to the 2014-2019 Strategic Plan, among which noteworthy was compliance with the Sustainability Programme, which has a 10% weighting in the overall multi-annual variable remuneration.

Principles of the Remuneration Policy

The Remuneration Policy of Board Directors, approved by the Annual General Shareholders' Meeting held in April, is based on the criteria of the previous policy and is based on the following principles:

General principles

- Balance and moderation.
- Alignment with the practices demanded by shareholders and investors.
- Transparency.
- Voluntary submission of any decision related to director remuneration to the approval of the Annual General Meeting of Shareholders.
- Non-discrimination on the basis of gender, age, culture, religion and race.
- Based on the actual amount of time dedicated to the Board and its functions.
- Linked to the execution of their duties and responsibility as Board members.

Principles for the remuneration of the Executive Director

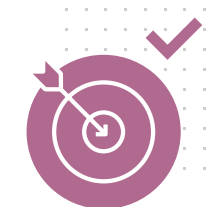
- Alignment with Company strategy.
- Reasonable balance between the fixed and variable remuneration components, which reflects an adequate assumption of risks combined with the achievement of the defined objectives, linked to the creation of sustainable value.
- Alignment with the remuneration established in comparable companies.

Principles for the remuneration of non-executive directors

- Based on the actual amount of time dedicated to the Board and its functions.
- Linked to the execution of their duties and responsibility as Board members.
- Non-inclusion of variable components in their remuneration in order to guarantee total independence.
- Incentivising in nature, but the amount should not condition their independence.

REMUNERATION OF THE BOARD OF DIRECTORS

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, published in the Corporate Governance section of the corporate website.



Multi-annual variable remuneration 2014-2019
CONDITIONED ON THE FULFILMENT OF

OBJECTIVES LINKED

TO THE 2014-2019 STRATEGIC PLAN, AMONG WHICH IS COMPLIANCE WITH THE SUSTAINABILITY PROGRAMME, WHICH HAS A WEIGHTING OF 10%

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COMMIT- MENT TO SUS- TAINABILITY

The 2030 Sustainability Commitment enables the Company to address upcoming challenges and materialise the existing opportunities.



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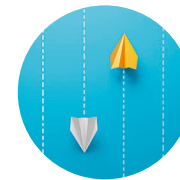


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SUSTAINABILITY PRIORITIES

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

5



Anticipating change and taking action

Decarbonisation of the economy



6

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Responsible value chain

Contribution to social, economic and environmental development



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THE 2030 SUSTAINABILITY COMMITMENT OF THE RED ELÉCTRICA GROUP

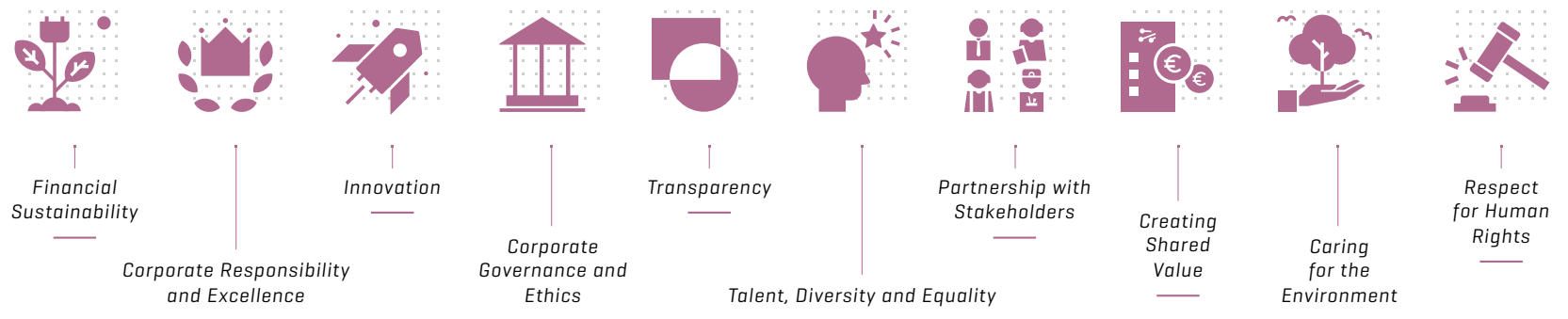
The Red Eléctrica Group has a 2030 Sustainability Commitment in place that was approved by the Board of Directors in 2017. Said undertaking materialises the commitment made by the Company to its long-term continuity and success through a business model capable of creating shared value for all its stakeholders through the responsible execution of its activities.

The Red Eléctrica Group undertakes a commitment that contributes to the Group's goal of achieving its long-term continuity and success, capable of creating shared value for all its stakeholders.

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 priorities** aimed at responding to the challenges the organisation as a whole faces and to bring to fruition existing opportunities, in order to hold a position of reference within the global business context.

← FOR THE RED ELÉCTRICA GROUP →

SUSTAINABILITY IS BASED ON THE FOLLOWING PRINCIPLES:





KEY PERFORMANCE INDICATORS



LETTER FROM THE CHAIRWOMAN AND FROM THE CEO



A BENCHMARK REPORT AT THE FOREFRONT OF REPORTING STANDARDS



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SUSTAINABILITY PRIORITIES OF THE RED ELÉCTRICA GROUP

2030 Commitment to Sustainability



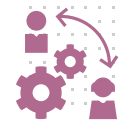
Anticipating change and taking action

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 **corporate governance and integrity model**.



Contribution to social, economic and environmental development

Contribute to the **social, economic and environmental progress of society**, through the provision of a critical 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 communities in which our facilities are located** in the execution of our activities, with the goal of generating mutual benefit which is perceived by society in general.



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The Red Eléctrica Group has defined 11 sustainability objectives with a 2030 horizon associated with the Company's Sustainability Commitment.

THE 2030 SUSTAINABILITY GOALS OF THE RED ELÉCTRICA GROUP

In 2019, the Red Eléctrica Group took another step forward to further drive its Sustainability Commitment by defining [eleven sustainability objectives with a 2030 horizon](#) that are measurable and aligned with its 2018-2022 Strategic Plan. Said goals have set out specific actions in order to:

- Focus the Company's efforts on fulfilling the commitments undertaken.
- Create direct value for the various stakeholders.
- Be an active agent of change, to generate positive impacts on society as a whole.
- Address the major global challenges that will enable progress to be made towards a more sustainable world.

Similarly, these objectives, validated by the Sustainability Committee of the Board of Directors and defined by the Sustainability Steering Committee, contribute directly to the achievement of the Sustainable Development Goals (SDGs) of the United Nations.

2030 SUSTAINABILITY OBJECTIVES OF THE RED ELÉCTRICA GROUP

Decarbonisation of the economy

1. Reduce our **GHG emissions** by more than 40% per MWh transported.
2. **Empower 100% of society** for their active participation in the energy transition process.
3. **Safely integrate 100% of the available renewable energy into the electricity system**, minimising the curtailment of excess renewable energy generation that cannot be used and accelerating progress towards meeting the energy transition targets.

Responsible value chain

4. Be the driving force behind changing the way our suppliers operate.
5. Be a company **financed under ESG criteria** by 2030.

Contribution to social, economic and environmental development

6. Be a company of **reference in gender equality**: parity in the executive management team by 2030.
7. Be a **leading company in terms of diversity**: inclusion of groups at risk of social and labour exclusion.
8. Generate a **positive net impact on the natural capital** of the areas in which our facilities are located.
9. Completely eliminate the **digital divide**: 100% of people connected in the vicinity of our facilities.

Anticipating change and taking action

10. Be a **leading technological agent**, spearheading at least 120 technological innovation initiatives that contribute to the development of the energy transition and telecommunications, making it possible for the world to be more connected, smart and sustainable.
11. Be a **leading company in circular economy**.



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The Red Eléctrica Group is an active agent in the achievement of the Sustainable Development Goals through the deployment of its 2030 Sustainability Commitment.



Contribution to the Sustainable Development Goals

The Red Eléctrica Group is an active agent in the achievement of the Sustainable Development Goals (SDGs) through the deployment of its 2030 Sustainability Commitment, as it is fully aware that the role of the companies is key to the achievement of the United Nations 2030 Agenda.

In this regard, due to the nature of its activity and that of the countries in which it operates, the Red Eléctrica Group identifies the SDGs that are most relevant and establishes how it can contribute to the fulfilment of each goal. It is worth mentioning that, as a socially responsible agent, the Red Eléctrica Group addresses the overall 2030 United Nations Agenda through its performance regarding sustainability.

SDGs

IN THE RED ELÉCTRICA GROUP



Ensure access to affordable, reliable, sustainable and modern energy for all

Active participation 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.



Promote inclusive and sustainable economic growth, full and productive employment and decent work for all

Contribution to the economic growth of the countries in which the Company operates, generating decent work and quality employment, as well as contributing shared value to the economic, environmental and social progress of the environment.



Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Construction of reliable, sustainable, resilient and high-quality infrastructure, with the aim of maximising its integration into the environment and ensuring its comprehensive security. Part of the goal encompasses taking the necessary steps towards promoting the digitalisation of its activities and services.



Take urgent action to combat climate change and its impacts

Key action in the transition to a new energy model, necessary to contribute to the fight against climate change and to move towards a new decarbonised model.



Conserve and sustainably use the oceans, seas and marine resources for sustainable development

Minimisation of the impact on marine ecosystems by applying preservation and protection criteria when carrying out subsea electricity interconnection projects and through the implementation of restoration and recovery projects for *Posidonia oceanica* seagrass meadows.



Protect, restore and promote the sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss

Integration of facilities into the environment and into the territories in which the business activity is carried out, taking into consideration the full life cycle of facilities and paying special attention to the conservation of biodiversity.



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The 2030 Sustainability Commitment has the full support of the Board of Directors and the management team of the Red Eléctrica Group. This support and the commitment's underlying message are conveyed to the entire organisation.

Creating a sustainable future together

In October 2019, the Red Eléctrica Group held its first **sustainability conferences** under the slogan 'Creating a sustainable future together'. The objective of these events was to strengthen the relationship with its stakeholders, unite forces and advance jointly towards achieving the Group's sustainability goals to comply with the 2030 Agenda.

The conferences were attended by high-level speakers, both internal and external, and included a series of events designed specifically for the following stakeholders: employees, suppliers, ESG investors, major investors, financial analysts, financial institutions, sustainability agencies and proxy advisors.

Within the framework of these events and coinciding with the fourth anniversary of the Sustainable Development Goals, the Group made available to all employees an informative training pill on SDGs developed by the Spanish Network of the Global Compact, with the aim of increasing knowledge and consolidating the commitment of the workforce in this area.

ORGANISATIONAL STRUCTURE

The 2030 Sustainability Commitment has the full support of the Board of Directors and the management team of the Red Eléctrica Group. This support and the commitment's underlying message are conveyed

IN 2019

The first sustainability conferences were held under the slogan 'Creating a sustainable future together'. The objective of these events was to strengthen the relationship with our stakeholders, unite forces and advance jointly towards achieving the Group's sustainability goals to comply with the 2030 Agenda.



SUSTAINABILITY COMMITTEE

Held monthly meetings in

2019

PROVIDING OVERSIGHT OF THE PROGRESS MADE REGARDING THE 2030 SUSTAINABILITY COMMITMENT



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to the entire organisation with the aim of generating a proactive attitude that incorporates sustainability criteria into the day-to-day decision-making process.

It should be noted that since 2018 the Red Eléctrica Group has had a **Sustainability Committee** within the Board of Directors, as a result of the strategic nature that sustainability has within the Company. During 2019, the Committee met monthly to monitor progress on

the 2030 Sustainability Commitment and oversee the main actions and proposals in this field.

Furthermore, the **Sustainability Steering Committee and the Corporate Sustainability & External Relations Area** carry out a key role by reinforcing the implication of decision-makers at the highest level within the Company and involving all areas of the organisation in the implementation, supervision and monitoring of the 2030 Sustainability Commitment.

DUTIES AND RESPONSIBILITIES

APPROVAL

Board of Directors

- Approve the Corporate Responsibility Policy.

Sustainability Committee

- Promote ethical leadership that encourages compliance with the Code of Ethics and the adoption of corporate values, inside and outside the organization.
- Supervise compliance with the Group's sustainability policies aimed at helping contribute to meet the Sustainable Development Goals.
- Monitor the Group's strategy and practices in relation to the 2030 Sustainability Commitment and the sustainability policies and how they are linked to the Strategic Plan.
- Supervise the relationship processes with the various stakeholders.
- Supervise and coordinate the process of reporting information on sustainability matters in accordance with international standards of reference.

MONITORING AND ASSESSMENT

Sustainability Steering Committee

- Propose the Group's Sustainability Principles and Guidelines.
- Guarantee the fulfilment of the targets and priorities of the 2030 Sustainability Commitment.
- Ensure the establishment of a management system and promote its efficient implementation.
- Guarantee that stakeholders' requirements are properly analysed and assessed within the Company's strategies.
- Promote internal awareness.

OVERSIGHT

Corporate Sustainability and External Relations area

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

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 involvement of all collaborators concerned.
- Participate in the implementation of the management model.



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IN 2019

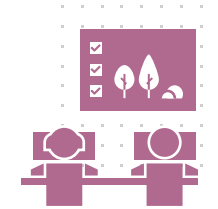
The Group has worked on drafting the new Sustainability Plan, taking into account the results of the Materiality Study and aligning it with the Group's new Strategic Plan and with the Sustainable Development Goals.

MONITORING AND ASSESSMENT

The 2030 Sustainability Commitment is deployed through multi-year plans and projects which are programmed on an annual basis. The **2017-2019 Sustainability Plan** consists of 18 essential 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 encompasses the most significant sustainability projects carried out by the Group in each of the priority areas of the Sustainability Commitment. The overall degree of fulfilment of the sustainability programme stood at 88% at the close of 2019. Specifically, the degree of accomplishment achieved in each of the priority areas was 93% in Anticipating change and taking action, 79% in Decarbonisation of the economy, 100% in Responsible value chain and 80% in Contribution to social, economic and environmental development.

Throughout 2019, the Group has worked on drafting the new Sustainability Plan, taking into account the results of the Materiality Study detailed in this chapter, whose courses of action will be aligned with the Group's new Strategic Plan and with the Sustainable Development Goals, as well as their associated targets.



SUSTAINABILITY PROGRAMME

IN 2019

88%

OVERALL DEGREE OF FULFILMENT OF THE SUSTAINABILITY PROGRAMME AT THE CLOSE OF 2019



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It should be noted that the Red Eléctrica Group annually defines a **sustainability objective for the management team**, said goal is measured depending on the level of fulfilment of those projects that are most relevant and that have the greatest impact on the 2030 Sustainability Commitment. The fulfilment of this goal has an impact on the variable remuneration of the entire workforce. In 2019, the most relevant projects were the following:

- Implementation of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.
- Definition and implementation of a Green Framework for the issuance of green bonds.
- Inclusion in the main sustainability indexes.

Red Eléctrica regularly assesses its **management system** through tools that allow the degree of fulfilment of the commitments taken on to be assessed and the progress made in the defined objectives to be measured. 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 2019, the requirements for the renewal of this certification were met. Furthermore, Red Eléctrica Andina (REA S.A.C., REDESUR S.A., TESUR and TESUR 2) has met the requirements for the renewal of this certification in 2019.

Additionally, the company submits its corporate responsibility management system to periodic internal audits to verify its compliance with the standard.

GUARANTEE OF EXCELLENCE

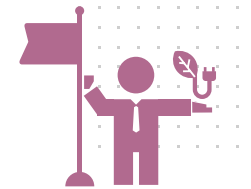
The Red Eléctrica Group has a [Quality and Excellence Policy](#) that establishes the principles and guidelines of the Group's management system with the goal of carrying out efficient and sustainable management.

Since 1999, Red Eléctrica has adopted the EFQM excellence model (European Foundation for Quality Management) as a tool to achieve



IN 2019

Red Eléctrica was awarded with the 1st National Award for Excellent, Innovative and Sustainable Management, awarded by the 'Club Excelencia en Gestión'.



SUSTAINABILITY OBJECTIVE FOR THE MANAGEMENT TEAM

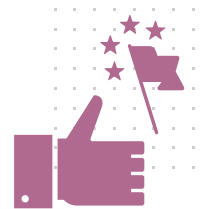
THAT INCLUDES THE MOST RELEVANT PROJECTS THAT HAVE THE GREATEST IMPACT ON THE 2030 SUSTAINABILITY COMMITMENT. ITS FULFILMENT IMPACTS THE VARIABLE REMUNERATION OF THE ENTIRE WORKFORCE



In 2019, the ISO 9001 standard was implemented and certified for the first time in REINCAN, a subsidiary of the Group.



AMBASSADOR OF EUROPEAN EXCELLENCE



A distinction renewed by Red Eléctrica for having surpassed

600
EFQM POINTS

AWARDED TO THOSE COMPANIES AND ENTITIES THAT HOLD A VALID EFQM EUROPEAN SEAL OF EXCELLENCE 500+ AND HAVE SURPASSED 600 EFQM POINTS IN THE ANNUAL RENEWAL OF THE SEAL

enhanced performance in the Company's management and it conducts external evaluations periodically. In 2019, Red Eléctrica maintained the **validity of the European Excellence 500+ Seal** granted by EFQM, after the external review carried out in 2017 in which it scored over 700 points.

In 2019, the Club Excelencia en Gestión, renewed the 'Ambassador of European Excellence' distinction, which is awarded to those companies and entities that hold a valid EFQM European Seal of Excellence 500+ and have surpassed 600 EFQM points in their annual assessment for the renewal of the Seal.

Red Eléctrica was presented with the 1st National Award for Excellent, Innovative and Sustainable Management, awarded by the Club Excelencia en Gestión, which is EFQM's representative in Spain. The jury panel selected Red Eléctrica for its excellence in management and the Company's constant sustainable and innovative management.

As part of its commitment to excellence and quality, the Red Eléctrica Group maintains certified **quality systems based** on the ISO 9001 standard in the main companies of the Group (Red Eléctrica de España, Red Eléctrica Andina, Hispasat), having implemented and certified this standard for the first time in REINCAN, one of its subsidiaries.

In 2019, a pioneering project was developed for the implementation and certification of project management in the Chira-Soria pumped-storage hydroelectric power station project based on the ISO 10006 international standard for quality management in projects, and the ISO 21500 standard for project management.

In addition, in 2019, process standardisation projects were implemented in the Group's companies (Red Eléctrica Andina, REINTEL and REINCAN), in order to provide them with greater efficiency and know-how in their organisation.

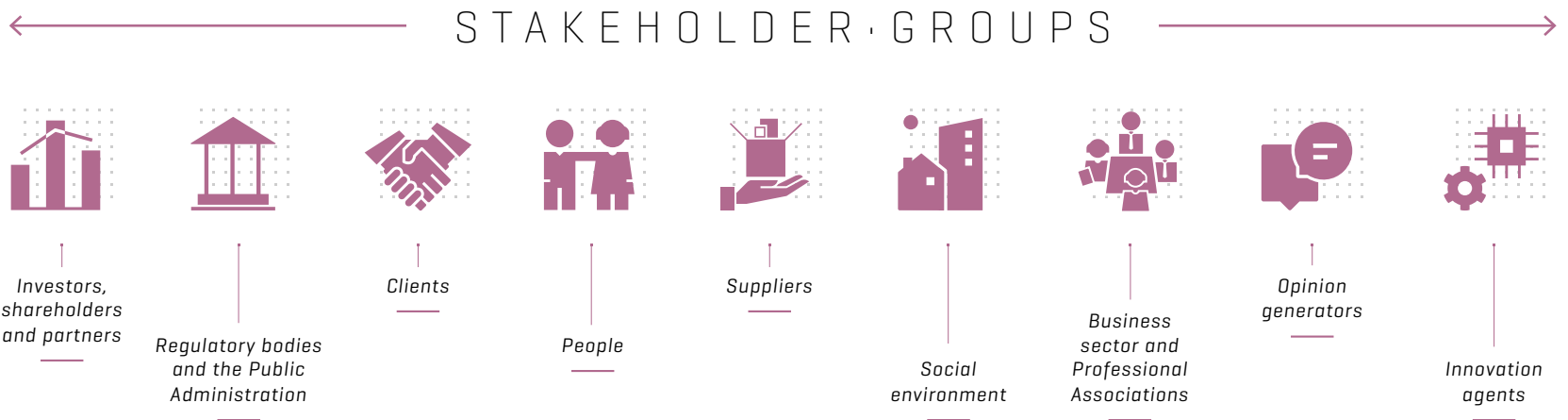
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STAKEHOLDER MANAGEMENT MODEL

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.

The main objective of the Red Eléctrica Group is to establish a lasting relationship, based on trust, with the stakeholders.



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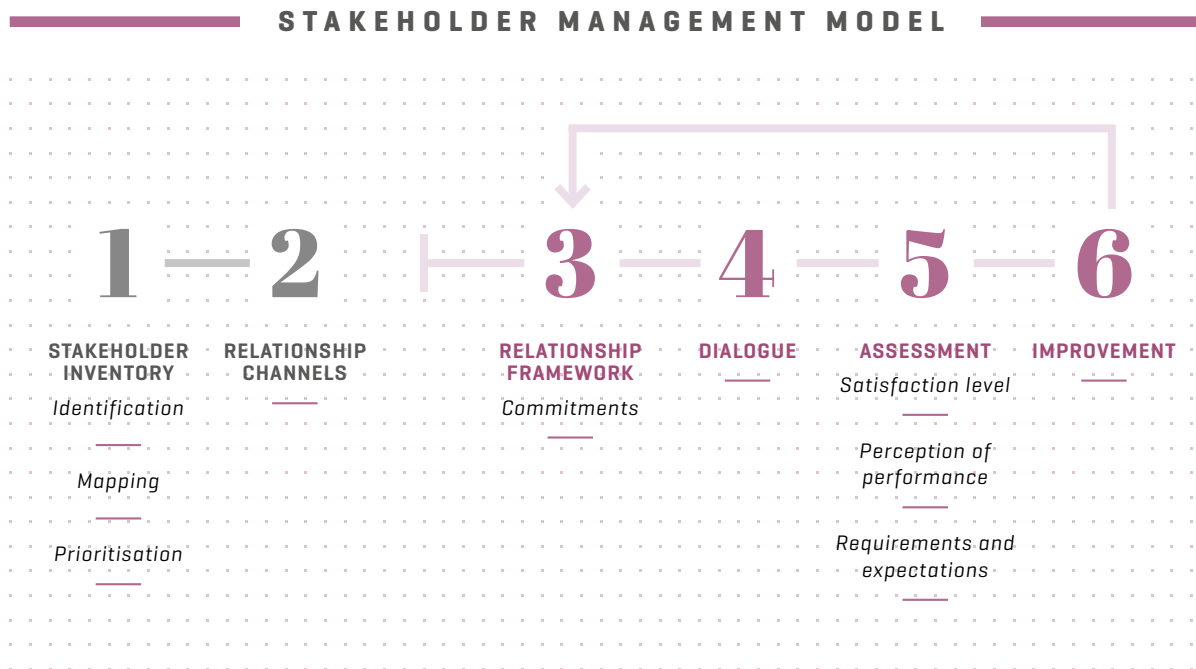
The **stakeholder management model** of the Red Eléctrica Group incorporates the requirements established in the rules and standards of reference in the field, such as: AA1000, IQNet SR10, ISO26000 or the Global Reporting Initiative. This model ensures that relevant economic, social and environmental aspects, associated with the activities and services of the Red Eléctrica Group 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 stakeholder management model of the Red Eléctrica Group incorporates the requirements set out in the rules and standards of reference in this field.





THE STAKEHOLDER MANAGEMENT MODEL

ensures adequate management of the significant economic, social and environmental impacts of the activities and services of the Red Eléctrica Group on its stakeholders.

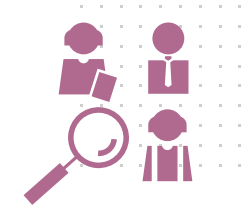
- The **prioritisation** phase performed by analysing the influence that each stakeholder group has on the achievement of the Company's strategic objectives and the impact that the Company's activities have on each stakeholder group being considered.

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

In 2020, the Company plans to begin a broad review of the stakeholders management model, which will provide an updated and prioritised inventory for each company of the Red Eléctrica Group, which will serve as a starting point for defining new frameworks for relationships with stakeholders, specific to each company and updated to the reality of the Group.

Additionally, among the actions carried out in 2019 within the framework of the stakeholder management model, two main projects can be highlighted:

- A **systematisation model for managing stakeholders engaged in transmission grid investment projects**. This project, designed and launched between 2017 and 2018 to improve efficiency in the



STAKEHOLDER MANAGEMENT MODEL

THE COMPANY PLANS TO START IN

2020

A BROAD REVIEW OF ITS STAKEHOLDER MANAGEMENT MODEL

that allows the Group to have an updated and prioritised inventory for each of the companies that make up the Red Eléctrica Group



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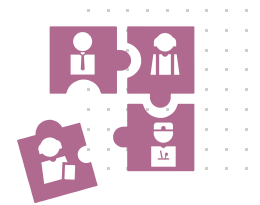
The Company has created a working group to improve the management of stakeholders involved in the drafting process of the new transmission grid planning, promoting bidirectional communication and the disclosure of information to third parties.

implementation of its infrastructure in the territory, has been continued through two supplementary projects.

- Development of sociological tools, in order to make the model functional and adaptable to the specific nature of the territories, and its application to an objective for comprehensive stakeholder management and the communication of two particular transmission grid projects: the Spanish Peninsula-Ceuta link and the Transmanchego Axis.
- Development of the technological and digital support tools necessary to respond to the requirements of the stakeholder management model designed, in order to share knowledge so as to anticipate needs and solutions that help make the compatibility of transmission grids viable within the territory.
- **Identification of stakeholders and action plan for 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 the management of stakeholders involved in the drafting process of the new transmission grid planning, promoting bidirectional communication and the disclosure of information to third parties.

IN 2019

The Group is committed to increasing transparency and providing information to all agents involved in the grid planning process and to society in general.



STAKEHOLDER MANAGEMENT MODEL

Within this framework, noteworthy are the following:

A SYSTEMATISATION PROCESS AIMED AT IDENTIFYING AND INVOLVING STAKEHOLDER GROUPS IN TRANSMISSION GRID INVESTMENT PROJECTS, AND AN ACTION PLAN FOR THEIR ENGAGEMENT IN THE TRANSMISSION GRID PLANNING PROCESS



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The Dígame service provides a professional management service for all external stakeholder enquiries.

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.

The Dígame service provides various channels of communication to external stakeholders through which they can receive a professional response to their enquiries. In 2019, a total of 3,887 queries were managed.

Grievances received from stakeholder groups

In 2019, a total of 259 grievances were received, 246 of which were initially classified as applicable and, at year-end, 53 had been recognised as applicable. The majority of the grievances received fall within the following 2 categories: Facility impact and Quality and continuity of supply.

Applicable grievances managed through the Dígame Service in 2019

By type of grievance

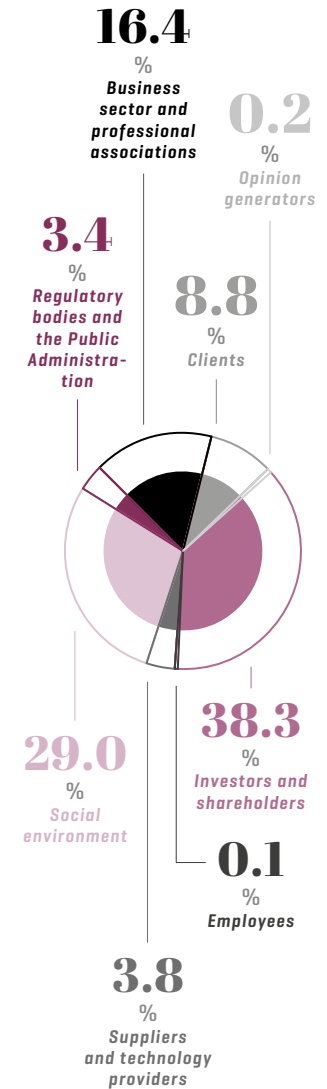
Impact of facilities	47
Quality and continuity of supply	196
Information about system operation	1
Information about supplier management	1
Corporate Helpdesk/Dígame Service	1
Total	246

By claimant stakeholders

Social environment	198
Business sector/Professional associations	46
Other	2
Total	246

Note. An applicable grievance is understood as that which corresponds to the Group's functions and/or duties and responsibilities.

DÍGAME SERVICE



With regard to the first category of grievances, most of those classified under 'Impact of facilities' were related to activities regarding the felling of trees and the clearing of vegetation, and those classified under the 'Quality and continuity of supply' were mainly grievances pertaining to the incidents in Menorca in October 2018 and Tenerife in September 2019.

91% of the applicable grievances have been closed, and the remaining 9% are being dealt with. The five grievances that were still open at the end of 2018, were closed during 2019.

PERCEPTION SURVEYS 102-43 / 102-44

The Company carries out a programme of perception surveys, as a tool for dialogue, to ensure knowledge of stakeholder requirements and expectations, evaluate performance and identify the actions that must be taken to align relationships of the Red Eléctrica Group with best practices and thus ensure ongoing improvement.

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

The assessment and analysis of the needs obtained from the perception surveys entails the drafting of an improvement action plan and the subsequent monitoring of the fulfilment of such actions. The results of the studies and the action plans are communicated to the stakeholder group concerned, to reach consensus regarding the best proposals put forward by the Company. The stakeholders are also provided with the degree of fulfilment of the action plan at year-end.

In 2019, the Company carried out an in-depth review and update of the studies, both in terms of content and the process itself. The following improvements have been made:

In 2019, perception surveys were conducted externally on social groups and professional associations. They were also conducted internally on matters regarding the Code of Ethics, the calculation of the carbon footprint and IT services and applications.



GRIEVANCES
CLOSED

91
%

OF THE APPLICABLE
GRIEVANCES HAVE BEEN
CLOSED IN 2019

The five grievances that were still open at the end of 2018 were closed during 2019

- Improvement of the structure of the studies, adapting it to the 2030 Sustainability Commitment, seeking synergies between themes and target audiences.

- Inclusion of the identification of relevant issues and assessment of their relevance to each stakeholder.

- Identification of global indexes, both in terms of perception and reputation.

In 2019, externally the Company carried out perception surveys on social stakeholder groups [social agents and associations, NGOs and foundations and educational entities] and on professional associations. Internally, the study to gain visibility on the internal support of the Code of Ethics, a study regarding the calculation of the carbon footprint and other studies aimed at assessing the management of IT services and computer applications. The overall satisfaction of all the stakeholders analysed in 2019 was 8.1 out of 10.

Global indicators of the stakeholder perception survey

	2015	2016	2017	2018	2019
Perception index ⁽¹⁾	8.1	8.1	8.1	8.3	8.1
Perception level	8.4	8.2	8.3	8.4	8.2
Overall assessment of services	7.9	8.0	8.0	8.2	8.0
Assessment of the communication and information activities ⁽²⁾	-	-	-	-	8.0
Assessment of the execution of activities ⁽²⁾	-	-	-	-	8.4
Reputation	8.6	8.6	8.6	8.6	8.2 ⁽³⁾

⁽¹⁾ The perception index (IP), a newly developed indicator in 2019, is calculated based on performance evaluations in terms of overall perception and includes the assessment of the services that the Company provides to different stakeholders:

- The overall perception level (A0) includes the stakeholders' assessment of the Company's overall performance.
- The overall evaluation of services (B) provides information on the assessment expressed by stakeholders about the services they receive from the Company.

IP= 35% A0 + 65% B [weighted values based on stakeholder prioritisation].

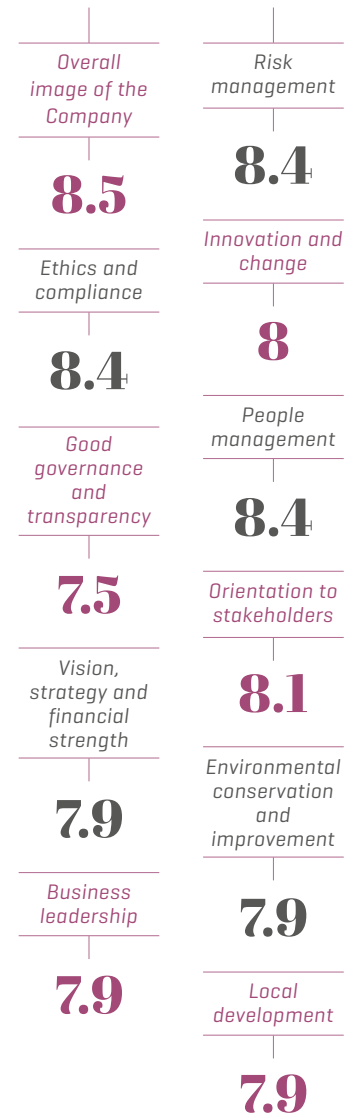
⁽²⁾ Similarly, as a new element, a weighted average assessment of communication and information activities of 8.0 has been obtained, while the value of stakeholder perception regarding the development of activities and collaborations is 8.4.

⁽³⁾ Starting in 2019, this indicator is calculated based on the assessment values obtained for each of the aspects that make up the reputation of the Red Eléctrica Group, whereby there is no direct traceability with the reputation values provided for previous years, which would trace directly with the resulting assessment of the Overall Image of the Company provided in the graphic shown on the right.

IN 2019

The overall perception index of stakeholder groups was 8.1 out of 10.

2019 ASSESSMENT OF THE REPUTATION ASPECTS





KEY PERFORMANCE INDICATORS

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CHAIRWOMAN AND FROM
THE CEOA BENCHMARK REPORT AT THE
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RED ELÉCTRICA
GROUP2
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ANTICIPATING
CHANGE AND TAKING
ACTION6
DECARBONISATION
OF THE
ECONOMY7
RESPONSIBLE
VALUE CHAIN8
CONTRIBUTION TO SOCIAL,
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TRANSPARENCY AND COMMUNICATION

The Red Eléctrica Group maintains active, continuous communication with its stakeholder groups. This is done to constantly provide transparent, clear, reliable and balanced information on the progress made regarding its sustainability commitments.

CORPORATE WEBSITE

The corporate website www.ree.es/en is an informative and interactive space that contributes to showcasing the Company's commitment to transparency, facilitates information and knowledge regarding its business activities, promotes reliability and trust and reinforces direct contact with its stakeholders. In addition to the Group's corporate website, noteworthy are also the websites of: Red Eléctrica Internacional (www.reinternacional.com), REINTEL (www.reintel.es) or Hispasat, (www.hispasat.com), each providing specific information on these businesses.

In 2019, noteworthy are the following enhancements made to the corporate website of the Red Eléctrica Group:

The corporate website of the Red Eléctrica Group contributes to showcasing its commitment to transparency, facilitates knowledge regarding its business activities, promotes reliability and trust and reinforces direct contact with its stakeholders.

REData
NEW
INTERACTIVE
AND MULTI-MEDIA
SPACE



2019

OFFERS ALL THE STATISTICAL
DATA REGARDING THE
BEHAVIOUR OF THE SPANISH
ELECTRICITY SYSTEM



KEY PERFORMANCE INDICATORS



LETTER FROM THE CHAIRWOMAN AND FROM THE CEO



A BENCHMARK REPORT AT THE FOREFRONT OF REPORTING STANDARDS



1 RED ELÉCTRICA GROUP



2 STRATEGY



3 CORPORATE GOVERNANCE



4 COMMITMENT TO SUSTAINABILITY



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7 RESPONSIBLE VALUE CHAIN



8 CONTRIBUTION TO SOCIAL, ECONOMIC, AND ENVIRONMENTAL DEVELOPMENT



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The Company has created the blog, [Red2030: action, sustainability and commitment](#), which addresses current sustainability content such as the energy transition and the fight against the climate emergency, among others.

- **New interactive and multimedia space, [REData](#)**, which offers all the statistical information on the behaviour of the Spanish electricity system. This space has been designed to meet the information demands of our stakeholders and to consolidate the image of the Red Eléctrica Group as a benchmark in transparency.
- **Updating of the Red21 section of the website**, which brings together all the vectors associated with the commitment to the energy transition: strengthening of interconnections, integration of renewables, electric vehicles, active consumers, smart grids and energy storage.
- **Broadening of the contents of the section of the website regarding 'Grid access and connection, and bringing facilities into service'**, offering detailed information on each stage of the procedure and periodically publishing information on the new power capacity requests that are going through the processing stage, and those that have already connected to the grid.
- **Update of the home page**, with a new design, and providing a wider and more in-depth content in the **Press Office** section, to give greater



2019 INDICATORS OF THE CORPORATE WEBSITE

OVER
860
thousand
USERS

CORPORATE WEBSITE

The corporate website obtained the 14th position in the ranking of the best websites of the IBEX 35 companies, according to the international 2019-2020 Webranking survey conducted by the consultancy firm Comprend.

1.8
M
SESSIONS

426
thousand
DOWNLOADS



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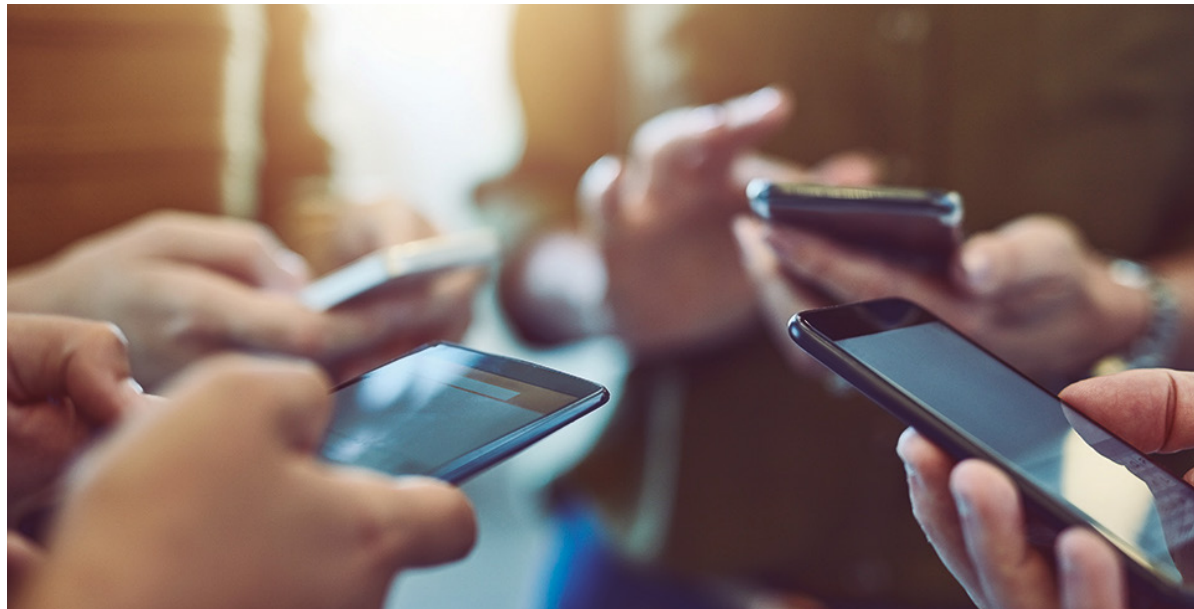
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DIGITAL COMMUNICATION CHANNELS

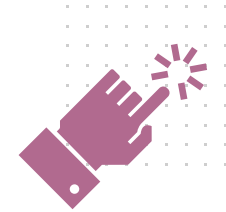
Through digital media, timely information is provided on all the activities of the Company, with special emphasis on all those initiatives and actions regarding sustainability and innovation.

visibility to the special projects in which the Group works within the framework of sustainability, technology, digitalisation and the development of talent, as well as the main milestones of the Company's activity.

Promotion of digital channels

Red Eléctrica has continued to promote the company's presence in digital media, offering timely information on all its activities and with special emphasis in all those initiatives and actions in which it takes part in matters related to sustainability and innovation.

Red Eléctrica now has reached 19,000 followers on Twitter, 3,970 on Facebook, 32,107 on LinkedIn and 1,120 subscribers to YouTube. All these channels represent an essential tool for disseminating information regarding the Company's activity and help consolidate transparency and relations with the different stakeholders.



SIGNIFICANT PRESENCE IN DIGITAL MEDIA

AN ESSENTIAL TOOL FOR DISSEMINATING INFORMATION REGARDING THE COMPANY'S ACTIVITY

LEADERSHIP IN SUSTAINABILITY

The Group's performance in terms of sustainability

is subject to continuous scrutiny by external entities and specialised assessment agencies. The Company's presence in prestigious indexes and the recognitions received in the field of sustainability showcase the Company's excellent level of engagement and its firm commitment to accountability and transparency.

In 2019, the Red Eléctrica Group obtained the highest rating [AAA] granted by the rating agency Morgan Stanley Capital International [MSCI] and leads the ranking of its sector in the ESG rating conducted by ISS ESG.

Additionally, the Company voluntarily adheres to various initiatives that strengthen its commitment to sustainability, among which noteworthy are: the United Nations Global Compact Principles, the Green New Deal for Europe, Climate Ambition Alliance, Caring for Climate, the Biodiversity Compact, the Code of Good Tax Practices and the initiative CEO for Diversity, among others. / 102-12

In 2019, the Red Eléctrica Group obtained the SAM Silver Class distinction for the score achieved by the Company in the Dow Jones Sustainability Index.



PRESENCE IN SUSTAINABILITY INDEXES



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ANTICIPATING CHANGE AND TAKING ACTION

Advancing towards a proactive management approach that enables possible risks to be converted into opportunities.



KEY PERFORMANCE INDICATORS



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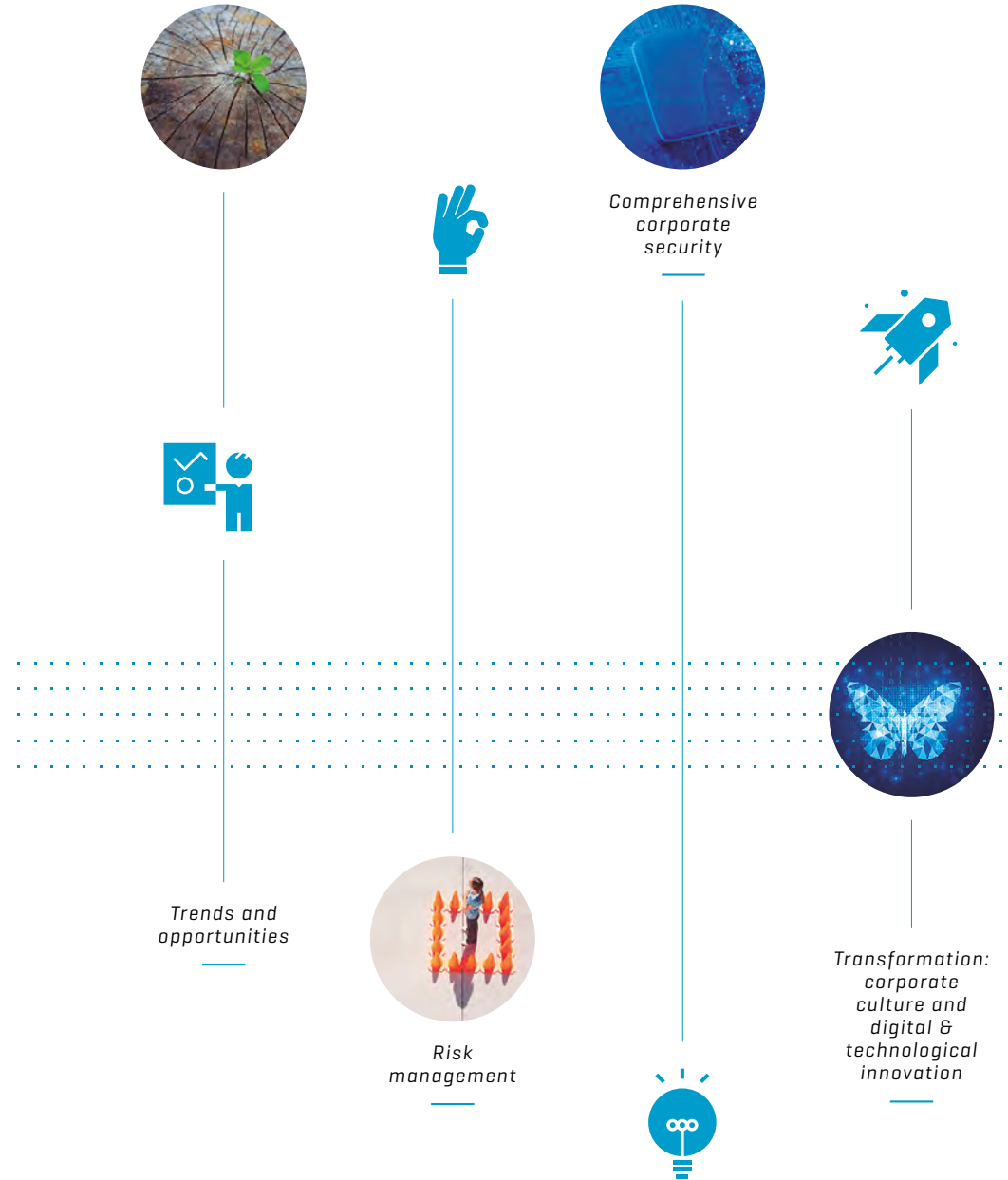


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ANTICIPATING CHANGE AND TAKING ACTION

The current global context is determined by a constant change. Companies must identify the trends that may affect them in the future so that they may define the most appropriate way to address the challenges associated with them. Basically, it means trying to promote a proactive management approach that enables the company to turn the potential risks into opportunities.

In this regard, 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 it 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.





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Trends and opportunities

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TRENDS AND OPPORTUNITIES

102-15

Within a socio-economic environment as the current one we are living, and in which global challenges mark the agendas of companies and determine their sustainability in the long term, In 2019, the Red Eléctrica Group carried out an exhaustive analysis of the **context of its sustainability commitment**, identifying the main existing trends in order to be fully aware of the key issues that have an influence on today's business environment and may have a relevant impact on the Group's business model in the upcoming future.

GLOBAL TRENDS: A FUTURE INFLUENCED BY MEGATRENDS

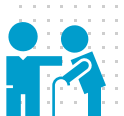
The Red Eléctrica Group has identified five global trends or megatrends. That is, key issues with a level of global influence that may generate significant impacts, both on the business model of companies in all sectors as well as on the management of the public government administrations.

GLOBAL TRENDS



The acceleration of urban development

will have to coexist with the **depopulation of rural areas**, making it necessary to combine and balance the response to the environmental challenges associated with large population nuclei, with the development of services and the guarantee of access to essential resources in depopulated areas.



The world's demographic structure

will be marked by **population growth**, especially in the least developed countries, and by **population ageing**, requiring greater demand for social services and increasing the overall risk of talent loss in certain economies.



The climate emergency

is consolidating itself as the global challenge that will determine the way we do business. The materialisation of social, environmental and economic risks arising from climate change determine the need to set more ambitious global goals and joint action plans to achieve them.



Trade tensions and changes in the centres of economic power

will lead to a shift in the focus of global growth, opening up investment opportunities for companies in new markets and demanding structural reforms from governments to improve economic stability and legal certainty.



The fourth industrial revolution

will not only be defined by the set of emerging technologies, but also by the transition to new systems built on the infrastructures of the digital revolution, which will make it possible to offer solutions linked to improving the quality of life and mitigating the climate emergency.

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SUSTAINABILITY TRENDS: ISSUES WHERE PROGRESS NEEDS TO BE MADE

The Red Eléctrica Group has identified **twelve sustainability trends**. These are key issues with an overall level of influence linked to specific areas of management that may have an impact on the sustainability of companies.

SUSTAINABILITY TRENDS



Companies choose

to define a **business purpose**, aware that they must go beyond the development of their business activity, assuming the responsibility they have with society and contributing to the achievement of the global sustainability goals.



The growing tendency

of the regulator to introduce regulatory changes in ESG aspects in investment markets is a key factor that conditions the future of this activity, promoting **socially responsible investment (SRI)** and **sustainable financing**.



Companies need to deal

with **informed and empowered consumers**, who have growing expectations, seek brands aligned with their values and hope to participate and collaborate with companies and governments to move towards the joint creation of value.



The correct handling

of information to prevent bias and other negative social impacts and the ethical management of data requires robust and sustainable **data governance** in organisations, which is an emerging area in the management of companies.



There is a growing demand

for access to more detailed information on the activities and impacts of companies whereby frameworks, that raise the level of **transparency**, are constantly emerging as the only antidote to overcome the growing mistrust in the business world.



The digital transformation

not only brings opportunities, but also increases risks in the integrity of information. **Cyber security** is consolidated as a key aspect to mitigate the increase in the number of frauds and massive data theft.



The growing competition

in the market demands employees with new skills and professional abilities, which compels companies to undertake the commitment to **search for and develop specific talent** that can respond to the future challenges of companies.



Improving the performance

of teams of people and their ability to make better decisions is directly linked to factors such as **gender equality and diversity**, and it is necessary to address the elimination of certain social and cultural stereotypes.



KEY PERFORMANCE INDICATORS



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SUSTAINABILITY TRENDS

Continued



The increase in population

and the growth in well-being has raised the demand for natural resources to unsustainable levels making it necessary to promote a responsible production and consumption model that integrates circular economy criteria.



The measures put in place

have not been able to reverse the forecasts of biodiversity loss and the deterioration of ecosystem services, which are expected to be even worse due to the consequences of the climate emergency.



Companies must develop

business models that generate a positive social footprint in the territories where they operate. This contribution must be measurable and must integrate not only the direct impact of the activity but also the induced impact.



The growing relevance

of access to non-financial information in the decision-making process of investors has led to a sophistication of sustainability agency assessments and an increase in shareholder activism, due to the rise in assets that are passively managed.



The Red Eléctrica Group identifies five major trends, twelve sustainability trends and ten sector-specific trends that impact on its business model.



KEY PERFORMANCE INDICATORS



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SECTOR-SPECIFIC TRENDS: ELECTRICITY, TELECOMMUNICATIONS AND TECHNOLOGY

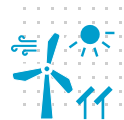
The Red Eléctrica Group identifies **ten sector-specific trends**. These represent key issues with a high level of influence in the areas of activity of the Red Eléctrica Group.

SECTOR-SPECIFIC TRENDS



The growth in global electricity demand

will require increased investment in generation capacity, grids, energy storage and the development of interconnections and will require a further reduction in the proportion of the population without access to electricity.



The decarbonisation of the economy

entails that **renewables take on a more relevant role** that will require a greater flexibility in the management of energy in the generation mix, as well as the adoption of smart solutions that facilitate the operation of a system based on non-programmable renewable sources.



Energy storage

will be a crucial tool for the exponential integration of renewable energy, especially in isolated electricity systems, with a need for greater maturity of large-scale energy storage technologies.



The decline in energy intensity

in relation to GDP in recent years has slowed down the implementation of **energy efficiency** policies, putting at risk the ability to maintain the improvements achieved in recent years.



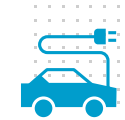
The lower cost of renewable energy and digitalisation

will consolidate an **active consumer** profile who will play a vital role in the energy transition, promoting the decentralisation of the system and requiring greater control over their consumption.



The monitoring of energy consumption

through **smart devices** (smart sensors and meters) will provide data and information that will make it possible to improve the use of electricity and manage energy flows more efficiently.



Sustainable mobility

combines the emergence of new patterns of behaviour, such as car-sharing, with the massive integration of electric vehicles and alternative fuels, which require the development of the necessary technology and infrastructure.



Digital transformation

requires **greater data transmission capacity**, making dark fibre a strategic asset, and the development of 5G technology as one of the main drivers for improving information transfer capacity.



The digital divide

is not only between countries, but also between regions within the same nation. The relationship between Internet access and economic growth makes it necessary to implement programmes to address digital inequalities and deficiencies.



Internet of Things,

robotisation, advanced data analysis or virtualisation, among others, represent a **technological revolution** that is disruptively transforming all industries at an unprecedented speed.

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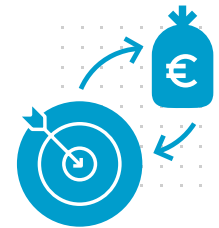


OPPORTUNITIES ARISING FROM CLIMATE CHANGE / 201-2

The fight to curb climate change implies a profound transition in the energy model. A key part of this transition will take place in the electricity sector. The changes arising from the new model represent a series of opportunities for the Red Eléctrica Group, which must **promote its activities and reinforce its role as a critical player in the electricity system.**

To strengthen the process of identifying opportunities associated with climate change, in 2018 the Red Eléctrica Group began to work on incorporating the recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD)**. Thus, in 2019, the Company has completed the definition of a methodology for identifying, prioritising and quantifying financial aspects, which has been applied considering different scenarios. This work has been carried out for both risks and opportunities.

Following the TCFD recommendations, the identification and assessment of opportunities will be systematically reviewed once



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

IDENTIFICATION, PRIORITISATION AND QUANTIFICATION OF FINANCIAL ASPECTS FOR BOTH RISKS AND OPPORTUNITIES

associated with climate change

The changes that the energy transition will represent will give the Red Eléctrica Group an opportunity to promote its activities and strengthen its role as a key player in the electricity system.



KEY PERFORMANCE INDICATORS



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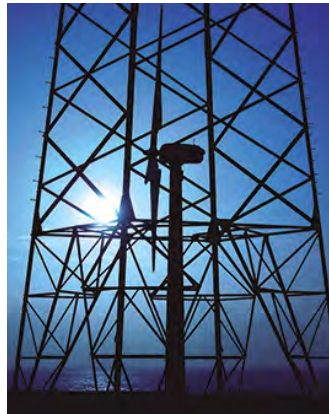


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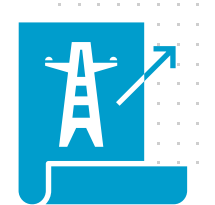
The energy policies reflected in the National Energy and Climate Plan entail an increase in the share of renewable energy in the mix and changes in mobility policies; actions in which the Red Eléctrica Group plays a fundamental role.



a year, and the results will be submitted to the Sustainability Committee of the Board of Directors, in order to strengthen the consideration of opportunities in the decision-making process and in the Group's operational and strategic plans.

The transition opportunities, linked to the changes involved in the fight against climate change (regulatory, technological, market and reputational), are considered relevant by the Red Eléctrica Group. Due to the Company's main activity, aspects related to energy policies established within the framework of the European Union are especially relevant, specifically those reflected in the draft National Energy and Climate Plan (NECP), whose scenarios have been taken as a reference for the analysis carried out.

These policies entail, among other aspects, greater electrification, a greater share of renewable energy in the energy mix and changes in mobility policies, with the promotion of rail transport and the implementation of electric vehicles. In this context, the electricity transmission grid, in addition to its essential role in transporting energy to the distribution networks and enabling the connection of new renewable power capacity, plays a fundamental role in providing critical services for the security of supply (reliability, wave quality, response capacity when faced with excess energy generation and the control of voltage level and frequency), which become even more relevant in a system with a very high penetration of renewables.



NATIONAL ENERGY AND CLIMATE PLAN

NECP

THE COMPANY HAS TAKEN NECP SCENARIOS AS A REFERENCE FOR ENERGY POLICY ANALYSIS



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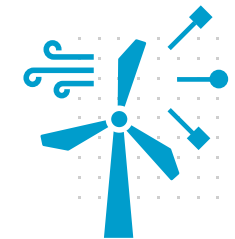
All these aspects imply a clear **need for new investments in the transmission grid** (new lines and interconnections) and, therefore, a clear opportunity for growth for the Company.

On the other hand, the ability of Red Eléctrica de España to balance and integrate the enormous role played by renewables, the new elements of the system (new technologies, new architecture of the electricity system, digitalisation, distributed generation, the active role of consumers, self-consumption,...) and the security and quality of supply will only be possible through the development of new functions and responsibilities within a new scenario which, being more decentralised, will require greater coordination between all parties involved. Therefore, the Company identifies **opportunities linked to the development of new functions and services**, such as the development of energy storage and other technical solutions to meet the challenges of the energy transition (protection systems, Flexible AC Transmission Systems (FACTS) equipment and other control and monitoring equipment).

Lastly, and to a much lesser extent, it is expected that the improvement in the performance of the Red Eléctrica Group in matters related to mitigation and adaptation to climate change could have a positive influence on its reputation, which could lead to improvements in its financing opportunities or share price.

IMPROVEMENT IN THE PERFORMANCE OF THE RED ELÉCTRICA GROUP

in the mitigation and adaptation to climate change can positively influence the Company's reputation, which could lead to improvements in its financing opportunities or share price.



A NEW SCENARIO

FOCUSED ON A STRONGER ROLE OF RENEWABLES AND IS INCREASINGLY DECENTRALISED, AND THAT WILL REQUIRE GREATER COORDINATION BETWEEN ALL PARTIES INVOLVED

to make the new system elements compatible with the security and quality of supply

KEY PERFORMANCE INDICATORS



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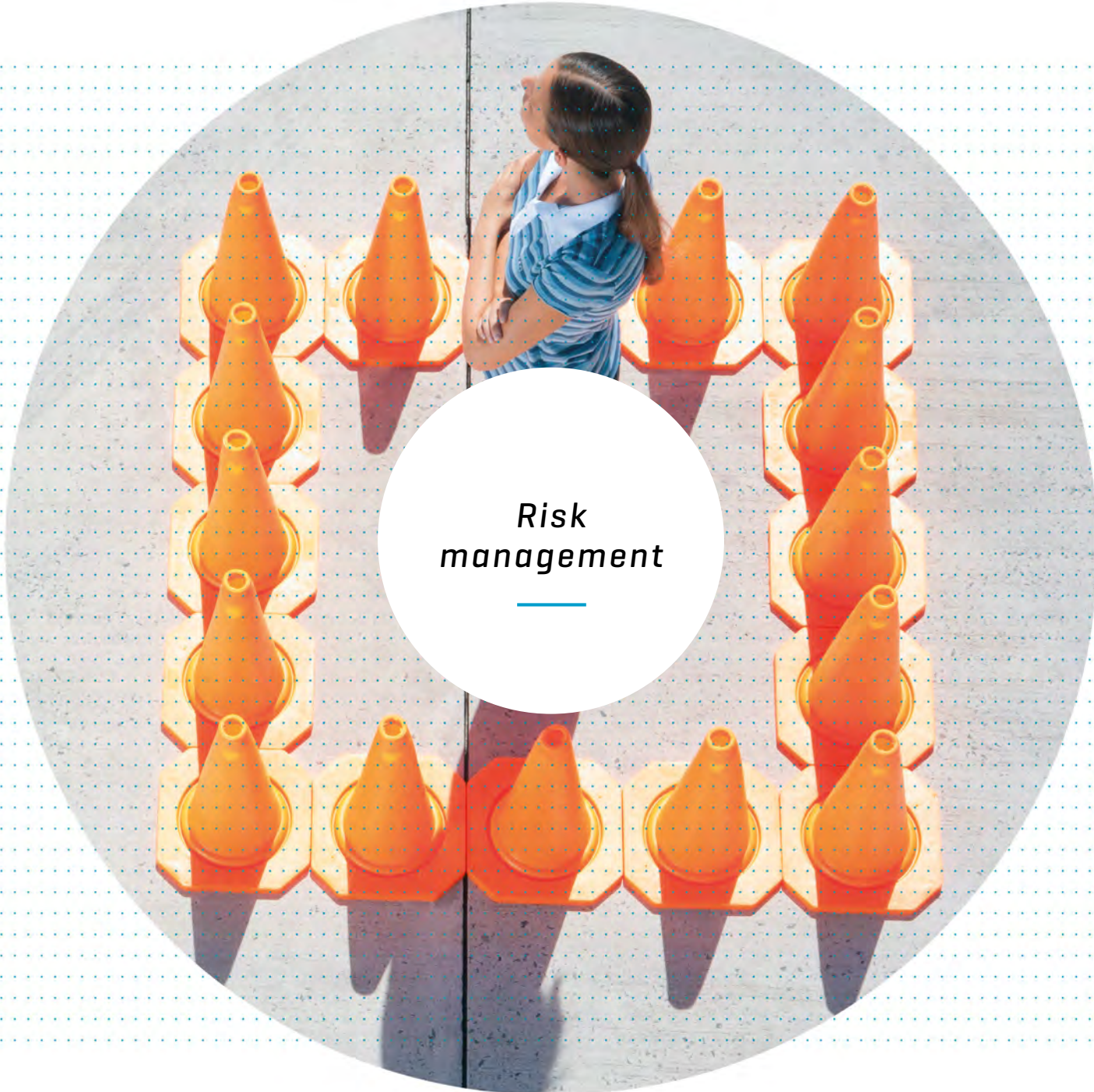
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Risk management



RISK MANAGEMENT

102-11

The Red Eléctrica Group has a comprehensive risk management system in place in order to facilitate the fulfilment of the Group's strategies and objectives, ensuring that the risks that could have an impact on 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 regarding risk management principles and guidelines and is ongoing and comprehensive in nature. Said management is established per business unit, subsidiary and support areas at a corporate level.

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

The Red Eléctrica Group has a Comprehensive Risk Management Policy and general Procedure for comprehensive risk management and control, based on the COSO II Comprehensive Risk Management Framework.

COMPREHENSIVE MANAGEMENT SYSTEM

Developed in accordance with the

ISO 31000

STANDARD ON RISK MANAGEMENT PRINCIPLES AND GUIDELINES



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The comprehensive nature of the Risk Management System guarantees the involvement of all the Group’s organisational units and ensures that the different governing bodies responsible for risk control are kept abreast of the status of the risks.

COMPREHENSIVE RISK MANAGEMENT POLICY

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

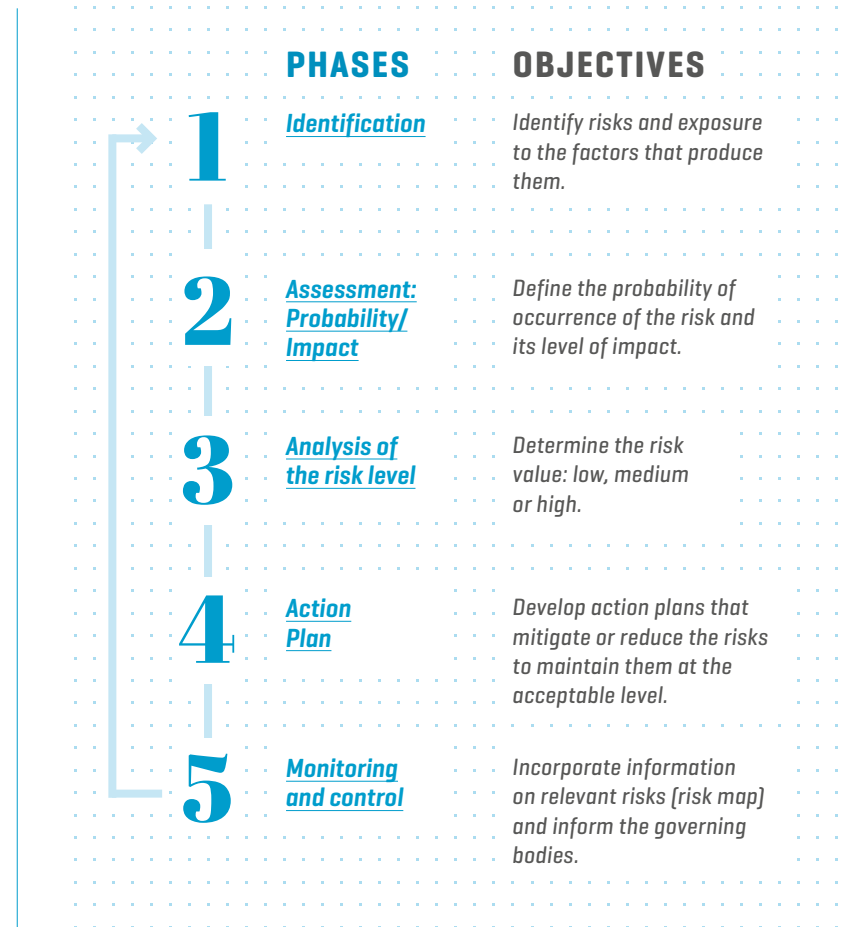
COMPREHENSIVE RISK MANAGEMENT PROCEDURE

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 to ensure that the various levels of management of the Group are fully aware of and assess the risks that may 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

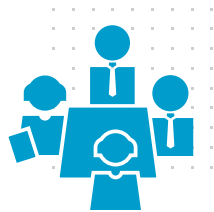
102-30 / 102-31

The **comprehensive nature** of the Risk Management System guarantees the involvement of all the organisational 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 control and management policy and procedure defines the different duties and responsibilities of the governance bodies and those of each of the organisational units, and establishes the flow of information within the organisation and of the activities to be undertaken by the various units and bodies.

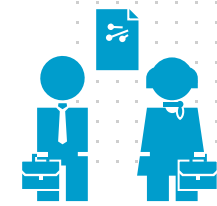


ORGANISATIONAL STRUCTURE REGARDING RISK MANAGEMENT AND CONTROL

- 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**



**EXECUTIVE
COMMITTEE**

- Monitoring of the map of relevant risks.
- 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^(*)**



**ORGANISATIONAL
UNITS
RESPONSIBLE
FOR PROCESSES
OR PROJECTS**

- Identify and report to the Internal Audit and Risk Control Management Area on new relevant risks that may arise, or regarding material changes in risks already identified, and 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 bring the risks within the corresponding adequate level and keep 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.



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RISK STRUCTURE 102-15

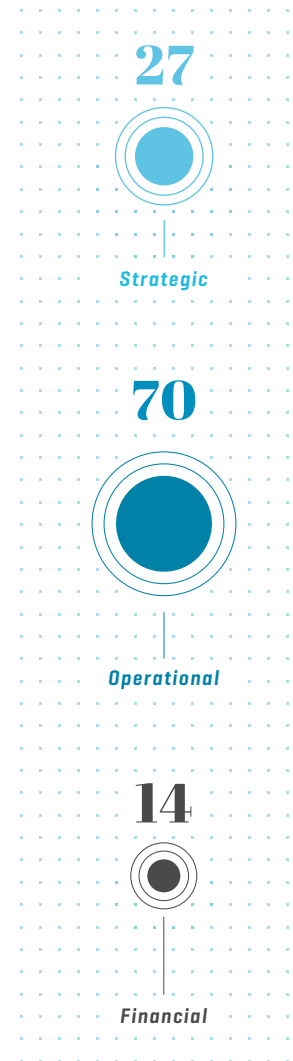
The core business of the Red Eléctrica Group is the transmission of electricity and the operation of the electricity system in Spain. Said activities are regulated in as far as they are critical to the security and continuity of the electricity supply in Spain and are carried out on an exclusively by the Group. This element establishes this specific business as a regulated activity and therefore 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 determines the risks to which it is exposed.

The Company has a risk classification structure in order to facilitate a complete identification of the risks and allow a more detailed analysis. This structure enables the risks identified to be classified into three levels of aggregation.

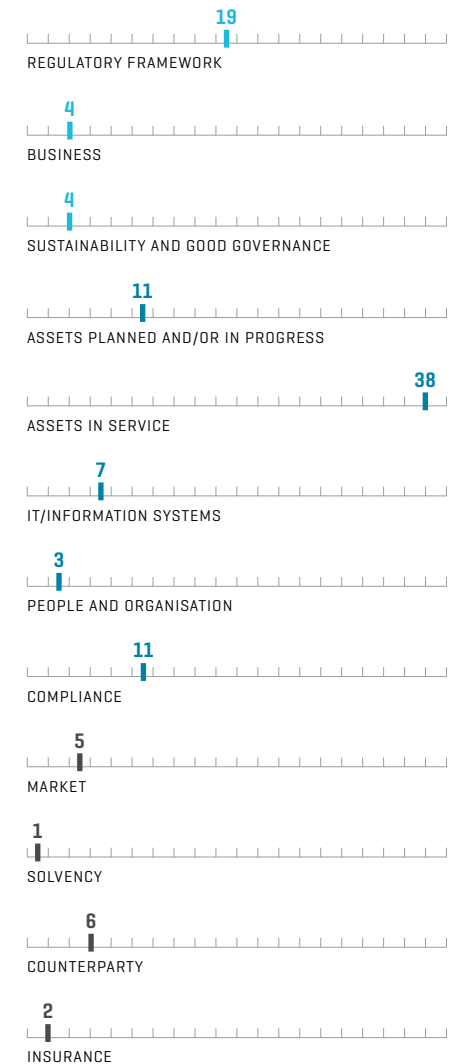
As a result of the risk analysis carried out by the Red Eléctrica Group, in the most recent Risk Map presented, 111 risks were identified, whose distribution in the first two levels of aggregation as shown in the graphics on the right.

RISK STRUCTURE IN 2019

Risk distribution [first level] N°



Risk distribution [second level] N°



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 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** that said risk would potentially have on the Company and on the following four key elements of the business [in the event it materialises]:

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 Strategic Plan.

Reputation

Stakeholder perception as a result of failing to meet their expectations and dissemination of the project 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 included under the corresponding element in the **probability / impact matrix**, which automatically determines the level of risk. The following matrix reflects the distribution of the 111 risks identified according to their valuation.

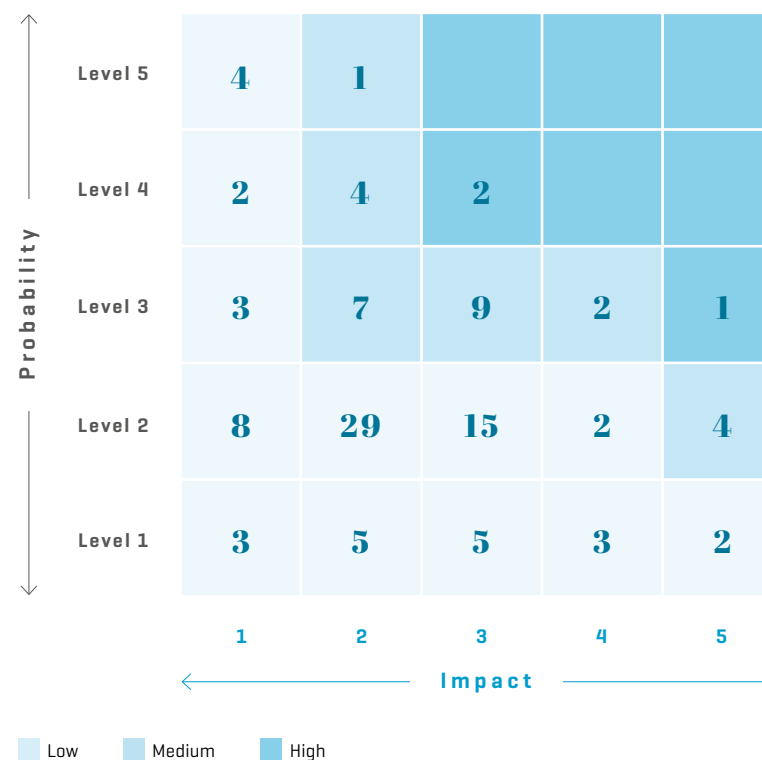
The level of risk that the Red Eléctrica Group is willing to accept is established both individually for each risk, and as an aggregate for each of the impact axes.



LEVEL OF RISK

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 impact axes.

RISK DISTRIBUTION (Impact/Probability)



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THE OVERALL LEVEL OF ACCEPTABLE RISK

that the Group is willing to assume for each of the four axes of impact considered in the Comprehensive Risk Management System is approved by the Board of Directors.

The overall level of acceptable risk that the Group is willing to assume for each of the four axes of impact considered in the Comprehensive Risk Management System is approved by the Board of Directors. As a general rule, the overall risk level in each axis should not exceed the acceptable risk level approved for each one.

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 applying coherent criteria that takes into consideration the importance of the risk and the cost and the means/resources necessary to reduce it. However, for activities that have an impact on the electricity system, the impact of these risks must also be taken into account.

RISKS MATERIALISED IN 2019

During 2019, no significant financial risk has materialised.

With regard to strategic risks, notable in the regulatory area, this year was the approval by the Spanish National Markets



MATERI-ALISED RISKS

During 2019,

NO SIGNIFICANT FINANCIAL RISK HAS MATERIALISED



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The main actions aimed at mitigating operational risks are focused on the maintenance of facilities, ensuring they are in proper working order, and the development of the transmission grid.

and Competition Commission (CNMC), of the Draft Circulars that establish the methodology for calculating the remuneration payable to Red Eléctrica de España for its activities as transmission and system operator (TSO). The circulars are intended to regulate the remuneration of said activities for the 2020-2025 regulatory period, thereby dispelling the uncertainties associated with certain aspects of the new remuneration scheme.

The Circular on the methodology for the remuneration of the electricity transmission activity establishes the end of the regulatory useful life for pre-98 assets (those that obtained operating licences prior to 1998) as of 2024, after the approval of the one-year increase resulting from the upgrade and improvement actions carried out on such assets in 2015-2018. For its part, the Circular on unit values defines the standard transmission facilities and sets a reduction of the operating and maintenance unit values for the period 2020-2025. With respect to the Circular on the financial rate of return (FRR), the calculation methodology based on weighted average cost of capital is ratified, with a proposed FRR of 6.003% in 2020 and 5.58% for the rest of the regulatory period (2021-2025). Lastly, it should be noted that, for the first time ever, a methodology for calculating the system operator's remuneration has been established via a Draft Circular and which increases the current remuneration and minimises the remuneration risks associated with this activity.

Red Eléctrica de España presented its comments and arguments to many of the elements included in the Draft Circulars seeking to attain a regulatory environment that allows the Company to perform its key role as electricity transmission and system operator in the ecological

transition process. It bears emphasis that the impact of a large part of the measures finally endorsed and supported by the Ministry for the Ecological Transition (MITECO) has already been taken into account in the projections used in the Group's current Strategic Plan.

In relation to **operational risks**, it is necessary to highlight that the facilities of the transmission grid are exposed, permanently, to events that may have an 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 2019, some events resulted in minor power cuts, with the exception of the power outage in the electricity supply on the island of Tenerife which occurred on 29 September due to an electricity fault in the Granadilla substation. This incident caused what is known as a zero-voltage event, leading Red Eléctrica de España to activate the electricity supply restoration protocol envisaged for swift and secure recovery of supply. At the same time Red Eléctrica de España convened the Emergency Committee to coordinate the electricity supply restoration process and to handle institutional and media communication tasks. It took 9 hours and 14 minutes to restore demand completely, although the process was gradual and slow. The energy not supplied (ENS) associated with this incident reached 2,623.90 MWh. The investigation and analyses conducted in the substation equipment found that the incident originated in a fortuitous and undetectable failure of a voltage transformer in the 66kV Granadilla substation.



The main actions to mitigate these risks are focused on maintenance of the facilities to ensure they are in proper working order, and on the continued development and strengthening of the transmission grid to avoid an isolated incident from producing a grid-wide disturbance. Along these lines, since 2011 (when the Canary Islands transmission assets were acquired) Red Eléctrica de España has invested a total of 325.8 million euros in maintaining, upgrading and renovating the transmission grid, including 2.2 million euros in the Granadilla substation where the power supply incident originated. Also, between 2014 and 2018 capital expenditure on new grids in the Canary Islands amounted to 326.3 million euros, with a further 487.9 million euros that have been budgeted until 2021.

Noteworthy amongst the operational risks associated with the assets in service are environmental risks, that is, those whose materialisation could have an impact on the environment. On 11 September 2019, the protection systems for the submarine electricity link between Spain and Morocco detected a leak of insulating fluid in one of the cables (cable number 7) of the two circuits that make up the electricity interconnection, which is owned 50-50 by L'Office National d'Électricité et de l'Eau Potable (ONEE) of Morocco and Red Eléctrica de España. The problem was located in Moroccan waters some 15.4 km from the Spanish coast at a depth of 490 metres. It is worth stressing that the



TRANSMISSION GRID IMPROVEMENTS

Since 2011, Red Eléctrica de España has invested a total of

325.8
M€

IN TRANSMISSION GRID MAINTENANCE, IMPROVEMENT AND RENOVATION WORKS

INVESTMENT IN NEW GRIDS IN THE CANARY ISLANDS

has risen to 326.3 million euros and a further 487.9 million euros have been budgeted until 2021.



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When the incident occurred in the electricity submarine link that connects Spain with Morocco, the leak containment system was automatically activated (as per the link's design) and progressively reduced the insulating fluid pressure down to the minimum level considered technically viable.

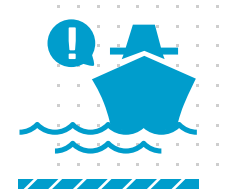
SECURITY OF SUPPLY

Although the interconnection capacity with Morocco has declined from 900 to 400 MW due to the loss of one of the two circuits, this incident has at no time affected the security of electricity supply.

insulating fluid is biodegradable and once dissolved in water is not harmful to marine or human health. The investigations carried out and the available evidence indicate that the incident was due to external aggression.

When the incident occurred, the leak containment system was automatically activated, as per the link's design, and the pressure of the insulating fluid was progressively reduced down to the minimum level considered technically viable. From the outset of the incidence, the National Maritime Plan for the interconnection was activated, and Spanish maritime authorities, the Ministry of Ecological Transition and all other relevant authorities were kept duly informed on the incident at all times. Noteworthy was that the work to seal the interconnection was completed on 16 October and efforts then focused on repairing the interconnection link. Although the interconnection capacity with Morocco has fallen from 900 to 400 MW due to the loss of one of the two circuits, this incident has at no time affected the security of the electricity supply.

Red Eléctrica has proactively increased its monitoring plan for the zone and for maritime activity along the entire route taken by the submarine interconnection cables during the time the circuit has been rendered inoperative, implementing an action plan that supplements the standard monitoring and supervisory activities. To this end, additional alarms and in situ monitoring have been included in the control



AIS SYSTEM

RED ELÉCTRICA HAS INCREASED THE MONITORING PLAN FOR THE AREA AND FOR MARITIME ACTIVITY ALONG THE ENTIRE ROUTE TAKEN BY THE SUBMARINE INTERCONNECTION LINKING UP SPAIN AND MOROCCO

incorporating additional alarms and in situ monitoring from a ship along the route of the interconnection cables

system and in the Automatic Identification System (AIS) monitoring system. This supervision consists of conducting monitoring of the interconnection cable route using a ship. This work is of the utmost importance, as it serves to warn ships that are anchored or proceeding at low speeds in these areas of the ban that prohibits them from staying there and to instruct them to move on to other locations.

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

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

For the monitoring of risks, the current risk management system includes the tracking 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 (in order 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.

The Company has in place a Business Continuity Plan whose goal is to plan the necessary procedures to be able to respond adequately

NOTEWORTHY ACTIONS IN EL 2019

- Improvements in risk assessment methodologies: Review of the strategic impact axis to align it with the new Strategic Plan and update of the corporate risk matrix.
- Analysis, selection and contracting of a comprehensive IT solution for Corporate Risk Control.
- Development of a risk assessment model associated with the Group's in-service transmission assets.
- Identification and assessment of risks and opportunities related to climate change, applying the recommendations of the Task Force for Climate-related Financial Disclosures.
- Development of a Key Risk Indicator [KRI] dashboard for risk management and definition of the threshold for its monitoring.

NOTEWORTHY ACTIONS PLANNED FOR 2020

- Review and improvement of the integrated Risk Management system to align it with best practices [COSO ERM 2017/ISO31000:2018 standards].
- Completion of the implementation of the new IT solution for Corporate Risk Control.
- Review of the acceptable risk levels established by the Red Eléctrica Group.



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IN 2019

The Group continued collaborating on the development of the risk management system for investment projects and on the risk management project for transmission grid assets.

to a disaster, crisis or emergency situation, from the outset, 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.

In addition, actions are carried out with other units of the Group to manage risks in line with the Comprehensive Risk Management System. Thus, in 2019, the Group continued collaborating on the development of the risk management system for transmission grid investment projects (IRIS project), on the development of the model for analysing risks of transmission grid assets (part of the MANINT project) and on the implementation of the recommendations of the Task Force for Climate-related Financial Disclosures.

The current risk management system considers the monitoring of more than 500 action plans aimed at reducing the level of risk and more than 300 indicators to control their evolution.

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MAIN RISKS OF THE RED ELÉCTRICA GROUP AT PRESENT

102-15 / 102-29

	RISK	DESCRIPTION	MAIN ACTIONS FOR THE MANAGEMENT OF RISKS
↑ Framework Regulatory ↓ ↑ Business ↓ ↑ Sustainability and good governance ↓	Strategic risks		
	Changes in the electricity system regulation	<ul style="list-style-type: none"> · Regulatory changes occurring that could have a negative impact on the activities related to transmission and system operation. 	<ul style="list-style-type: none"> · Dialogue with the Regulator. · Presentation of proposals to the Regulator. · Active presence in national and international organisations to defend the Group's stance.
	Regulatory risks of the business abroad	<ul style="list-style-type: none"> · Regulatory changes that could negatively affect subsidiaries abroad. 	<ul style="list-style-type: none"> · Maintaining good relations with entities and organisations where the subsidiaries are located. · Monitoring of regulation.
	Other regulatory risks	<ul style="list-style-type: none"> · Tax risks. · Changes in environmental regulation. 	<ul style="list-style-type: none"> · Adherence to the Code of Good Tax Practices. · Establishing the tax strategy of the Red Eléctrica Group. · Incorporation of Tax Risk Policy into the Comprehensive Risk Management Policy of the Group. · Adaptation to the legislation related to climate change.
	Circumstantial risks	<ul style="list-style-type: none"> · Risks related to the set of elements that make up the situation of a specific country or geographical area. 	<ul style="list-style-type: none"> · Country risk analysis. · Monitoring of the economic evolution of the country.
	Technological risks	<ul style="list-style-type: none"> · Risks associated with not staying abreast of technological advances. 	<ul style="list-style-type: none"> · Creation of RETIT, a startup company of the Group responsible for promoting technological innovation. · Establishing of six strategic lines of innovation. · Technological monitoring. · Management of the portfolio of Innovation Projects. · Grid2030 Programme.
	Risks of non-compliance with good practices in sustainability and good governance	<ul style="list-style-type: none"> · 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. 	<ul style="list-style-type: none"> · Corporate Responsibility and Corporate Governance Policies. · Definition and implementation of the 2030 Sustainability Commitment and the 2030 Goals aligned with SDGs. · Sustainability Committee of the Board and the Executive Sustainability Committee. · Status of non-financial information and the Sustainability and Corporate Governance reports. · Participation in the assessments linked to the main sustainability indexes. · Corporate Responsibility Management System pursuant to SR10. · Stakeholder Management Model. · Approval of communication criteria with shareholders, institutional investors and proxy advisors.

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MAIN RISKS OF THE RED ELÉCTRICA GROUP AT PRESENT

102-15 / 102-29

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

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MAIN RISKS OF THE RED ELÉCTRICA GROUP AT PRESENT

102-15 / 102-29

RISK

DESCRIPTION

MAIN ACTIONS FOR THE MANAGEMENT OF RISKS

Operational risks / continued

Risks that may affect the security of the facilities

· Impact on security in facilities (substations, control centres, buildings, etc.) such as vandalism, sabotage, theft, terrorism, etc.

- Security systems in facilities.
- Permanent onsite security personnel for facilities.
- Contact with the Spanish Civil Guard and National Police.
- Comprehensive Corporate Security Management Model.
- Consultation and collaboration with the CNPIC (National Centre for Critical Infrastructure Protection).
- Operator Security Plan (OSP) and Specific Protection Plans (SPP).

Risks of impacts on the environment

· Impact on flora.
· Impact on fauna, especially birdlife.
· Contamination of soil and water.
· Impact on archaeological heritage.
· Risk of fires.

- Application of strict environmental criteria in all phases of planning, construction and maintenance of facilities.
- Environmental supervision of construction works.
- Biodiversity strategy and actions.
- Development of research projects and fire prevention plans.
- Projects for birdlife conservation.
- Environmental training courses for field staff.
- Environmental awareness of suppliers.
- Implementation of Environmental Work Certification.
- Establishment of collaboration agreements in the field of environmental protection with the various Autonomous Communities.
- Fire protection plans.
- Contingency plans.
- Environmental Management System certified in accordance with ISO14001.

Risks related to cyber security

· Risks associated with non-availability of systems.
· Risks related to unauthorised access to specific IT applications.

- Firewalls and anti-intrusion systems.
- Antivirus systems.
- Increase in the security of access requirements.
- Mechanisms for the detection of incidents.
- Software updates.
- Hacking simulations.
- Training and awareness programmes.
- Comprehensive Corporate Security Management Model.
- Consultation and collaboration with the CNPIC (National Centre for Critical Infrastructure Protection).
- Development of the Operator Security Plan (OSP) and Specific Protection Plans (SPP).
- Contingency plan in the event of cyber-incidents.

Assets in service

IT/Information systems

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MAIN RISKS OF THE RED ELÉCTRICA GROUP AT PRESENT

102-15 / 102-29

	RISK	DESCRIPTION	MAIN ACTIONS FOR THE MANAGEMENT OF RISKS
↑ People and organisation ↓	Operational risks / continued		
	Risks related to people	<ul style="list-style-type: none"> · Risks derived from workforce ageing. · Accident rate. · Adaptation of the occupational health and safety risk prevention system. 	<ul style="list-style-type: none"> · Professional development plans. · Contracting of young employees with potential. · Comprehensive age management model. · Maintenance and improvement of the structured prevention system in accordance with the ISO 45001 Standard. · EFR 1000 certifications. · Application of the personnel performance appraisal system. · Technical procedures for the organisation of security. · General procedure for managing accidents and events. · Prevention Task Force.
↑ Compliance ↓	Compliance risks	<ul style="list-style-type: none"> · Non-compliance with legislation, internal regulations and commitments assumed by the Group. · Corruption and fraud. 	<ul style="list-style-type: none"> · Code of Ethics of the Red Eléctrica Group, Ethics Manager and whistle-blowing channel (enquiries and grievances). · Internal audits. · Implementation of the Compliance System encompassing 16 regulatory areas. · Criminal Compliance Committee. · Compliance Unit and control and supervision bodies (criminal prevention and data protection). · Development of a due diligence model in compliance with third parties. · Training and awareness-raising plan regarding ethics and compliance.
	Financial risks		
↑ Market and solvency ↓	Risk of increased costs of equipment and raw materials	<ul style="list-style-type: none"> · Risks associated with the increase in the price of equipment and raw materials. 	<ul style="list-style-type: none"> · Promoting competitiveness in the supply chain. · Increase normalisation and standardisation. · Drafting of turnkey contracts. · Guaranteeing the price of raw materials and/or the €/€ exchange rate in large projects.

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MAIN RISKS OF THE RED ELÉCTRICA GROUP AT PRESENT

102-15 / 102-29

RISK

DESCRIPTION

MAIN ACTIONS FOR THE MANAGEMENT OF RISKS

Financial risks / continued

Risks associated with variations in market conditions

- Risk associated with variations in interest rates and credit margins or inflation that may affect the Company's results.
- Possible negative effects of an unfavourable change in currency exchange rates.

- Periodic reviews of interest rates and their impact on financial accounts.
- Maintenance of percentages in the fixed / variable financial structure.
- Monitoring possible actions that would imply a downgrading revision of the rating.
- Development of financial risk policy and instruments for its management and control.
- Establishment of new financing mechanisms that allow access to markets in an agile and efficient manner.
- Establishment of hedging mechanisms for transactions carried out in currencies other than the euro.
- Development of financial risk policy and instruments for its management and control.
- Design of an international financing scheme.

Non-compliance by third parties

- Risk associated with non-compliance, by third parties, of the payment obligations established.
- Risk associated with dependence on suppliers and providers.

- Monitoring of the quality of the service provided.
- Monitoring of the client portfolio.
- Development of contracting strategies for key services by the procurement department.

Inadequate coverage in the event of an accident

- Insufficient coverage when faced with a significant increase in claims.
- Loss of solvency of the reinsurance company.

- Provision of supplies.
- Continuous monitoring of the number of claims.
- Risk reinsurance.

Market and solvency

Counterparty

Insurance

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IN 2019

A total of 45 potential risks were identified and evaluated considering criteria in terms of exposure, sensitivity and adaptability. In addition, as included in the TCFD recommendations, various scenarios, different for physical risks and transition risks, have been considered.

Risks associated with climate change / 201-2

Since the approval of its commitment to combat climate change in 2011, the Red Eléctrica Group has expressed the need to address issues related to adaptation to climate change. Therefore, the Company works with the aim of being able to face both the physical changes associated with modifications in climate parameters (physical risks), as well as other changes related to the fight against climate change (transition risks).

The latter, due to the function of Red Eléctrica de España as a transmission and system operator of the Spanish electricity system, are especially relevant to the organisation, as the regulatory and technological changes necessary for the energy transition (required to achieve the climate objectives) pose a series of challenges and uncertainties with a potential impact on the Company's business.

In order to improve the management of risks associated with climate change, in 2018 the Red Eléctrica Group began to work on applying the recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD)**. In 2019, a review of the established governance model was carried out and a new methodology was developed for its identification, prioritisation and financial quantification.

As a result of the application of this methodology, a total of 45 potential risks were identified and assessed taking into account the criteria of exposure, sensitivity and capacity to adapt. It should be noted that the process takes into account both economic variables and other business indicators. In addition, as included in the TCFD recommendations, different scenarios, different for physical and transition risks, have been considered.

Thus, the Company has defined and prioritised the most relevant risks for its business and has proceeded to monetise those for which a potential financial impact has been identified (not all priority risks for the Red Eléctrica Group, given the condition of its regulated activity, necessarily imply a financial impact for the organisation).

Scenarios and horizons considered for the evaluation of climate risks

PHYSICAL RISKS

The projections developed by the State Meteorological Agency (AEMET) for the most important scenarios of the AR5 [1] of the Intergovernmental Panel on Climate Change (IPCC) have been considered (CPR 4.5 and CPR 8.5).

Horizon:
2030-2050-2070

TRANSITION RISKS

The trend scenario and the target scenario included in the proposed Integrated National Energy and Climate Plan sent to the European Commission, have been considered.

Horizon:
2020-2030

[1] IPCC Fifth Assessment Report (2014) drawn up by scientists from various countries. RCP 4.5 is a target scenario and RCP 8.5 is a trend scenario contemplating greater changes in climate parameters.



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RELEVANT RISKS ASSOCIATED WITH CLIMATE CHANGE

POTENTIAL IMPACT ON THE BUSINESS

MITIGATING ACTIONS

Physical risks

- Impact on outdoor facilities (electricity lines) due to extreme events (wind). (*)
- Fires beneath the lines and in the vicinity of electricity substations. (*)

- Damage to infrastructure.
- Impact on the electricity supply.
- Reputational impacts (associated with power outages).
- Impacts on third parties or the environment (in the case of fire).

- MANINT project, to optimise the management of transmission grid assets.
- Projects for the improvement and strengthening of transmission grid facilities.
- Tree-felling and pruning back (forestry) plans. VEGETA project.
- Innovation. PRODINT Project.
- Contingency plans.
- Insurance policies.

Transition risks

- Claims/grievances due to limitations to renewable production and incidents that may impact the security of supply in the Canary Islands. (*)
- Difficulties associated with the monitoring and control of a system that has a higher penetration of renewable energy with high volatility in its production. (*)
- Loss of staple generation sources associated with the closure of coal-fired, combined cycle and nuclear power stations.

- Increased difficulty in system operation (volatility of production, lack of monitoring...).
- Increased risk of incidents in system operation that may affect the supply.
- Increased production constraints and restrictions.
- Increase in the number of claims/grievances.
- Impact of reputation.

- Development of system operation tools and the safe integration of renewables (Control Centre of Renewable Energies, CECRE). Adaptation to more demanding monitoring and control requirements.
- Development of prediction models regarding renewable generation.
- Construction of new transmission lines to evacuate renewable energy.
- Strengthening of international interconnections.
- Promotion of demand-side management initiatives and smart grids, including the Control Centre for the Electric Vehicle (CECOVEL).
- Development of large-scale energy storage projects (Chira-Soria pumped-storage hydroelectric power station) and energy storage batteries in non-peninsular territories and in networks at an end user level (innovation projects).
- Insurance policies.

- Difficulties in commissioning the infrastructure needed for the energy transition (*) [mainly linked to the social opposition to this type of infrastructure and the long periods of time needed to process the permits required for its development]. This same risk is identified and analysed specifically in the case of international interconnections. (*)

- Economic impact due to delays in incorporating the assets into the remuneration model, or total loss of remuneration due to not being able to put them into service.
- Increase in the number of claims/grievances.
- Effect on the Company's reputation (in the case of delays in the development of infrastructure required for the National Energy and Climate Plan).

- INTEGRA project, to facilitate the adequate planning for the supply of services and material needs.
- Stakeholder management model related to transmission grid investment projects.
- Communication plan regarding the transmission grid planning process.
- Development of public participation processes.

RELEVANT RISKS ASSOCIATED WITH CLIMATE CHANGE

POTENTIAL IMPACT ON THE BUSINESS

MITIGATING ACTIONS

Transition risks / continued

- Risks associated with the regulatory framework established for the construction and management of energy storage facilities in non-peninsular systems. [1]
- Remuneration framework associated with adapting the grid infrastructure to the needs arising from climate change. [1]

- Economic loss associated with an unfavourable regulatory framework.
- Costs associated with adapting infrastructure to the physical conditions resulting from climate change.

- Dialogue with the regulator.
- Monitoring and participation in regulatory development processes.

- Increased legal requirements associated with the use of fluorinated gases (SF₆) [*]

- Increased costs associated with taxes related to the use of SF₆ gas.
- Operational costs related to increased requirements related to the monitoring and controlling of SF₆ leaks.
- Technical difficulties and costs regarding potential restrictions regarding the use of SF₆ gas.

- Voluntary agreement for the comprehensive management of SF₆ in the electricity industry, between the Ministry of Ecological Transition, equipment manufacturers (AFBEL), UNESA, REE and waste management companies.
- Development of leakage repair methodology.
- Renewal of equipment.
- Training and accreditation of personnel.
- R&D in the search for alternatives to SF₆ gas.
- Participation in working groups.
- Monitoring and participation in regulatory development processes.

Note: the risks identified with [*] have been monetised.

[1] The financial impact of these risks is integrated into other risks.

It should be noted that, in the case of physical risks, the financial impact is significantly reduced thanks to insurance policies, with the estimated annual impact being less than 1% of the Group's profit.

The most relevant transition risks are related to the difficulties in putting into service the infrastructure required to meet the objectives of the energy transition. The estimated annual impact for these risks is, in the worst case, less than 3% of the Group's profit.

For the remaining transition risks, the annual financial impact is less than 1% of the Group's profit.

The relevant risks derived from climate change have been incorporated into the **Corporate Risk Map**, and therefore the same governance model is applied to them as to all of the risks included in the map. The process of identifying and assessing risks associated with climate change is carried out annually.

In addition to being supervised by the Audit Committee, as befits its oversight function regarding the comprehensive risk control system, climate risks are escalated to the Sustainability Committee. Among the functions of this Committee is that of reviewing corporate responsibility and climate change policies, which must facilitate the integration of the results of the analysis of risks and opportunities arising from climate change into the Group's decision-making process.

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Comprehensive Corporate Security



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 infrastructure and the protection of people and information assets.

This way of conceiving corporate security in a broad and interdisciplinary way allows us to respond to physical and cyber threats globally and jointly, and enables the Company to respond to a new scenario defined by:

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

The Red Eléctrica Group conceives corporate security in a broad and interdisciplinary way so that it may respond to physical and cyber threats in a global & joint manner, and respond to new scenarios.



COMPREHENSIVE CORPORATE SECURITY

INCLUDES THE PROTECTION OF CRITICAL INFRASTRUCTURE AND THE PROTECTION OF PEOPLE AND INFORMATION ASSETS



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The Company has in place a strategic and tactical action Plan, as well as an organisational and relational model regarding comprehensive corporate security for the entire Group.

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 & relational model regarding comprehensive corporate security 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 field. The model encompasses the 11 key areas where the organisation must have the ability to respond effectively in order to maximise its resilience in adverse situations.

KEY AREAS OF THE COMPREHENSIVE CORPORATE SECURITY MANAGEMENT MODEL

1. Risk management	Automated and dynamic handling of security risk.
2. Security plan	Draft, implement and monitor the security plan, as well as establish collaboration and cooperation mechanisms.
3. Assets (changes and configuration)	Asset management in accordance with security guidelines during the asset's life cycle.
4. Exchanges of information	Definition and implementation of a secure information management model.
5. External dependencies	Establish the necessary control mechanisms associated with the services provided by the supply chain.
6. Personnel involved in security	Implementation of a security structure and improving the level of security awareness among staff.
7. Incidents and continuity of operation	Increase resilience when faced with adverse situations or undesired events.
8. Threats and vulnerabilities	Definition and implementation of a management model for the control of threats and vulnerabilities of assets, including intelligence services.
9. Identity management and Access control	Establish mechanisms to control access to the assets of the organisation and identity management.
10. Regulatory compliance	Definition and implementation of a regulatory framework for comprehensive corporate security, as well as compliance with national and international regulation regarding security matters.
11. Situational awareness	Monitoring and reporting of the security status of the Red Eléctrica Group.



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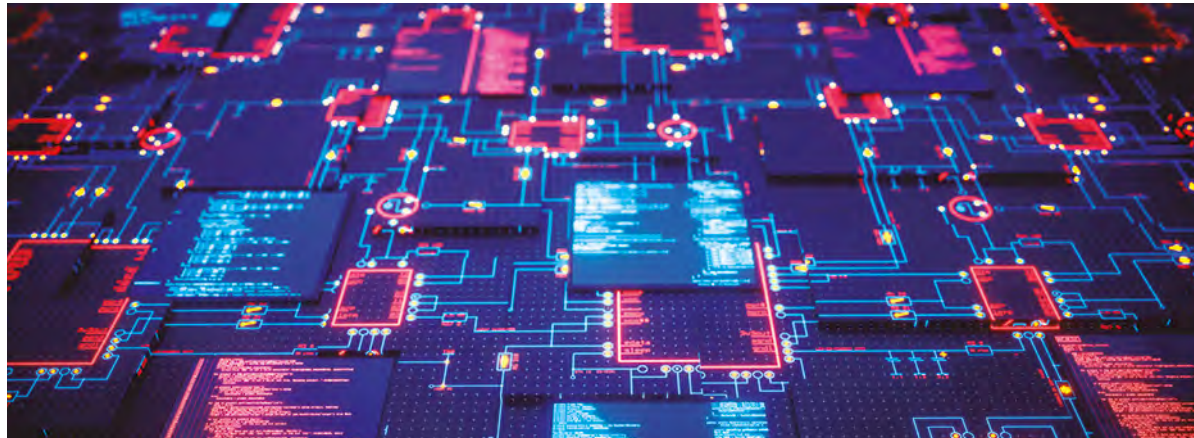
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These key areas, following what is also specified by international standards such as COBIT (Control Objectives for Information and related Technology), ISO 27014 (Information Security Governance) or ISO 38500 (Governance of Information Technology), are managed through a three-tier structure:

- **Comprehensive corporate security governance.** The tier responsible for defining the strategic objectives in terms of comprehensive security, fundamentally through a Comprehensive Corporate Security Strategic Plan, and for monitoring its correct implementation in accordance with the business objectives and strategies.
- **Comprehensive corporate security management.** The tier responsible for defining the Comprehensive Corporate Security Plan that must meet the requirements established by the security governance, as well as managing the functions and security processes that derive from said plan.
- **Comprehensive corporate security operations.** The tier responsible for the execution of comprehensive corporate security processes related to infrastructure, always working within the guidelines and limits set by security management.



COMPREHENSIVE CORPORATE SECURITY

IS MANAGED THROUGH A THREE-TIER STRUCTURE

Governance
Management
Operations

COMPREHENSIVE CORPORATE SECURITY

Aligned with the business strategy and shared across the organisation and observed by all the people who make up the Red Eléctrica Group.



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The overall objectives of the Comprehensive Corporate Security Action Plan are based on the protection of people, the continuity of the service, the viability of the business and the protection of assets.

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 designed from a high-level analysis, which from an internal and external perspective has enabled the current state of the Company in this aspect to be known and to increase the maturity of the capabilities associated with the model.

The overall objectives of the Comprehensive Corporate Security 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 2019, the main actions carried out were the implementation of the organisational and relationship model, as well as the activities of the second line of security defence, strengthening the model of defined metrics and controls, notwithstanding the need to report to senior-level management and the need to implement training and awareness-raising actions.

The **Awareness Plan** implemented aims to create a culture of security to protect employees and the Group from threats, and to reduce the risks generated by its own and other personnel. Among the actions carried out in 2019, the following are noteworthy:

- Development and implementation of an online course, aimed at all employees, with essential content, to raise awareness on risks in the workplace, how to safely manage information, the importance of controlling access to facilities by third parties, and of course, the cyber-attacks that exist today.
- Organising and holding of recreational-educational days for employees and their families, where both parents and children receive a security awareness session addressing the risks faced by minors on the Internet.



AWARE-NESS PLAN

AIMED AT CREATING A SECURITY CULTURE TO PROTECT EMPLOYEES AND THE GROUP FROM THREATS, REDUCING RISKS GENERATED BY OWN AND EXTERNAL PERSONNEL

COMPREHENSIVE CORPORATE SECURITY ACTION PLAN

AXES OF ACTION

1 Continuous alignment of the comprehensive corporate security function with the strategic objectives of the Red Eléctrica Group

Adaptation of the structure of the Department of Corporate Security to the strategic needs raised by the Group and establishment of the related framework and the Integral Dashboard that allows the achievement of the same to be monitored.

- Comprehensive corporate security plan
- Situational awareness

2 Identification and governance of the comprehensive identity within the Red Eléctrica Group

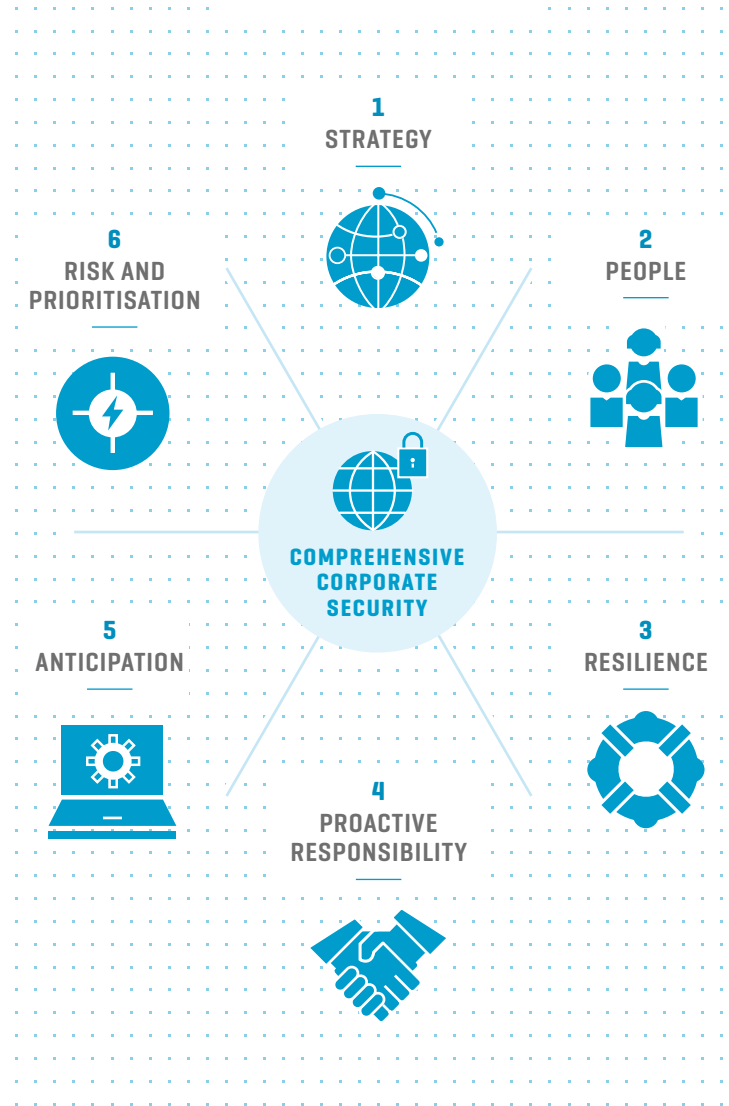
Definition of comprehensive identity within the Red Eléctrica Group, adapting the provision of resources and training for employees and collaborators based on this.

- Personnel involved in security and training
- Identity and access management

3 Business continuity management and integration of incident response

Implementation of business continuity capabilities that include, in addition to identification, the continuous testing of the suitability of the mechanisms and the definition of tools and procedures to allow a global and harmonised response to security incidents.

- Incidents and continuity of the operations



4 Management, monitoring and control of the risk of external dependencies and suppliers

Application of the security policies of the Red Eléctrica Group to its suppliers, establishing a control model for their fulfilment.

- Assets, changes and configuration
- External dependencies
- Compliance and regulations

5 Improvement and integration of prevention and monitoring capabilities

Definition of comprehensive identity within the Red Eléctrica Group, adapting the provision of resources and training for employees and collaborators based on this.

- Threats and vulnerabilities

6 Governance and comprehensive management of the overall risk

Implementation of a governance and risk management function based on global procedures, the provision of a unified asset repository and a security reference architecture and harmonised framework of controls.

- Risk management
- Exchange of information

The Company has carried out a process to enhance and update its risk management methodology.

Additionally, as part of the Sustainability Workshops held by the Company, a cyber security workshop was held with suppliers, focusing on the importance of controlling and reducing the risk associated with the products and services contracted, and the need to adequately manage security aspects in the supply chain.

COMPREHENSIVE RISK MANAGEMENT

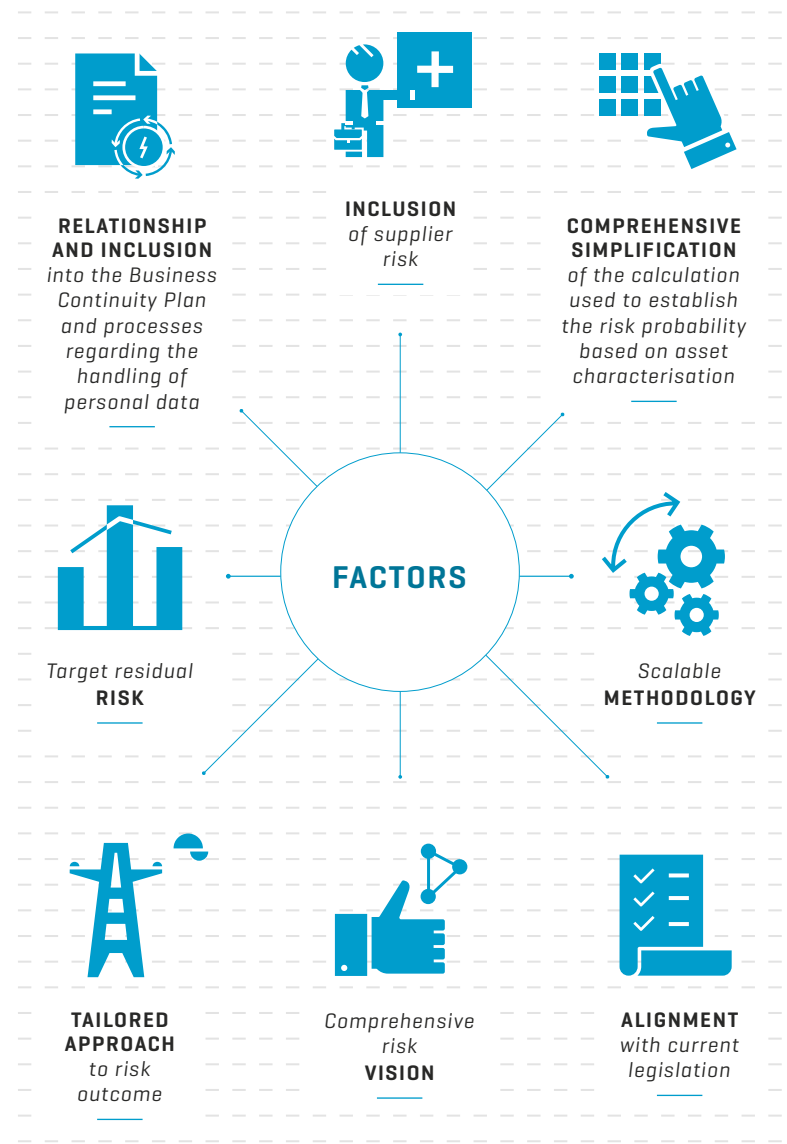
The Company has carried out a process to enhance and update its **risk management methodology** in order to broaden the Red Eléctrica Group's vision of risk, guaranteeing compliance with current legislation as a designated operator of critical infrastructures and essential services, including the need to extend cyber security to industrial environments and increasing the Group's resilience.

The main objective of this initiative is to provide the Red Eléctrica Group with a **risk management capacity tailored to the characteristics and needs** of the Group and its business, thus becoming a benchmark company in terms of corporate security matters within the energy sector.

BUSINESS CONTINUITY PLAN

The Red Eléctrica Group undertakes 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.

KEY FACTORS IN RISK MANAGEMENT



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To achieve this, in 2019, the Red Eléctrica Group approved a **Business Continuity Guide**, which sets out the strategy, the governance model and the methodology used.

During this year, the business continuity plans have been completed by developing specific strategies for each of the continuity alternatives identified as priorities, with the aim of supporting and facilitating the decision-making process of the Crisis Committee when faced with the non-availability of a critical business process.

The Business Continuity Plan of the Red Eléctrica Group is articulated on the essential principles and guidelines shown in the diagram below. 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 execution of business activities.
- **Non-availability of technology.** Complete or partial non-availability of data processing centres or IT information systems that provide support to business processes.
- **Non-availability of suppliers.** Inability of suppliers to respond to the Company's needs and which may adversely affect the normal execution of activities.





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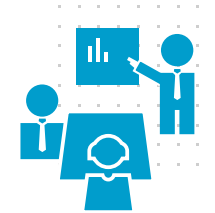
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IN 2019

specific training in business continuity was given to the members of the Crisis Committee and to those responsible for defining and operating the various service restoration plans.

In order to achieve the objective and establish continuous improvement, the Red Eléctrica Group has put in place a training plan to train everyone, especially those involved in continuity strategies, on the importance of the plan and the actions to be carried out. During 2019, specific training in business continuity was given both to the members of the Crisis Committee and to those responsible for defining and operating the various service restoration plans. This was done with the aim of, on the one hand, facilitating the tools which allow the best decisions to be taken in an agile manner when faced with a situation in which the business continuity protocol is activated and, on the other hand, bringing together and understanding the importance of business continuity in the Red Eléctrica Group.



TRAINING PLAN

TO TRAIN ALL PERSONS, ESPECIALLY THOSE INVOLVED IN CONTINUITY STRATEGIES, ON THE IMPORTANCE OF THE CONTINUITY PLAN AND THE ACTIONS TO BE CARRIED OUT



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*Transformation:
cultural, digital
and technological
innovation*

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TRANSFORMATION: CULTURAL, DIGITAL AND TECHNOLOGICAL INNOVATION

The Red Eléctrica Group conceives transformation as the way to achieve greater efficiency, generate value for the organisation and for society, and start up new businesses, maintaining itself as a profitable and sustainable company.

In 2019, a review process of the digital transformation strategy was carried out in order to adapt it to the 2018–2022 Strategic Plan. In this way, the Red Eléctrica Group's transformation strategy was **born** with the mission of promoting transformation through policies and systems for managing people, technological innovation and the provision of IT information services, to facilitate decision making with a global and comprehensive vision, and contribute to the effectiveness and efficiency of the organisation's processes, as well as to the achievement of the Group's strategic objectives.

It is, therefore, a unique transformation journey mapped out on three fully interrelated axes: **cultural, digital and technological innovation**.

The digital transformation strategy is implemented through three interrelated axes: cultural, digital and technological innovation.

CULTURE

An organisation that is in keeping with the transformation that it seeks to promote.

- Agile working model oriented towards anticipating change and continuous improvement.
- Inspiring communication style and encouraging collaboration.
- Benchmark leader in terms of transformation.
- Self-leadership habits that promote responsibility, self-management and self-learning.
- Talent management that guarantees diversity and attracts the best professionals.

DIGITAL

Process of digitally changing operations, business models and ways of working to add more value, thanks to the rapid development of new digital technologies.

- Process review and intelligent automation.
- Data governance.
- Corporate security included in the design of new applications.

TECHNOLOGICAL INNOVATION

Essential foundations to improve the efficiency of the current activities of the Red Eléctrica Group and to facilitate the incursion into new businesses increasingly associated with disruptions of emerging technologies:

- Showcasing innovation by providing technological services to third parties.
- Promoting open innovation in the Red Eléctrica Group.
- Contributing to the development of the socio-economic environment through a start-up acceleration programme and through investment in a venture capital management fund.



KEY PERFORMANCE INDICATORS



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TRANSFORMATION STRATEGY

has the mission to drive transformation through policies and systems for managing people, technological innovation and the provision of IT information services.

The transformation strategy of the Red Eléctrica Group responds to the three cross-cutting pillars of the 2018-2022 Strategic Plan, culture and people, digital transformation/cyber security and efficiency, as well as the essential cornerstone of technological acceleration and innovation, and affects the rest of the pillars, having an impact on 21 key actions.

The deployment of the transformation strategy involves the definition of 48 initiatives encompassed within six cross-cutting courses of action:

CROSS-CUTTING COURSES OF ACTION

Enabling the energy transition and the development of telecommunications

Moving towards a data-centric organisation

Preparing for the transformation of the Group

Ensuring the security of infrastructures, systems and people

Making the Group's processes more efficient

Opening paths to new business



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IN 2019

within the scope of the IMAGINA project, 300 proposals were put forward by 164 Imagineers, a group of people who represent all the employees of the Red Eléctrica Group.

CULTURE: IMAGINA PROJECT

Imagina is the cultural transformation project of the Red Eléctrica Group, through which an innovative, agile and collaborative culture is developed, empowered through self-leadership, to achieve a more resilient organisation, capable of facing the challenges of the Strategic Plan in a changing environment.

Imagina focuses on the adaptation of the Group's human capital by promoting, through initiatives, the three cross-cutting axes of the Strategic Plan.

The initiatives are developed and managed by a project team and a series of working groups in contact with the Imagineers – a group of 164 people representing all the employees of the Red Eléctrica Group and that are kept informed of the progress of Imaginera, encouraging them to participate in the different initiatives and enabling a channel that allows people to make proposals or questions to the project team. Throughout 2019, 300 proposals were put forward by the Imagineers.

CULTURAL TRANSFORMATION

CULTURAL TRANSFORMATION INITIATIVES IN 2019

KEY INDICATORS

Transformational leadership. The most powerful tool for change the quality of being exemplary, which must be an attribute of leadership, as the leaders of a company establish the culture of the organisation. During 2019, work has been carried out on advancing generic leadership that is focused on managerial skills:

- Identification of the benchmark framework: review of managerial skills.
- Individual assessments of the predominant leadership style in the Group.
- Tailored development programme based on leadership strengths.

- 125 participants in the self-knowledge programme.
- 84 individual professional development plans for the enhancement of leadership skills.

Digital office. Information is considered an asset in the Company, so it is necessary to promote and consolidate a digital culture, through the changing habits and behaviours. The elimination of paper in the office, besides being a sustainability measure, allows, among other things, the culture of physical attendance at the workplace to be eliminated, allowing work to take place from anywhere, digitalising and automating processes, and freeing up office space.

- 100% of employees with smartphones.
- 100 printers removed from the sites, and a single print queue implemented.
- 620 m² of file storage space eliminated.

ImpúlsaTE. This project places the employee at the centre with the aim of encouraging the self-management and self-development of people by focusing on:

- **Management by objectives.** Focused on achievement of results, providing professionals with the necessary autonomy and flexibility.
- **Feedback.** Professional development of personnel through the reinforcement of day-to-day working dynamics.
- **Ecosystem for the self-development of staff.** Self-reflection process regarding personal skills, individual professional development plan, self-development resources: learning experiences.

- 3,555 objectives set.
- Average of 500 feedback sessions shared each month.
- Implementation of debate forums, online practical courses, videos, workshops, events, websites, blogs, social networks, communities, webinars, etc.

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CULTURAL TRANSFORMATION

Continued

CULTURAL TRANSFORMATION INITIATIVES IN 2019

Agile mindset. Agile is the foundation on which the team organisation model is based, and that is focused on efficiency. This is centred on motivated high-performance teams that all work together with an ongoing and incremental approach that facilitates continuous improvement.

Office spaces that encourage new ways of working. Implementation of a defined spatial workplace distribution model, as a lever to promote new ways of working. The aim is to move towards a unique company that is more collaborative, innovative and agile.

External flexibility. Professionals have the possibility of deciding where, when and how to work in order to contribute greater value to the Company, focused on a results-oriented model according to needs, in a responsible and coordinated way with their teams.

Digital training. Empowering the workforce in their self-development within an environment of transformation by making a set of resources available to all employees with the aim of providing support in order to improve productivity in their daily work through self-development systems that enable them to increase their knowledge, skills and the use of digital tools. Through the digital tools supplied by the Red Eléctrica Campus (the Be REDy App and the program Digital), employees have the possibility of designing their own personalised training roadmap.

KEY INDICATORS

- Awareness campaign available on the Virtual Campus.
- Implementation of the agile methodology pilot programme (KANBAN) in the Accounting and Administrative Information department.

- 8,500 m² of new repurposed working spaces following the philosophy encompassed within the Imagina project.

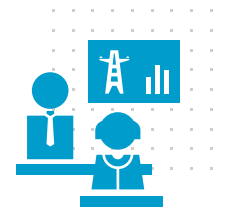
- 226 participants.
- 100% satisfaction level of participants.
- 97% of participants acknowledge they are now more efficient in their work.

- 1,648 employees took the digital skills exam.
- Launch of the first in-house self-training App in September 2019.

Together with the aforementioned, the Red Eléctrica Group has worked on aspects regarding **efficient meetings**, with the aim of optimising the way of working through the holding of productive meetings. Furthermore, a project was carried out to transform the management of business-related travel and the associated expenses [*Impulsa Viajes*].

Similarly, in 2019 the **Tres Cantos 1 building** was inaugurated, which houses the new Electricity Control Centre and Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología (RETIT). This new building has open and bright spaces where, in addition to offering workstations and meeting rooms, other complementary work or break-out areas have been designed such as a project room, a multi-purpose room, break-out rooms, an open space for brainstorming (‘agora’), outdoor workspaces, a casual meeting place with capacity for 40 people and an innovation room, designed to accommodate up to 140 people. This new building has changing rooms and showers to encourage the practice of sport, and also offers a bicycle parking area.

NEW WORK CENTRE [TRES CANTOS]



New Electricity Control Centre and RETIT

HAS A PROJECT ROOM, A MULTI-PURPOSE ROOM, BREAK-OUT ROOMS, AN OPEN SPACE FOR BRAINSTORMING (‘AGORA’), OUTDOOR WORKSPACES, A CASUAL MEETING PLACE AND AN INNOVATION ROOM



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The 2018-2022 Strategic Plan emphasises the importance of digital transformation and cyber security, establishing them as one of its cross-cutting pillars.

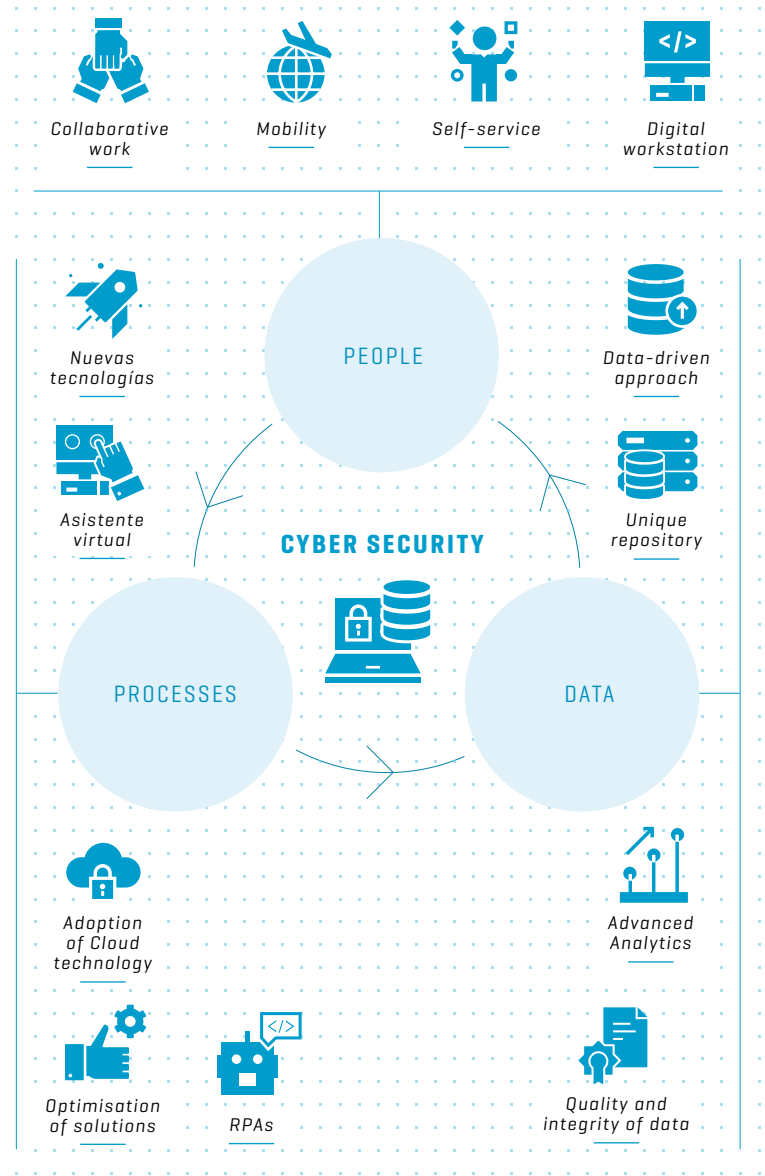


DIGITAL TRANSFORMATION

Digital transformation is a process of change in operations, business models and ways of working, thanks to the rapid development of new digital technologies, which add value to the organisation and contributes to the achievement of the challenges that the Red Eléctrica Group will address in the coming years. The 2018-2022 Strategic Plan emphasises the importance of digital transformation and cyber security, establishing them as one of its cross-cutting pillars.

The digital transformation axis seeks to facilitate the working practices for people, improve processes, making them more efficient, and to guarantee the value of the data while always ensuring cyber security measures.

DIGITAL TRANSFORMATION



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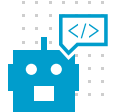






During 2019, the potential of process automation has been explored through technologies such as RPA.

Specifically, in 2019, strategic transformation projects have been undertaken, i.e. projects of great scope for the Red Eléctrica Group, both because of the involvement of different areas and because of their impact on the improvement of processes, efficiency, the current business model and immersion in new business models. The most noteworthy are shown below.

In addition, the Company has worked on 18 technological projects to improve the architecture of the Red Eléctrica Group's systems, optimising resources and improving availability, agility and performance; implementing and developing the technical and procedural security measures of the systems; incorporating technologies that facilitate mobility and collaboration, and align management processes and hence improving internal management procedures. A complete analysis of the Company's operations has been carried out from a digital transformation perspective, especially those processes that are associated with major consumers of resources. This has costs to be minimised, scheduled deadlines to be reduced and areas for improvement to be identified. In this regard, intelligent automation is a key tool. In 2019, the potential for process automation has been explored through **Robotic Process Automation (RPA)** technologies, virtual assistants, advanced analytics and artificial intelligence, also carrying out some pilot projects: minor purchases, invoice revision, order dispatch and electricity meter verification.

← DIGITAL TRANSFORMATION →

MAIN PROJECTS IN 2019

	<p>MANINT Predictive and prescriptive maintenance of facilities (IoT, BigData and advanced analytics).</p>		<p>RPA Process automation. Minor purchases, invoice revision, order dispatch and electricity meter verification.</p>		<p>IMPULSA Increased quality and efficiency of the service provided to internal customers.</p>		<p>Evolution in operating systems [Smart Grid Planning and New Control System], new business models [DATAHUB] and implementation strategy [PORTALOS].</p>
	<p>INTEGRA Optimisation in the planning of activities for construction projects.</p>		<p>Facilitate mobility and collaboration by promoting the development of digital skills [Office 365, IMAGINA].</p>		<p>Collaboration model with RETIT to promote innovation and transformation.</p>		<p>Drafting of the Data Governance strategy and implementation in projects [INTEGRA-MANINT].</p>



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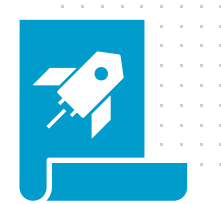
OFFICE 365

Its implementation has begun in order to facilitate the adoption of new ways of working that promote and foster collaboration, mobility and efficiency.

In order to facilitate the adoption of new ways of working that encourage collaboration, mobility and efficiency, the implementation of **Office 365** has begun, a process that is being accompanied by a change management plan, besides carrying out the implementation of an electronic signature platform and a registered delivery system for documentation.

To optimise and develop the systems that support the Company's processes, making them more efficient and resilient, the Red Eléctrica Group has an **architecture plan** that defines the strategy and implementation of new transformational technologies. In 2019, the following benchmark IT architecture was defined: web applications, data lakes, integration and blockchain systems, in addition to the definition of new roles, organisation and adoption criteria related to Cloud technology.

Enhancing the value of data, optimising decision making to facilitate the generation of competitive advantages and maximising these elements as a potential channel to develop new business models, has become a priority for the Company. Along these lines, the actions initiated in 2018 for the integration of data governance in transformation projects such as INTEGRA and MANINT have continued. Work has also been carried out on the data governance management model and the strategy for its implementation in the Red Eléctrica Group.



IT ARCHITECTURE PLAN

DEFINES THE STRATEGY AND IMPLEMENTATION OF NEW TRANSFORMATIONAL TECHNOLOGIES TO OPTIMISE AND DEVELOP THE SYSTEMS THAT SUPPORT THE COMPANY'S PROCESSES, MAKING THEM MORE EFFICIENT AND RESILIENT



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Confidentiality, integrity and availability of data should be omnipresent in the design and implementation of data governance. In addition, the use of new technologies must consider, by default, cyber security and from the outset of the design of new applications, it shall also duly manage all risk throughout their life cycle.

In order to strengthen cyber security in the Red Eléctrica Group, work has been carried out in the following lines of action:

Confidentiality, integrity and availability of data should be omnipresent in the design and implementation of data governance.

Technical measures

CASB

Cloud-based security enhancements

EDR

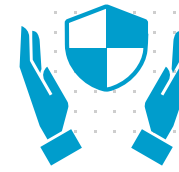
Improvements in detection and response systems



Optimisation of cyber security processes

SecOps

Cyber-incident management and vulnerability management



Contingency plans

CONT

Update of the regulatory framework and procedures



Advanced cyber-security services



RedTeam

Cyber-intelligence service against external threats

Regulatory framework

GDPR

Analysis for adaptation to the new data protection regulations





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IN 2019

the Group created and set up a new company: Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología (RETIT).

All these actions geared towards transforming the Red Eléctrica Group from a digital point of view have been supported by the transformation of Red Eléctrica's Information Technology Area, both from the perspective of internal management, with a review of the processes and facilitating training to acquire greater skills and know-how, as well as from the point of view of the services provided to the different companies.

TECHNOLOGICAL INNOVATION

The Group's Strategic Plan establishes technological acceleration and innovation as one of its essential objectives. In this regard, in order to carry out its deployment, in June 2019, the new subsidiary, Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología (RETIT), was created.

RETIT promotes the energy transition and the transmissibility of and accessibility to information, thus contributing to respond to the current and future challenges associated with the overall management of strategic infrastructure. To this end, RETIT was created to address the following:

- **Startup accelerator**, to establish mechanisms for contact, interaction, identification and exploration of innovative business opportunities.
- **Corporate Venture Capital (CVC)**, to take a stake in the capital of technological startups that, due to their activity, offer opportunities as a basis for exploring new digital-based businesses and which have a strategic fit within the energy transition.
- **Innovation Hub**, to boost innovative entrepreneurship by launching corporate programmes for internal entrepreneurial initiatives and promoting and fostering external innovation programmes.

RETIT's contribution to the fulfilment of the Strategic Plan is structured around four priority axes: technological innovation, open innovation, acceleration & venture capital, and the commercialisation thereof.



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RETIT contributes to driving the energy and telecommunications transition through technological innovation.

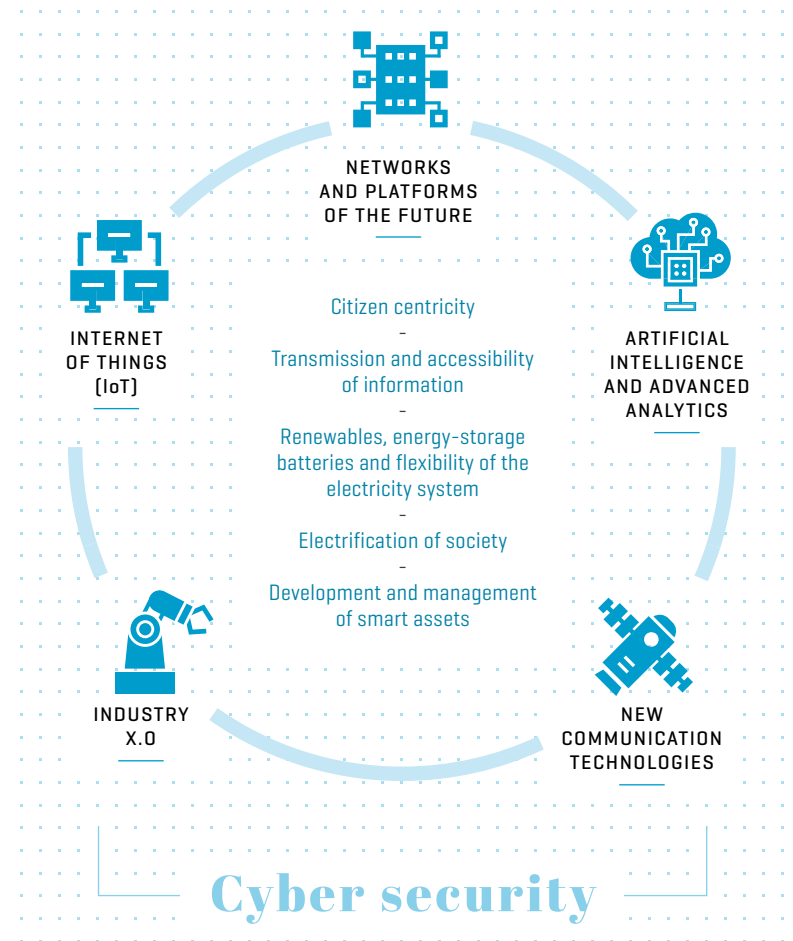
- **Technological labs**, to explore new digital technologies (robotics, artificial intelligence, immersive reality, the Internet of Things...) and to provide cross-cutting support to initiatives. These labs are responsible for technology monitoring.
- **Technology Factory**, to develop and market cost-effective products in an agile manner and to implement technological innovation opportunities within the Red Eléctrica Group.
- **Project Management Office**, for planning and managing RETIT's innovation projects and programmes, providing the Factory and the Hub with specific management tools and resources.
- **Commercialisation**, to establish and deploy the commercialisation strategy in order to showcase the products and services resulting from the innovation process to third parties.

The contribution of RETIT to the fulfilment of the Strategic Plan is structured around **four priority axes**: technological innovation for the development of the energy transition and telecommunications; open innovation; acceleration & venture capital, and commercialization. The main activities that have been carried out during 2019 within each of RETIT's lines of action are described below.

Technological innovation for the development of the energy and telecommunications transition

This axis allows RETIT's entire activity to be strategically focused around five large impact areas and five technological verticals. Cyber security will also be a key technological area in which RETIT will develop its activity.

AREAS OF IMPACT AND VERTICALS IN THE TECHNOLOGY SECTOR





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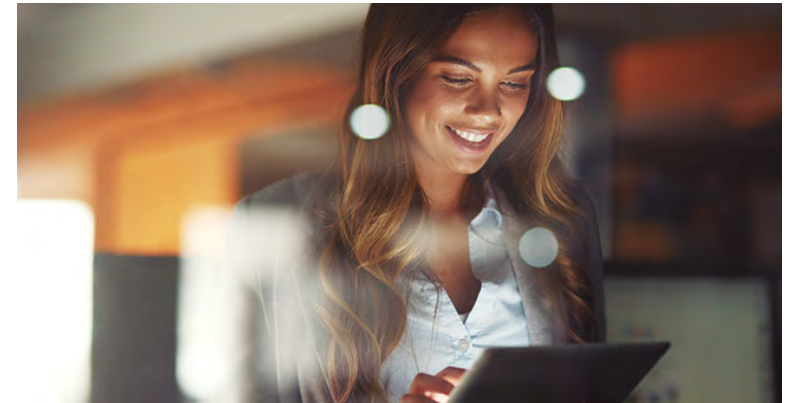
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In 2019, the Group kicked off the projects selected in the first call for proposals for the Grid2030 multi-year programme of the Red Eléctrica Group, a ground-breaking collaborative and innovative programme in Spain.

In 2019, the Red Eléctrica Group carried out 88 innovation projects, representing a relevant financial investment totalling 10.6 million euros, of which 5 million euros correspond to the amount earmarked for the Venture Capital fund. The following table briefly outlines some of the most significant projects.

MAIN PROJECTS UNDERTAKEN IN 2019

SIFOV	Design of a system for the identification of faults in transmission lines using travelling-wave technology. The solution must be valid both on fully overhead lines and on those that have some form of underground/buried section.
DLR	Development of the method and tools to determine the transmission capacity of overhead lines in real time, as well as to help improve the current predictions of said capacity in a 36-hours horizon.
TRAF0 FLEXIFORME	Progress made in obtaining a design for an economic transformer in which the use of natural esters is financially viable, identifying the key aspects for the development and manufacture of a prototype of said transformer.



In 2019, the Group kicked off the projects selected in the first call for proposals for the **Grid2030 multi-year collaborative innovation programme** of the Red Eléctrica Group, a ground-breaking initiative in Spain, and through which Red Eléctrica and Innoenergy jointly explore radical innovations of a technical or socio-economic nature relating to the operation of the electricity system and its transmission grid. The goal of this programme is to anticipate the future challenges of the energy transition, identifying the needs of TSOs and accelerating the development of disruptive technological solutions. The projects underway are:

- **FST** [Flexible Smart Transformer] managed by the CIRCE technological centre [Research Centre for Energy Resources and Consumption] and the company called EFACEC Power Solutions [Spain/Portugal]. FST consists of the design, development and testing of a new power electronics device based on silicon carbide semiconductors, with multiple potential applications as a transformer with the ability to convert alternating current into direct current and vice versa, with active control and new functionalities.
- **RITSE** [Reduced Inertia Transient Stability Enhancement] managed by IMDEA Institute/SUPERGRID [Spain/France]. RITSE consists of



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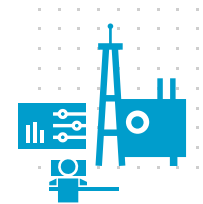
two complementary and coordinated control systems to improve transient stability in electricity systems: DVAC [Dynamic Virtual Admittance Control], with HVDC links; and BATTERIA [Battery Grid Interface for Improved Transient Stability], with energy storage batteries.

Similarly, in July 2019, the ENIGMA project [Electric Grid Ai] was selected to take part in the second call for proposals for the Grid2030 initiative. This project, which began in 2020, aims to study frequency stability in an electricity subsystem through the simulation and application of neural networks and Deep Reinforcement Learning methodologies to the analysis of the results obtained. ENIGMA focuses on the optimisation of the operating principles and configuration of the control functions implemented in the new electronic devices connected to the electricity grid.

In addition, evaluations, conceptualisations, incubation and prototyping processes were carried out with numerous initiatives within the scope of monitoring, automation and robotics applied to the construction process, service platforms in the field of energy, asset monitoring and applications of blockchain technology, among others.

On the other hand, a proposal has been submitted to the second call of the National 5G Plan [Red.es], which will develop pilot projects that will apply 5G technology to construction and maintenance processes for lines and substations. The proposal has been presented within a consortium in which the Red Eléctrica Group participates.

At an international level, active participation in the Research, Development and Innovation Committee of ENTSO-E [European TSO association] and its working groups has continued. Similarly, collaboration continues with the European Technology and Innovation Platform for Smart Networks for Energy Transition [ETIP SNET] within the EU's SET Plan.



NATIONAL

5G PLAN

PROPOSAL PRESENTED THAT WILL DEVELOP PILOT PROJECTS THAT WILL APPLY 5G TECHNOLOGY TO CONSTRUCTION AND MAINTENANCE PROCESSES FOR LINES AND SUBSTATIONS

In the international arena, we have continued to actively participate in the Research, Development and Innovation Committee of ENTSO-E.

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Regarding projects financed by European programmes, the MIGRATE project was completed in 2019; a project in which Red Eléctrica de España was a partner and led the execution of a work package. The purpose of the project was to improve the understanding of the behaviour of the electricity system with a high penetration of devices based on power electronics (generating facilities, load changes, HVDC links, FACTS...). Another European project underway during 2019 with the noteworthy participation of Red Eléctrica de España has been OSMOSE [Optimal System Mix Of flexibility Solutions for European electricity], which studies flexibility mechanisms (mainly based on energy storage) to improve the operation of the electricity system and the integration of renewable energy.

Open innovation

RETIT makes it possible to streamline and strengthen the relationships between the Red Eléctrica Group and the entire national and international entrepreneurship and innovation ecosystem, showcasing internal knowledge and attracting ideas and external talent to create value.

As part of RETIT's open innovation strategy, in 2019, the following new agreements and collaborations were signed to boost innovation through synergies with other key agents in the ecosystem.

The OSMOSE project studies flexibility mechanisms to improve the operation of the electricity system and the integration of renewables.

MAIN AGREEMENTS AND COLLABORATIONS SIGNED IN 2019

Barrabés: 'Madrid in motion' mobility hub	To participate as a supporting partner in the masterminding of an innovative mobility ecosystem centred in Madrid and with a global impact, contributing the know-how of the CECOVEL and the ability to interact and participate in projects that are in line with the Group's strategic challenges.
EDF. Innovation 2 Business (I2B): energy transition hub	To be part of the innovation ecosystem that aims to convert the Iberian Peninsula into the European hub for energy transition, bringing together the key players in Spain and Portugal.
Banco Sabadell: Bstartup	To support young, innovative tech companies through access to funding.
Asociación Española de Capital, Crecimiento e Inversión (ASCRI)	To showcase and deepen RETIT's direct investment and venture capital structure, taking up a leading position among direct corporate investment players (Corporate Venture Capital).
SEPI – Desarrollo Empresarial (SEPIDES)	To study the possibility of sharing investment opportunities in their initial phases, as well as potentially collaborating with other SEPI companies and institutions in the creation of a venture capital fund.
EIT InnoEnergy	To access an innovation ecosystem centred on sourcing technologies geared towards the energy transition.



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During 2019, RETIT began the deployment of a marketing plan for an Advanced Asset Management Solution software ('SAGA' as per the Spanish acronym), developed by the Red Eléctrica Group. Additionally, several projects have been launched to offer various technological solutions to the market.

INVESTMENT
COMMITMENT

10.6
M€

INCLUDES THE 5 MILLION
EUROS EARMARKED
FOR THE VENTURE CAPITAL
FUND 'ADARA VENTURES'

**RETIT's first accelerator
programme for startups**



Accelerator programme for startups and Venture Capital investment

In the current context of innovation and change, accelerator programmes for startups and for investment in venture capital have become fundamental tools to strengthen the presence and impact on the entrepreneurship and innovation ecosystem.

Noteworthy in 2019 was the signing of an agreement to invest 5 million euros in the Venture Capital fund ADARA VENTURES and the roll-out of RETIT's first accelerator programme for startups. Four startup projects were shortlisted from among the more than 500 startup projects presented that proposed different tech-based solutions such as augmented reality, artificial vision, artificial intelligence, virtual reality, blockchain, etc. The aim is to explore collaborative channels with a clear business focus [collaboration, commercialisation, new providers, joint projects, new lines of business, etc.] and/or a possible investment, while providing support and assistance for growth, leveraging the know-how and assets of the Red Eléctrica Group.

Commercialisation

The purpose of RETIT is to explore and adopt technologies that are useful for the Red Eléctrica Group and that could potentially add value to its current or future businesses. Additionally, RETIT will also showcase, through the commercialisation of solutions, technologies developed by the Group, whether exclusively or via alliances with other partners.

During 2019, RETIT began the deployment of a marketing plan for an Advanced Asset Management Solution software ('SAGA' as per the Spanish acronym), developed by the Red Eléctrica Group, and several projects have been launched to offer various technological solutions to the market. In this regard, the portfolio of existing solutions developed by the Group that could have a potential commercial interest is being reviewed. Furthermore, contact has been made with potential partners for the commercialisation of said solutions.

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DECARBON- ISATION OF THE ECONOMY

Red Eléctrica participates actively in the transition towards a new energy model that is more competitive and sustainable.



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DECARBONISATION OF THE ECONOMY

Climate change is a global challenge that is a high priority on the international agenda. The objective is to keep the global average temperatures from rising no more than two degrees Centigrade and striving to limit any increase to less than 1.5 degrees.

*To help achieve this, Red Eléctrica actively participates 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 more **robust and interconnected grid**, as well as through the development and operation of **energy storage systems**.*



Sustainable development of the grid



Flexibility of the electricity system: smart grids, demand-side management and electric mobility



Climate change and Energy transition



Integration of renewables



Reduction of the carbon footprint





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Climate change and Energy transition



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CLIMATE CHANGE AND ENERGY TRANSITION

103-1 / 103-2 / 103-3

A GLOBAL SITUATION THAT DEMANDS A CALL TO ACTION

The challenge of combating and tackling climate change is a priority on the global agenda. The Paris Agreement, reached at the 21st Conference of the Parties [COP21] in 2015, marked a historic milestone. 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 increase in the global average temperature to well below 2°C above pre-industrial levels and pursue efforts to limit the temperature increase 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.

Curbing the increase in the rise of global temperature requires urgent action in order to make growth and economic well-being compatible with the reduction of emissions. This will only

Curbing the rise of global warming requires urgent action in order to make growth and economic well-being compatible with the reduction of emissions and this will only be possible through a transition to an energy model that allows affordable and non-polluting energy for all.



INTERNATIONAL CHALLENGE

ENSURE THAT THE INCREASE IN TEMPERATURE STAYS BELOW

1.5 °C

According to the Intergovernmental Panel on Climate Change [IPCC]



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The role of the electricity sector is crucial to achieving decarbonisation targets, as it allows the incorporation of renewable energy into the energy mix for its consumption and is key to making improvements in the energy intensity and efficiency values.

be possible through a transition to an energy model that allows affordable and non-polluting energy for all, as defined in Goal 7 of the Sustainable Development Goals (SDG).

The European Union, the main driving force behind the international response to the climate crisis, presented the **European Green Deal** at the end of 2019, which proposes a new strategy to achieve a prosperous and fair society, based on a resource-efficient economy and which sets the goal of achieving **climate neutrality by 2050**. This represents an increase in the level of ambition regarding the initial targets set by the EU, which must be reflected in an upgrading of the current 40% emission reduction target set for 2030. For its part, the Spanish government is working on a 'Climate Change and Energy Transition Law' and has presented the draft of the 'Integrated National Energy and Climate Plan' (NECP), which sets out ambitious targets for achieving a practically decarbonised economy by 2050.

The role of the electricity sector is crucial to achieving decarbonisation targets, as it allows the incorporation of renewable energy into the energy mix for its consumption and is key to making improvements in the energy intensity and efficiency values. In this regard, it should be noted that the NECP proposal includes the objective, for 2030, of achieving an electricity system in Spain with at least 74% renewable energy which is necessary to reach 42% of renewable energy in the final energy mix.

NECP PROPOSAL

Includes the objective for 2030 of achieving an electricity system with at least 74% renewable energy in Spain.



EUROPEAN GREEN DEAL

SETS THE GOAL OF ACHIEVING A CLIMATE-NEUTRAL EUROPE BY 2050



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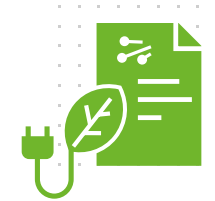
NEW ENERGY MODEL

The main elements shall be the electrification of the economy, the maximum integration of renewables into the energy mix and efficiency, all while guaranteeing security of supply at all times.

THE COMMITMENT OF THE RED ELÉCTRICA GROUP AND ACTION PLAN

The Red Eléctrica Group is the key player of the Spanish electricity system and is an **essential agent** in the transition towards a new energy model. Said model is based on the following key elements: the increase in overall efficiency, **the electrification of the economy, the maximum integration of renewables into the energy mix and efficiency, all while guaranteeing security of supply at all times.**

The Company's stance on this aspect is reflected in its 2018-2022 Strategic Plan, with one of its four essential pillars being the **strengthening of its role as TSO in order to make the energy transition possible.** The key elements required to make progress in said transition are the ongoing high levels of investment and technological innovation for the development of a robust and smart transmission grid that is increasingly more interconnected through the reinforcement of cross-border connections; the optimisation of the electricity system operation, which is increasingly more complex; the ongoing implementation and application of demand-side management measures; the incorporation of energy storage systems and new elements such as the electric vehicle; the promotion of innovation activities [smart grids, digitalisation,



NEW ENERGY MODEL

THE RED ELÉCTRICA GROUP IS AN ESSENTIAL AGENT IN THE TRANSITION TOWARDS A NEW ENERGY MODEL AND THE COMPANY'S STANCE IS REFLECTED IN ITS 2018-2022 STRATEGIC PLAN



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IN 2019

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

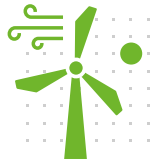
datahub, ...), and the development of new services that enable the coordination between the various agents.

Furthermore, since 2011, the Red Eléctrica Group maintains a voluntary **commitment in the fight against climate change**, which is materialised in a Climate Change Action Plan [2015-2020-2030]

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

← CLIMATE · CHANGE · COURSES · OF · ACTION LINKED · TO · OUR · COMMITMENT →

Target: 40% reduction of Scope 1 and 2 emissions per MWh transported by 2030 compared to 2015 figures



INTEGRATION
of renewable energy



COMMITTED
to energy efficiency at all levels



PROTECTION
of forested areas: fire prevention and the promotion of reforestation projects



REDUCTION
of greenhouse gas emissions



DEVELOPMENT
of climate change adaptation projects



EXTENDING
our commitment to stakeholders, mainly suppliers

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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 energy power capacity and provide the power to feed the railway network.

Noteworthy is the development of electricity interconnections, both international and between islands, which guarantee supply when dealing with the variability associated with renewable generation.

- 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



Reducing the carbon footprint

The Company has committed to an overall emissions reduction target, approved by the Science Based Targets initiative (SBTi), and to various partial targets for reducing emissions or energy consumption.

The main areas of action to achieve the targets are:

- Reduction of SF₆ emissions.
- Reduction of electricity consumption [efficiency measures] and associated emissions [energy supply - 100% renewable].



The Company's stance and the disclosure of relevant information

Red Eléctrica works to convey its commitment to climate change and to promote stakeholder engagement.

The main objective is to disseminate **knowledge regarding the electricity systems and its demand-side management measures**, as well as the promotion of other energy efficiency measures.

In addition, work is being done to increase **transparency** and improve the quality of the information provided.

Red Eléctrica is a member of the **Spanish Green Growth Group**, an association for the promotion of public-private collaboration to jointly



Adaptation to climate change

Red Eléctrica is aware of the need to make progress in adapting to climate change, in order to **face both the inevitable physical changes in climate parameters and the social, economic and regulatory changes associated with the fight against climate change.**

Red Eléctrica periodically identifies and assesses both risks and opportunities derived from climate change and applies various measures defined within the framework of this analysis.

In 2019, to advance in the implementation of the recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD)**, the Company has carried out an in-depth review of governance and the process of identifying those risks and opportunities associated with climate change, incorporating the

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CLIMATE CHANGE ACTION PLAN

COURSES OF ACTION / 103-2

Continued



of generation forecasting 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 greater **efficiency in the electricity system**, by improving the public's knowledge regarding the demand for electricity and developing demand-side measures for its management, incorporating new elements such as electric vehicles and promoting innovative activities (smart grids and digitalisation).
- Promote measures and carry out studies aimed at reducing transmission grid losses and increasing grid efficiency, working on improving those aspects that rely on the management of Red Eléctrica de España.



- Sustainable mobility plan.
- Extending Red Eléctrica's commitments throughout its supply chain.
- Advancing in the inclusion of efficiency criteria and savings in the use of materials in the design of facilities.
- Offsetting of emissions, mainly due to the 'Red Eléctrica Forest' initiative.



advance the decarbonisation of the economy, working on the aspects related to actions regarding climate change mitigation and adaptation, and the circular economy.



consideration of different scenarios and improving the economic quantification of the same.

Information related to this work and the risks and opportunities reviewed is included in the 'Trends and Opportunities' and 'Risk Management' sections of risks of this report.

In order to advance in the implementation of the recommendations of the Task Force on Climate-related Financial Disclosures, in 2019 the Company has carried out an in-depth review of the governance and procedure for identifying those risks and opportunities associated with climate change.

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*Sustainable
development
of the grid*



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SUSTAINABLE DEVELOPMENT OF THE GRID

103-1 / 103-2 / 103-3 / 203-1

ELECTRICITY INFRASTRUCTURE PLANNING / EU10

The current infrastructure planning, approved by the Cabinet of the Spanish Government in October 2015, covers a period of six years and is binding in nature for Red Eléctrica. In July 2018, the Cabinet approved the Amendment of specific aspects of said Planning, and in June 2019 those adaptations of a technical nature.

CORNERSTONES OF THE ELECTRICITY TRANSMISSION GRID PLANNING



SECURITY of supply



ECONOMIC efficiency



ENVIRONMENTAL sustainability

The current infrastructure planning, approved by the Cabinet of the Spanish Government in October 2015, covers a period of six years and is binding in nature for Red Eléctrica.



The 2015-2020 infrastructure planning foresees a

TOTAL INVESTMENT OF

4,775 M€

IN THE DEVELOPMENT OF NEW ELECTRICITY INFRASTRUCTURE





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A fundamental aspect of the 2015-2020 Planning is the development of interconnections between electricity systems: international cross-border connections, links between island systems and connections between the Spanish peninsula and the non-peninsular electricity systems; all of these lead to economic improvements for the electricity system as a whole.

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 existing grid. **The 2015-2020 planning** also includes an annex, non-binding, for those facilities considered necessary with a post-2020 horizon, so that the administrative permitting process can begin.

A fundamental aspect of the 2015-2020 Planning, due to its great 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. Thus, after the commissioning in October 2015 of the new direct current interconnection between Spain and France [Santa Llogaia-Baixàs], a cumulative saving of 528 million euros was obtained for the Spanish electricity system in this four-year period, of which 422 million euros correspond to savings in the day-ahead market.

THE PLANNING

considers the aspects of economic efficiency and sustainability of the electricity system.

CUMULATIVE SAVINGS



Thanks to the direct current interconnection between Spain and France [Santa Llogaia-Baixàs]

528 M€

IN THIS FOUR-YEAR PERIOD, THE SPANISH ELECTRICITY SYSTEM HAS OBTAINED A CUMULATIVE SAVING OF



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Following the publication of Ministerial Order TEC/212/2019, of 25 February, kicking off the procedure for making proposals for the development of the electricity transmission grid with a 2026 horizon, the planning process for the 2021-2026 electricity transmission grid has begun.



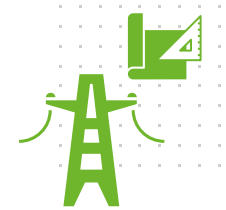
2021-2026 Electricity transmission grid planning

In February 2019, the planning process for the 2021-2026 electricity transmission grid was launched following the publication of Ministerial Order TEC/212/2019, of 25 February, kicking off the procedure for making proposals for the development of the electricity transmission grid with a 2026 horizon.

The study phase began in June 2019. In December 2019, Red Eléctrica de España, in its capacity as System Operator, submitted the 'Initial Proposal for the development of the transmission grid' to the Ministry of Ecological Transition, meeting the deadlines that had been established.

During this phase, the proposals and the information sent by the agents in the sector were initially reviewed and checks were made to ensure they had all the required information and content in the correct format pursuant to Order TEC/212/2019. In the event that a proposal was classified as complete, its promoter was informed of this fact. In the event that the information was incomplete, the pending information was requested and a period of 10 working days was given for its rectification.

During the technical studies carried out by the System Operator, all complete proposals received were taken into consideration, and the criteria set by the Ministry of Ecological Transition was applied.

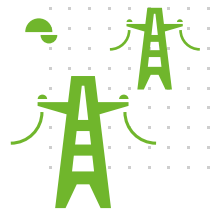


INITIAL PHASE

OF THE PROCESS FOR THE 2021-2026 ELECTRICITY TRANSMISSION GRID PLANNING

Phase during which Red Eléctrica presented, in December 2019, the 'Initial Proposal for the development of the transmission grid' to the Ministry of Ecological Transition

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NEW LINE
IN 2019

198
km

and 168 new substation bays

After sending the 'Initial Proposal for the development of the transmission grid', the Ministry of Ecological Transition, as owner and the entity responsible for the planning process, manages the next steps of the process in which the CNMC (Spanish National Markets and Competition Commission) and Autonomous Communities and cities will also participate.

TRANSMISSION GRID CONSTRUCTION / EU4

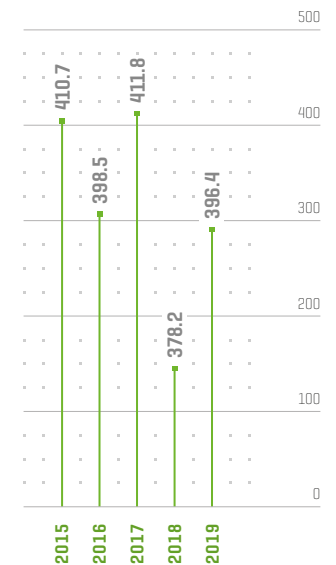
In 2019, investment in the transmission grid was basically allocated to: security of supply, the resolution of technical constraints, the development of interconnections between electricity systems and providing electricity to power the high-speed train.

Throughout 2019, the Company commissioned 198.2 km of new line and 168 new substation bays, and increased the transformer capacity by 1,335 MVA, with an overall investment in the transmission grid of 396.4 million euros.

IN 2019

Investment in the transmission grid was basically geared towards the following: security of supply, the resolution of technical constraints, the development of interconnections between electricity systems and providing electricity to power the high-speed train.

**Investment in the transmission grid
m€**





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During 2019, the most significant actions carried out for the development of the transmission grid, by major project, were the following:

MAIN ACTIONS 2019

AXIS	2019 OBJECTIVES AND ACTIONS	YEAR FORECASTED FOR COMMISSIONING
Majorca - Menorca 2 interconnection	Interconnect the islands of Majorca and Menorca and integrate renewables through an underground - submarine 132 kV electricity transmission line.	2020
North - East	Improve the evacuation of electrical energy from Asturias to feed Cantabria and the Basque Country. The projects under construction are the enlargement of the Itxaso substation as well as the Gúeñes - Itxaso line.	2020 and 2021 respectively.
Caparacena - Baza - Ribina	Facilitate the evacuation of ordinary regime energy, renewable generation, cogeneration and from the waste-to-energy generation, as well as the meshing of the transmission grid, support for electricity distribution and the secure operations of the grid's structural functions.	2021, for the Caparacena and Baza substations and the line that joins them. 2023, for the part of the axis that connects with Ribina.
Beniferri - La Eliana	Reduce the short-circuit current in Valencia, as well as enhancing grid meshing to gain an improvement in transmission efficiency and to help meet the demand at adjacent nodes. In 2019, the enlargement of the Eliana substation, the dual node and the power line that connects it to the Feria de Muestras (Valencia Trade Fair Exhibition Centre) were commissioned.	End of 2020, for the Beniferri - La Eliana line and the Beniferri substation.
Santa Elvira	Provide support for electricity distribution in the city of Seville.	Commissioned in 2019.
Lousame - Tibo - Mazaricos	Strengthen the grid, the evacuation of generation, and provide support for electricity distribution in the northwest area of Galicia. In 2019, the Mazaricos and Lousame substations were commissioned, in addition to the 220 kV incoming and outgoing feeder lines in Lousame.	2020 and 2021 for the Lousame - Mazaricos and Lousame - Tibo lines respectively.
Tías - Playa Blanca	Guarantee the electricity supply in the southern area of Lanzarote and strengthen the connection with Fuerteventura. These measures, associated with the 132 kV submarine interconnection cable between Lanzarote and Fuerteventura, will provide Lanzarote's electricity system with higher levels of security of supply. In 2019, the Playa Blanca substation was commissioned.	2020 for the rest of the actions.
Oriol	Guarantee the electricity supply, provide support for electricity distribution, and resolve technical constraints in Cáceres. The axis has a relationship with the high-speed train between Navalmoral and Badajoz, which is part of the planned rail connection between Madrid and Lisbon.	2021 for the José María Oriol substation, its incoming and outgoing feeder lines, as well as the line that connects to the Los Arenales substation.

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MAIN ACTIONS 2019

AXIS	2019 OBJECTIVES AND ACTIONS	YEAR FORECASTED FOR COMMISSIONING
Ciudad Rodrigo – Béjar	Connection of ADIF (high-speed train) at two different points of the Medina - Salamanca - Fuentes de Oñoro - Ciudad Rodrigo section. The incoming and outgoing feeder lines of the Ciudad Rodrigo substation and the substation itself were commissioned in 2019.	2022 for the enlargement of the Villamayor substation.
La Oliva – Puerto del Rosario	Carry out the necessary transmission grid actions to contribute to grid meshing, as well as the evacuation of special regime and ordinary regime energy, which will mean a strengthening of the electricity system on the island of Fuerteventura between the substations of Puerto del Rosario and La Oliva. The La Oliva - Puerto del Rosario line was commissioned in 2019.	2020 for the La Oliva - Corralejo line, as well as the incoming and outgoing feeder lines at La Oliva and 2021 for the rest of the actions.
Son Moix	To provide greater security of supply, resolve the existing weaknesses associated with the evacuation from the 220 kV Valldurgent substation to the city of Palma de Mallorca, improve voltage control in the west of Palma de Mallorca, and support the 220/66 kV Valldurgent transformer capacity.	Commissioned in 2019.
Assegador	Support electricity distribution, the integration of renewables and the strengthening security of supply in the city of Valencia, where the interconnection of the Spanish Peninsula with the Balearic Islands [Sagunto] is also located.	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 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.



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The interconnection with France across the Bay of Biscay, whose commissioning is scheduled for 2024, will increase the capacity for energy exchange with the European electricity system up to 5,000 MW.

Peninsular and non-peninsular transmission grids

	2017	2018	2019 (1)
km of 400 kV line	21,725	21,727	21,736
km of 220 kV line	19,641	19,736	19,854
km of 150-132-110 kV line	524	636	697
km of <110 kV line	2,035	2,075	2,085
Total km of line circuit	43,925	44,173	44,372
400 kV substation bays	1,476	1,498	1,535
220 kV substation bays	3,217	3,264	3,355
150-132-110 kV substation bays	125	130	151
<110 kV substation bays	856	906	925
Total substation bays	5,674	5,798	5,966
Transformer capacity (MVA)	89,618	92,400	93,735

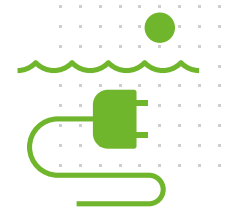
(1) Provisional data pending audit - in progress.

Kilometres of line circuit

Data as at 31 December 2019 (1)

	Spanish peninsula	Balearic Islands	Canary Islands	Total
Overhead lines (km)	40,160	1,113	1,235	42,508
Submarine cable (km)	265	540	30	835
Underground cable (km)	554	192	283	1,029
Total	40,978	1,845	1,549	44,372

(1) Provisional data pending audit - in progress.



KEY ACTIONS 2019

THE INTERCONNECTION BETWEEN THE ISLANDS OF MAJORCA AND MENORCA, AND THE INTEGRATION OF RENEWABLES THROUGH AN UNDERGROUND - SUBMARINE ELECTRICITY TRANSMISSION LINE OF

132

kV



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The MANINT project aims to achieve a smarter asset management model based on algorithms for the diagnosis of transmission grid assets, creating a single point of information and generating holistic planning to improve synergies and efficiencies in maintenance processes.



TRANSMISSION GRID MAINTENANCE

The mission of Red Eléctrica de España 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 2019, the following are noteworthy:

- **MANINT.** This project aims to develop a smarter asset management model: based on algorithms for the diagnosis of transmission grid assets, creating a single point of information and generating holistic planning to improve synergies and efficiencies in maintenance and renewal/renovation processes, ensuring the maximum use of the Company's available resources and increasing coordination between transmission and operation. During 2019, after three years of the project, the MANINT project was completed, including the re-engineering of the in-service transmission grid assets management process, the definition of new maintenance and renewal/renovation strategies, the creation



NEW SAGA PLATFORM

WHICH OFFERS
ANALYTICAL AND
COGNITIVE CAPABILITIES

*with the aim of
enhancing the efficiency
of maintenance processes*



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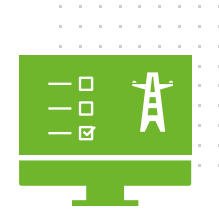
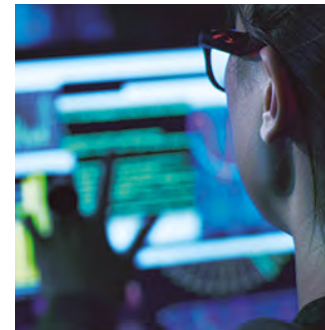
of algorithms and the development of the SAGA platform [Advanced Asset Management System], a new collaborative information system with analytical and cognitive capabilities. In this way, the Company will deploy the new asset management model in 2020.

- Use of **remote-controlled drones** for the inspection of lines.
- **VEGETA Project**. This project, based on algorithms for the efficient management of vegetation, seeks to balance forestry conservation with the safety of the facilities.
- Implementation of the comprehensive **asset monitoring system [SIMON]**, to integrate data 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 CO₂ emissions in work-related travel with Company vehicles and an increased efficiency in resolving both faults and incidents related to the system.

SERVICE QUALITY

103-1 / 103-2 / 103-3 / EU28 / EU29

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



SIMON SYSTEM

ENABLES THE EARLY DETECTION OF POTENTIAL SYSTEM FAULTS AND INCIDENTS

Service quality indicators

	2017	2018	2019 [1]
Peninsular transmission grid			
Grid availability (%)	98.28	98.14	97.94
Energy Not Supplied [ENS] [MWh]	60	250	46
Average Interruption Time [AIT] (minutes)	0.130	0.518	0.098
Balearic Islands transmission grid			
Grid availability (%)	97.84	96.82	96.87
Energy Not Supplied [ENS] [MWh]	33	37	1
Average Interruption Time [AIT] (minutes)	2.880	3.194	0.106
Canary Islands transmission grid			
Grid availability (%)	98.12	98.79	98.91
Energy Not Supplied [ENS] [MWh]	47	63	2,626
Average Interruption Time [AIT] (minutes)	2.750	3.769	155.540

[1] Provisional data pending audit - in progress.



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Integration of renewable energy



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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, in order to contribute to the provision of a safe, efficient and sustainable electricity supply to citizens.

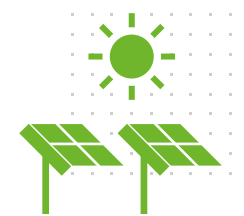
INTEGRATION OF RENEWABLES

As a consequence of the installation and commissioning of new renewable power capacity into the electricity system in 2019, as a result of the renewable energy auctions conducted by the Spanish Ministry of Ecological Transition and Demographic Challenge (MITECO), Red Eléctrica has had to face the challenge of **successfully integrating into the system an all-time annual record of new renewable capacity which in 2019 totalled 6.5 GW**. The integration of this renewable energy, mostly wind and photovoltaic, sets an all-time record in the Spanish electricity system, as never before has so much renewable power capacity been incorporated into the system in a single year. This milestone represents a strong boost to the energy transition and the fulfilment of the integration roadmap for renewables established in Spain's Integrated National Energy and Climate Plan, with a 2030 horizon.

The incorporation of renewables into the system in 2019 complies with the integration roadmap of Spain's Integrated National Energy and Climate Plan, with a 2030 horizon.



ALL-TIME RECORD



DURING 2019, THE COMPANY WAS ABLE TO SUCCESSFULLY INTEGRATE A TOTAL OF NEW RENEWABLE POWER CAPACITY THAT REACHED

6.5 GW

Mainly coming from wind and photovoltaic sources



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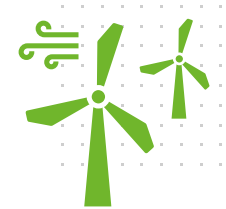
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Red Eléctrica de España has put in place all the necessary resources to facilitate the integration of renewable energy, including the deployment of actions from the Company's System Operation and Transmission areas which are geared towards enabling access and connection to the grid, pursuant to the technical and administrative requirements established in the current legal system. To this end, the following actions have been carried out: new infrastructure has been developed to facilitate the integration of renewable energy, with actions in more than 30 substations, incorporating 15 new substation bays; informative sessions were organised for promoters to explain, in detail, the access and connection to the grid process; a specific section has been published on the corporate website dedicated to the bringing into service of facilities; and the MiAccesoREE remote-access IT platform has incorporated, as an additional service, the functionality of being able to process the corresponding requests for grid access and the possibility of monitoring the status of the same.

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 tasks undertaken by the **Control Centre of Renewable Energy (CECRE)** of the Red Eléctrica Group has been vital.



CECRE

A PIONEERING CONTROL CENTRE OF WORLDWIDE REFERENCE FOR THE INTEGRATION OF RENEWABLE ENERGY

IN 2019

electrical energy generation from renewable sources represented 39% of the total energy produced in the Spanish peninsular electricity system.



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In this regard, CECRE continues to be a pioneering control centre of worldwide reference for the integration of renewable energy.

The work carried out by the CECRE has made it possible to register **new all-time highs of daily wind energy generation** throughout 2019:

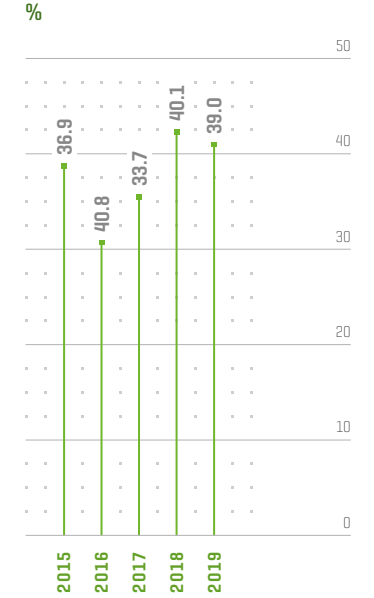
- 371,944 MWh, on 23 January.
- 373,791 MWh, on 12 December.
- 393,903 MWh, on 13 December.

On the other hand, on 3 November at 5:20 a.m. the Spanish peninsular electricity system registered a new **all-time record for demand coverage with wind generation**, reaching 75.9%; on 12 December at 5:00 p.m. a new all-time record for hourly energy was recorded, reaching 17,881 MWh, and on the same day another new all-time record for instantaneous power was set, with 18,879 MW.

During 2019, **energy production from renewable sources represented 39%** of the total energy generated in the Spanish peninsular electricity system.



Renewable energy generation on the Spanish peninsula (1)



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

WIND ENERGY GENERATION ON THE SPANISH PENINSULA

3 November 2019 - All-time record

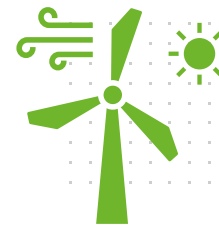
PENINSULAR DEMAND COVERED USING WIND ENERGY

75.9%

12 December 2019 - All-time record

HOURLY ENERGY GENERATED REACHED

17,881 MWh



12 December 2019 All-time record

INSTANTANEOUS POWER

18,879 MW



KEY PERFORMANCE INDICATORS



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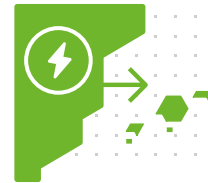


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The contribution of wind energy to the total electricity generation mix in 2019 reached 21.5%.



BALEARIC ISLANDS SYSTEM



18%

SAVINGS IN THE COST OF COVERING THE BALEARIC ISLANDS ELECTRICITY SYSTEM, THANKS TO THE FACT THAT THE MAJORCA-MENORCA AND IBIZA-FORMENTERA SYSTEMS HAVE BECOME ONE SINGLE SYSTEM

This enabled the energy transferred from the Spanish Peninsula to the Balearic Islands to be increased

In line with previous years, the important contribution of wind energy generation is once again noteworthy, having contributed 21.5% to the 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, May, November and December, wind was the technology with the greatest contribution to the total energy production in the peninsular electricity system, reaching 25.5%, 23.5%, 34.0% and 25.4%, respectively.

Balearic Islands electricity system

In application of Order TEC/1172/2018, of 5 November, which redefines the isolated electricity systems of the non-peninsular territory of the Balearic Islands and whereby the methodology for calculating the purchase price of the demand and the sale price of the energy in the dispatching of production for the non-peninsular territories was modified. Of note is that as of 1 December 2018, the two electricity systems of the Balearic Islands [Majorca-Menorca and Ibiza-Formentera] became one single system. This has enabled the energy transferred from the Spanish Peninsula to the Balearic Islands to be increased, reaching 28% of the demand on the Balearic Islands in 2019, and reaching peaks of over 40% of hourly consumption, leading to savings of around 18% in the costs of covering the Balearic Islands electricity system. It has also made it possible to cover 15% of the demand on the islands with renewable generation from the mainland.

Canary Islands electricity system

The installed wind energy power capacity on the Canary Islands has increased over the last year from 408 MW to 429 MW, which represents an increase of 5%, while generation from renewable sources in the Canary Islands generation mix has represented 16% of the total, 5% more than in 2018. This relevant increase in installed renewable power capacity on the Canary Islands, wind power in particular, has led to a review of the operating criteria of its systems, in order to ensure the integration of energy under safe conditions for the Canary Islands electricity system as a whole.

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 97% for the month, reaching a level of 54% for the year as a whole.

ENERGY STORAGE

Red Eléctrica de España 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.

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

The Chira-Soria pumped-storage hydroelectric power station project on the island of Gran Canaria designed by Red Eléctrica de España 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

← KEY ELEMENTS → OF THE CHIRA-SORIA PUMPED-STORAGE HYDROELECTRIC POWER STATION



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

○ Surface elements ○ Underground elements



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The Chira-Soria pumped-storage hydroelectric power station is capable of storing a large amount of energy, through its flexibility and capacity for frequency control, meeting the objectives that drove its design: the integration of renewables, system security and guarantee of supply.

possible to use this hydro generation at times of lower generation from other renewable sources. Nonetheless, the Chira-Soria pumped-storage hydroelectric power station project goes one step further. The power station, in addition to storing a large amount of renewable hydro energy, through its flexibility and frequency regulation capacity, 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.

With an investment that will exceed 390 million euros, the Chira-Soria pumped-storage hydroelectric power station will have 200 megawatts of turbine power capacity, which represents around 36% of the current peak demand in 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 Island's 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:

- Greater integration of renewable energy, thanks to the use of surplus renewable energy.

THE CHIRA-SORIA PUMPED-STORAGE HYDROELECTRIC POWER STATION

will have 200 megawatts of turbine power capacity, which represents around 36% of the current peak demand in Gran Canaria.



INVESTMENT

Chira-Soria pumped-storage hydroelectric power station

OVER

390

M€

500 DIRECT AND 1,500 INDIRECT JOBS CREATED



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IN 2019

The 'Modificado I' project was processed. In August, the public information process was completed and in September the project case file was passed to the Directorate-General for the Fight against Climate Change and the Environment of the Regional Government of the Canary Islands in order to start the Environmental Impact Assessment procedure.

- **Increased guarantee of supply**, due to the quick and efficient provision of 200 MW of turbine power capacity.
- **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** as a result of being able to maximise the integration of renewable sources.

With regard to the progress made in 2019 in the development of the 'Modificado I' project, it should be noted that in February the modified project was submitted to the administrative permitting process, due to the need to adapt the original project to the geotechnical conditions arising from the campaign carried out during 2018. Similarly, the drafting of said project has allowed changes to be incorporated in order to optimise the operation and functioning of the power station, and to include the needs and expectations of the project's stakeholders. In August, the public information and consultation process with stakeholders was completed, in which the proposals and suggestions presented by the project's stakeholders were addressed. Subsequently, in September the project case file was passed to the Directorate-General for the Fight against Climate Change and the Environment of the Regional Government of the Canary Islands in order to start the Environmental Impact Assessment procedure.

The design and modelling of the Chira-Soria pumped-storage hydroelectric power station is carried out using **Virtual Design & Construction (VDC) technology**, which provides an evolutionary 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

It is foreseen that construction work for the Chira-Soria pumped-storage hydroelectric power station on the island of Gran Canaria will commence in 2020.



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The drafting of the 'Modificado 1' Project for the Chira-Soria power station has made it possible to incorporate improvements as well as to address the needs and expectations of the project's stakeholders.

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 allows 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 effects 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. This innovation project for the 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, is 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. This innovation project enables the challenges and capacities associated with an energy storage battery connected to the transmission grid to be analysed and evaluated and consists of a lithium-ion battery with a 3 MWh energy storage capacity and a 1 MW power output.

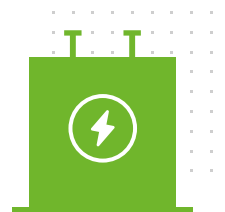
IN 2019

Other energy storage projects have been carried out such as ALISIOS [Energy Storage for the Integration of Renewables and Safe Operation of Isolated Electricity Systems] and ALMACENA [Electrochemical energy storage].



Red Eléctrica designs and carries out

ENERGY STORAGE PROJECTS



WITH THE AIM OF INCORPORATING NEW ENERGY STORAGE TECHNOLOGIES THAT ENABLE THE INTEGRATION OF RENEWABLE ENERGY, GUARANTEE THE ELECTRICITY SUPPLY AND THE SECURITY OF THE SYSTEM



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*Flexibility of the electricity system:
smart grids,
demand-side
management and
electric mobility*



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FLEXIBILITY OF THE ELECTRICITY SYSTEM: SMART GRIDS, DEMAND-SIDE MANAGEMENT AND ELECTRIC MOBILITY

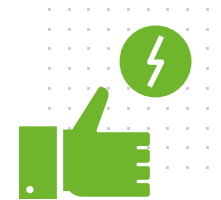
The Red Eléctrica Group continues working actively on the promotion, development and dissemination of initiatives that enable the current electricity grid to evolve towards a **smarter grid that will make the energy transition possible**. The new energy model is characterised by a high presence of renewables and, therefore, greater variability in the generation that will be balanced through the use of **new flexible resources** in all the elements of the electricity system (generation, demand and storage) in order to achieve this goal.

ON THE ROAD TO TRANSFORMATION TO ACHIEVE SMART GRIDS

Renewable generation facilities, in addition to the variability associated with their production, present other inherent characteristics that pose additional challenges for electricity grids, such as how they are scattered nationwide and the technology used for their connection to the grid through power electronics. As a result, it is necessary for the electricity transmission grid not only to maintain its bi-directional nature but also to be increasingly robust, reliable, monitored and automated, which as a whole represents a **change in the current paradigm**.

The Red Eléctrica Group is committed to smart grids that incorporate new solutions, new assets, and new IT and telecommunications technologies which, being consumer-centric, constitute an interconnected grid capable of responding to the challenges of the energy transition.

NEW ENERGY MODEL



CHARACTERISED BY THE INCREASED PRESENCE OF RENEWABLES AND, THEREFORE, GREATER VARIABILITY IN GENERATION



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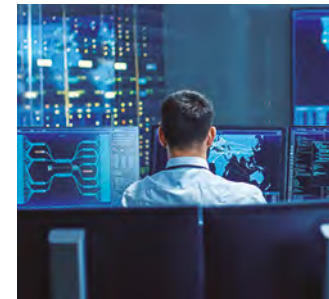


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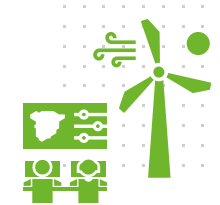
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Faced with these challenges, **smart grids**, based on digitalisation and new technologies, provide solutions that can contribute to the better use of existing assets and greater efficiency in their management. These solutions can contribute to making the energy transition possible while meeting the targets regarding energy efficiency, renewables and climate change.



CLASSIFICATION OF SMART GRID PROJECTS

Advanced monitoring and control	· Increasing the monitoring of system parameters for improved operation.
Electric vehicle	· Solutions that facilitate the integration of electric mobility into the system via smart charging.
Optimised management and operation of assets	· Development of new solutions that allow the management and operation of smart grid assets to be optimised.
Smart meters	· 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.
New solutions for the grid	· Incorporation of new types of assets into the transmission grid that enable its functionalities to be supplemented and increased.
New analytical models	· Development of new analytical models to gain greater knowledge and to be able to predict better the necessary variables, based on the information received from the smart grid.
Telecommunications and cybersecurity	· Development of the communication network, which enables the operation of a smart grid, ensuring the cyber security of the connected network.
Energy storage	· Incorporation of new energy storage technologies to integrate renewable energy, guarantee supply and security of the system.
Active consumer	· Initiatives that facilitate information, regarding the electricity system, to consumers allowing them to interact actively.



SMART GRIDS

FACILITATE THE ENERGY TRANSITION, WHILE MEETING THE TARGETS REGARDING ENERGY EFFICIENCY, RENEWABLES AND CLIMATE CHANGE



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The existing model used for the calculation of demand coverage has been adapted to the new energy transition, incorporating elements of the new energy model such as pure pumped storage, energy storage, flywheel, demand-side management, electric vehicles, microgrids and self-consumption.



Main projects in 2019

- **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 Asset.** Development and deployment of the strategy for the digitalisation of transmission grid assets, lines and substations, which will make more detailed information available for the smart management of maintenance and the operation of assets, thus optimising their use.
- **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 has been 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.
- **FACTS solutions in the transmission grid.** Identification of technological solutions to provide the grid with greater flexibility in order to make energy transition scenarios possible.



SMART ASSET

DIGITALISATION OF TRANSMISSION GRID ASSETS, ELECTRICITY LINES AND SUBSTATIONS

The goal is to have access to a greater level of information regarding the assets and to optimise their use

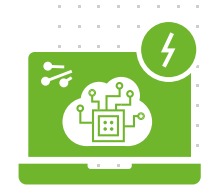
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- **MANINT [Smart Maintenance]**. Digital transformation of the transmission grid asset management model of Red Eléctrica de España through the latest technological advances such as big data, advanced analytics and artificial intelligence. The project is based on algorithms to determine the condition, degradation state and risk of the assets, thus enabling an improvement in asset maintenance and renewal/renovation strategies. Similarly, MANINT ensures the maximum use of the resources available in the Company and increases the coordination between transmission and operation. All this is supported by an innovative collaborative information system (SAGA) that has been developed as part of the project and facilitates the development of many corporate processes.
- **SIMON [comprehensive asset monitoring system]**. This real-time system for substation equipment enables grid asset breakdowns/faults to be identified in their incipient phase and in more advanced stages, in the case of breakdowns, it allows a more precise diagnosis to be carried out and enables a swifter response by the Comprehensive Facilities Maintenance Centre/2 [CMI2] in response to the control centres' notifications. Additionally, the data captured by SIMON represents a substantial improvement in asset management, as it represents a source of information that is of vital importance for MANINT.

SIMON PROJECT

A real-time system for substation equipment that allows the identification of breakdowns/fault of grid asset.



MANINT PROJECT

THE PROJECT RELIES ON ALGORITHMS TO DETERMINE THE CONDITION, STATE OF DEGRADATION AND RISK OF GRID ASSETS

Thus, enabling the improvement of maintenance and renewal/renovation strategies



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Red Eléctrica is promoting the opening up of the balancing services markets so they allow the participation of demand-side mechanisms and energy storage services.

ACTIVE DEMAND OF ELECTRICITY

Future participation of the demand in the balancing services

The **European Network Codes**, especially the Electricity Balancing Guideline, and the Clean Energy Package highlight the contribution of demand flexibility as a key element for the energy transition. In this respect, and with the aim of enabling the active participation of demand-side mechanisms and energy storage in the Spanish electricity system,

Red Eléctrica de España is working to promote the opening up of the balancing services markets as a consequence of the European harmonisation process regarding ancillary services.

During 2019, Red Eléctrica de España prepared and submitted a roadmap to the Spanish National Markets and Competition Commission [CNMC] for the implementation of the European Electricity Balancing Guideline in the Spanish electricity system. This guideline provides, among other things, for the active participation in the balancing markets of electricity generating facilities, including renewables, demand-side management and energy storage, all on equal terms. The roadmap, which has been drawn up with the cooperation of stakeholders and submitted to public consultation, contemplates the opening up of the balancing markets to demand-side management and energy storage.

Similarly, at the request of the CNMC, the System Operator sent a revised version of the Conditions relating to the Balancing Services, which was submitted to a public information and consultation process by the CNMC, incorporating the aspects required following said process. At the same time, Red Eléctrica

Red Eléctrica has prepared and submitted to the CNMC a

ROADMAP TO IMPLEMENT



THE EUROPEAN ELECTRICITY BALANCING GUIDELINE
WITHIN THE SPANISH ELECTRICITY SYSTEM



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IN 2019

The auctions for the provision of the interruptibility service were successfully held.

de España has been working on the adaptation of the systems and processes so that the balancing services markets are opened up to demand-side management and energy storage during 2020. This procedure is being addressed by maintaining an ongoing dialogue with stakeholders, through the corresponding public consultation processes and the information communicated through the various forums that have taken place.

Interruptibility service

This service is an industrial demand-side management tool subscribed to by large consumers that provides 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 2019, the auctions for the provision of the Interruptibility Service for the period between 1 July 2019 and 31 December 2019, as well as for the period from 1 January to 30 June 2020, were successfully carried out.

Similarly, within the framework of Order ITC/2370/2017, the providers of the interruptibility service in the non-peninsular systems provide Red Eléctrica with a valuable resource for the operation of the electricity system.

PROMOTING ELECTRIC MOBILITY

The introduction of electric vehicles will bring about a substantial change in society's mobility models. Similarly, electric vehicles represent a great opportunity to improve the overall efficiency of the electricity system, reduce CO₂ emissions and reduce dependence on foreign energy.

The industrial interruptibility service aims to provide a rapid and efficient response to the needs of the electricity system.



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By the end of 2019, there were four electric mobility operators integrated into the electricity system and almost 2,000 monitored charging points, of which just over 70% are for private users and the rest are for public use.

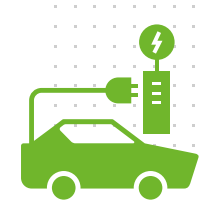
The electric vehicle provides value to society as it does not use fossil fuels and they also have another added advantage as they offer flexibility for the electricity system as users can choose to charge their vehicle when demand is reduced and prices are lower, or when the electricity system notifies them.

Control Centre for the Electric Vehicle (CECOVEL)

The smart charging of electric vehicles allows the electricity system to be more efficient and integrate a greater amount of renewable energy. In this regard, the CECOVEL project [Control Centre for the Electric Vehicle] has led to Red Eléctrica de España creating a control centre that enables the tracking and monitoring of the electricity demand for the smart charging of electric vehicles.

Through this initiative, in 2019 new mobility operators [FENIE and MELIB] were integrated into the electricity system. Also, some enhancements to the CECOVEL management application were made, such as the standardisation of the incoming data from the different operators, improvement in the automation mechanism for the integration of new operators and the cleansing of erroneous and obsolete data.

As a result, by the end of 2019, there were **four electric mobility operators integrated into the electricity system and almost 2,000 monitored charging points**, of which just over 70% are for private users and the rest are for public use.



Control Centre for the Electric Vehicle

CECOVEL

ALLOWS THE SUPERVISION AND MONITORING OF ELECTRICITY

demanded for the charging of electric vehicles

IN 2019

New electric mobility operators [FENIE and MELIB] were integrated into the electricity system. Also, some enhancements to the CECOVEL management application were made.



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Furthermore, it should be noted that in 2019 Red Eléctrica de España showcased the information regarding the smart charging infrastructure of the mobility operators collaborating in the CECOVEL project, with the publication of the **national map of public smart charging points for electric vehicles**, where the public charging networks of these operators were georeferenced.

The publication of the map on the Company's corporate website is a response to the firm commitment of the Red Eléctrica Group to the transition towards increasingly electrified mobility, where the citizen has been identified as the key player to drive change, and the use of smart charging as the tool that favours its integration into the electricity system, considering a predominantly renewable energy mix.

Agreements and collaborations for the deployment of electric mobility

The Red Eléctrica Group intends to anticipate the future and respond to some of the challenges that the mass incorporation of electric vehicles will pose. Specifically, during 2019, intensive work was carried out to formalise various agreements and collaborations in the field of electric mobility and regarding demand-side management with multiple players in the sector.

Agreement with FEMP and publication of the 'Guide to electric mobility for local councils'

Red Eléctrica de España signed a collaboration agreement with the Spanish Federation of Municipalities and Provinces (FEMP) to offer technical assistance in the field of electric mobility. The agreement sets out four courses of action:

- The exchange of experiences in the field of electric mobility.
- Technical assistance in this field.
- Support for the training of the staff of local councils to promote mobility, energy efficiency and the development of renewable energy.
- Collaboration on the smart management of charging points in municipalities' through CECOVEL.

Within the framework of this agreement, the 'Guide to electric mobility for local councils' was published, in coalition with FEMP and the Institute for Energy Diversification and Saving (IDAE), which is available to all local councils in Spain and is designed to resolve the doubts of the local administration and citizens regarding electric mobility.

Agreement with IBIL to promote the integration into the electricity system of the ultra-fast charging points for electric vehicles

Red Eléctrica de España signed a collaboration agreement with the electric mobility operator IBIL in April 2019 to promote electric mobility in Spain through the development of ultra-fast charging infrastructure, the implementation of new tools that contribute to stabilise the system and analyse the impact of V2G [Vehicle-to-Grid] technology, which will enable vehicles to feed electricity back into the grid.

Within the framework of this agreement, Red Eléctrica and IBIL will work together so that the next ultra-fast charging infrastructure developed by IBIL is equipped with technology that will enable the electricity system to throttle the charge rate of vehicles in situations of frequency variation, an indicator that is essential to electricity system security. Furthermore, it is foreseen to launch a true V2G technology pilot project to analyse the behaviour of the electricity system when this technological innovation is incorporated.

Agreement with the Balearic Islands Government and the Island Council of Lanzarote for the development of electric mobility

In 2019, Red Eléctrica de España signed two collaboration agreements with the Balearic Islands Government's local Ministry of Territory, Energy and Mobility and with the Island Council of Lanzarote for the deployment and development of electric mobility in these territories. The priority areas for joint action will refer to the following:

- Education and dissemination of aspects related to the smart management of electric vehicle charging, flexible system operation, demand-side management or smart grids, among others.
- Development and smart deployment of electric mobility in the Balearic Islands.
- Sustainability and development of new technologies.

It should be noted that the local Ministry of Territory, Energy and Mobility of the Balearic Islands Government will enable the integration into CECOVEL of the charging points managed by the MELIB Platform of the Balearic Islands Government, in order to monitor in real time the consumption of the charging points on public property owned by the municipalities and promoted and managed by the Balearic Islands Government. For its part, the Company will share its knowledge and experience regarding monitoring and control, through participation in various projects associated with electric mobility, to enable the integration of the charging points into the management system.

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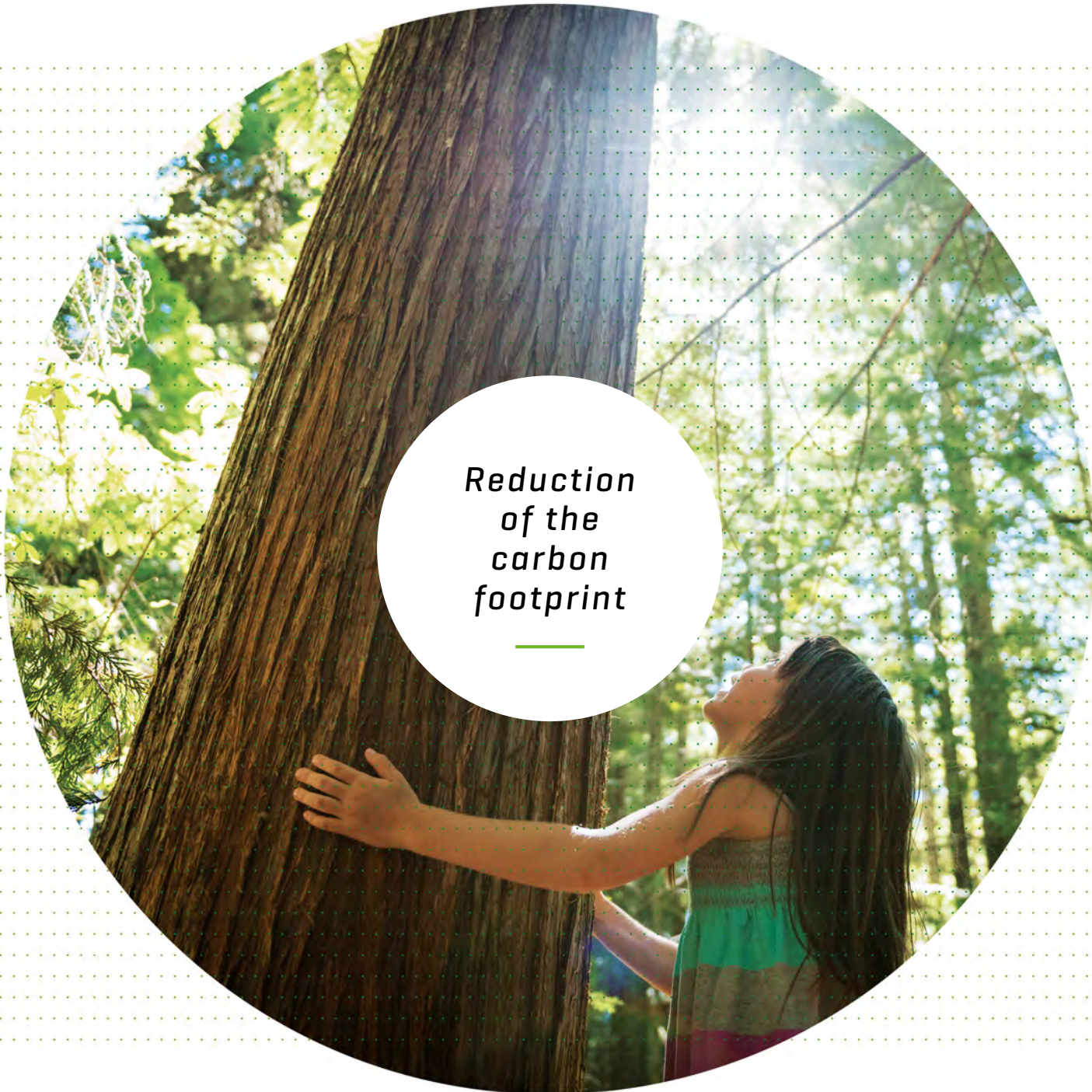
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Reduction
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REDUCTION OF THE CARBON FOOTPRINT

103-1 / 103-2 / 103-3

The Red Eléctrica Group maintains 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.

The Red Eléctrica Group has set the goal of reducing its scope 1 and 2 emissions, per MWh transported, by 40% for 2030, as compared to 2015 figures, which in absolute terms translates into a reduction of 30% with regard to that year. In addition, a prior reduction target of 10% has been set for the 2020 horizon with respect to 2015.

The Company's emissions reduction target **was approved in 2018 by the Science Based Target initiative (SBTi)** and responds to a level of ambition needed to limit the global temperature increase to no more than 2°C.

In 2019, the Company joined the **Business Ambition for 1.5°C** initiative, promoted by the United Nations and the UN Global Compact (and its local networks), by which it undertakes to work to define a new objective with a more ambitious target.

The Red Eléctrica Group has undertaken to reduce its Scope 1 and 2 emissions by 40% per MWh transported by 2030, compared to 2015 values and it has joined the Business Ambition for 1.5°C initiative, promoted by the United Nations.



Reduction of

10 OF SCOPE 1 & 2 EMISSIONS *compared to 2015 values*



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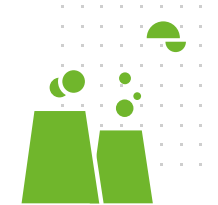
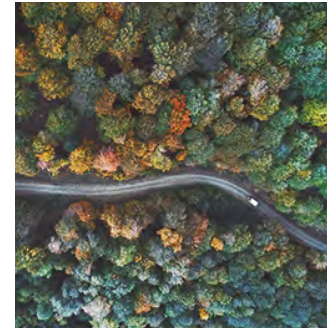
Throughout this chapter, we present the partial objectives included in the Climate Change Action Plan and the main actions carried out in each area.

CARBON FOOTPRINT CALCULATION

The Red Eléctrica Group 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 annex to this report.

It is important to highlight the progress made by the Company in extending the greenhouse gas (GHG) inventory to include all the Group's activities. In this regard, the inventory data already includes information from REINTEL, REINCAN, RETIT and REI and work is underway to incorporate the calculation of emissions associated with the **electricity business abroad and Hispasat** into the Group's overall inventory.

In addition, the Company has developed methodologies for **calculating the carbon footprint associated with the life cycle of the different types of facilities built by Red Eléctrica**. The application of this calculation method facilitates the identification of improvements and concrete reduction measures that can be implemented on a case-by-case basis.



GHG PROTOCOL

METHODOLOGY USED BY RED ELÉCTRICA TO DRAFT ITS EMISSIONS INVENTORY

The inventory is subject to independent review in accordance with the ISAE 3410 standard

Greenhouse Gas Emissions (GHG)

	t CO ₂ eq.				
	2015	2016	2017	2018	2019
Total direct emissions (Scope 1) [1]	34,797	31,499	28,994	39,272	23,614
Total indirect emissions (Scope 2) [1]	1,141,232	1,046,080	1,163,812	1,010,754	781,452
Total indirect emissions (Scope 3) [1]	624,430	452,153	2,089,939	405,278	575,036
Emissions (Peru) [2]			17,992	20,506	29,370

[1] The data is detailed and broken down in the Carbon Footprint Indicator section of this chapter. [2] 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]. Scope of the data: REA, TESUR and REDESUR for 2017 and 2018, and includes TESUR 2 for 2019.



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Objectives of the Climate Change Action Plan

SPECIFIC REDUCTION TARGET FOR SF₆

Net reduction of SF₆ emissions compared to 2015: 20% in 2020 and 25% in 2030

Maximum cumulative emissions in the period 2016-2020: 140,000 t CO₂ eq.

PROGRESS MADE IN 2019 IN REGARD TO THE TARGET

32.7% reduction in SF₆ gas emissions compared to 2015

2016-2019 Cumulative emissions: 113,477 t CO₂ eq.

CONTROL OF SF₆ EMISSIONS

The main direct emissions derived from the activities of the Red Eléctrica Group are those of sulphur hexafluoride (SF₆). 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.

SF₆ emissions are associated with small leaks in the equipment, leaks during gas decanting and accidents or breakdowns that may occur. For Red Eléctrica, this is a priority issue, and therefore it has different courses of action in progress aimed at better gas control and the reduction of leakages. The most relevant are the following:

RED ELÉCTRICA'S SF₆ EMISSIONS

A high priority issue is to implement measures to achieve better SF₆ gas control and the reduction of leaks in the assets/equipment as they are considered the main source of SF₆ emissions.

KEY ACTIONS

SF₆ Gas inventory	Improvement in the procedures for the recording of leaks and the monitoring thereof.
Training	The Company has two training centres legally recognised in which 483 employees have been trained since 2013 (444 of them have an official SF ₆ gas handling certificate).
Replacement of switchgear	The Company is working on replacing old equipment with equipment with lower leakage rates. It is estimated that the renovations carried out in 2019 will prevent the emission of 37 t CO ₂ eq. per year. The cumulative results of the actions carried out since 2015 has helped avoid a total of 3,139 t CO ₂ eq. per year.
Improvement in leak detection and control	The Company has developed, in collaboration with one of its suppliers, the innovation project 'Development of SF ₆ leak repair methodology in GIS facilities', which enables the repair of breakdowns without disassembling the damaged sections and this significantly speeds up the work. This methodology has been applied in the repair works of various leaks in 4 substations, enabling a noteworthy reduction of SF ₆ emissions. Further actions using this methodology are foreseen in 2020.
Search for SF₆ gas alternatives	Since 2017, the Company has been working on the study of innovation projects that offer alternatives to SF ₆ in GIS switchgear (GIS substations). Red Eléctrica has awarded and participated in the design of two 66 kV cells with alternative insulating gases and that will be installed in mobile generating units in the Canary Islands. Additionally, work has begun on the study of alternatives to SF ₆ through the use of AIS switchgear. 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 ₆ sensors through the use of graphene-based materials.



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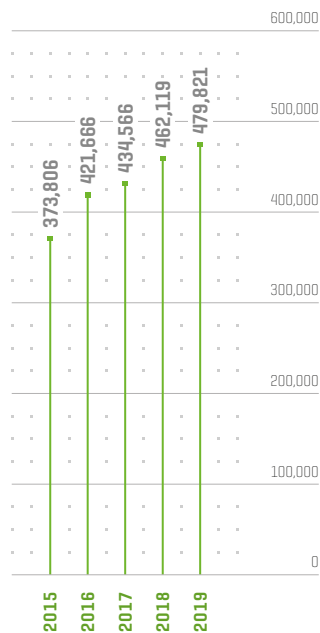
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Evolution of Red Eléctrica's installed SF₆ gas [1] kg



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 for a comprehensive management of the use of SF₆ in the electricity industry** that is more **respectful to the environment** and that was signed in May 2015 between the Ministry of Agriculture, Food and Environment and the manufacturers & suppliers of electrical equipment that use SF₆.

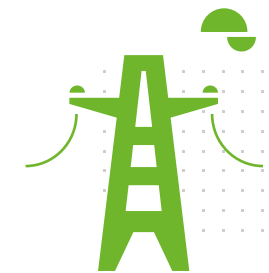
[1] The increased in installed gas is mainly due to the commissioning of new facilities and the replacement of old equipment for SF₆ insulated equipment,

[2] The maximum leakage rate for in-service equipment established in the Voluntary Agreement for the management of SF₆ signed in 2015 is 0.5%. This rate is fixed for equipment commissioned as of the date the agreement was signed, which allows previously installed equipment to have higher leakage rates.

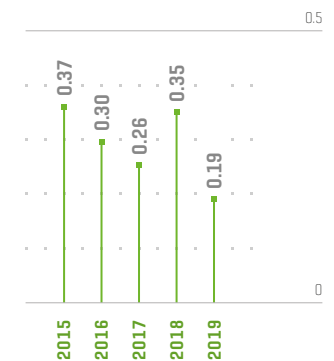
The leakage rate in 2019 reflects the breakdown repair work performed since the last quarter of 2018. Of note is in 2019 there has been no accident that has led to a gas leakage.

IN 2019

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.



SF₆ Emission rate [2] % of emissions over gas installed



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EFFICIENCY IN ELECTRICITY CONSUMPTION

One of the pillars of the climate change commitments of the Company is to undertake energy efficiency at all levels. There are various projects aimed at reducing the consumption of electricity in the different facilities of the Company.

Use of renewable energy

Red Eléctrica, in addition to having a key role in the integration of renewable energy into the Spanish electricity system as a whole, is committed to the use of renewables to cover the electricity



Reduction targets [with respect to 2015 as the base year]

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

PROGRESS MADE IN 2019 IN REGARD TO THE TARGET

Reduction of emissions associated with electricity consumption in work centres: 89.2%

Reduction of 16.4% of electricity consumption in work centres in 2019 vs 2015

EFFICIENCY MEASURES

Buildings

- **Energy management system certified** under the ISO 50001:2001 standard in the buildings of the Head Office and the Campus Red Eléctrica.
- **New buildings.** The electricity control centre (CECORE) and the Group's technological company, RETIT, have moved to a new building. The new building includes a system that helps maximise the available geothermal energy and used construction measures that contribute to bringing it closer to Nearly Zero-Energy Buildings (nZEBs). The savings derived from this move of office will be reflected in next year's figures.
- **Improvement in work centres.** The offices of the Northwest Regional Office (last quarter of 2018) and of the North Regional Office (first quarter of 2019) have

been moved to new buildings that are better adapted to the needs of the personnel. The savings in electricity consumption for both buildings is greater than 80%.

IT Systems

- **Renewal of IT equipment and systems** in accordance with maximum efficiency criteria. In 2019, a renewal of equipment (laptops, desktops and data storage systems) was carried out, representing an estimated reduction in annual electricity consumption of 8,174 kWh.
- Application of **efficient use policies** in all end-user IT systems.
- Migration to and intensive use of **virtual servers** (since 2015), which represents a 50% reduction in energy consumption compared to physical servers.

- Improvement of the IT systems of the **Electricity Control Centre (CECOEL)**, which entailed an estimated annual saving of **75,600 kWh** (around 25% of its consumption).

Substations

- **Rationalising the use of lighting:** Since 2017, work has been done on improving remote lighting control systems, which enables the outdoor lighting of substations to be switched off. The objective is to use these systems to switch off the exterior lighting during night-time periods and that they be switched on only when it is necessary. In 2019 these lighting control systems have been implemented in 405 substations and represent an annual saving of **9,714,520 kWh**.



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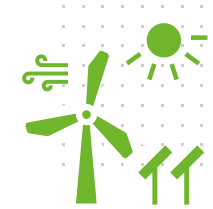


RENEWABLE ENERGY

Red Eléctrica, in addition to having a key role in the integration of renewable energy into the Spanish electricity system as a whole, is committed to the use of renewables to cover the electricity consumption of its facilities.

consumption of its facilities. 85% of the electricity consumed in work centres and telecommunications shelters in 2018 was of renewable origin. All the electricity supply contracts signed by the Company for its operations and activities are for green energy or with a guarantee of renewable origin, representing 87% of the electricity consumed in 2019. The remaining consumption corresponds to work centres that are under a rental/lease contract or that do not have an electricity connection, whereby they are directly fed by the transmission grid.

In addition, three of the Company's work centres have air-conditioning installations based on geothermal energy and, during 2020, the Company plans to carry out a regulatory viability and technical-economic analysis for the installation of self-consumption systems at various facilities.



RENEWABLE ENERGY

87

%

OF THE ELECTRICAL ENERGY CONSUMED COMES FROM RENEWABLE SOURCES

Green energy or with a guarantee of origin (GoO)



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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 business travel using vehicles: 20% in 2020 and 40% in 2030

PROGRESS MADE IN 2019 REGARDING THE TARGET

Reduction of emissions associated with the use of Red Eléctrica vehicles: 22.5%

Reduction of emissions associated with business travel using vehicles: 48.1%

77% of Red Eléctrica's vehicles (including passenger cars, 4x4s, vans, car-derived vans, trucks, shared leasing, management vehicles and pool of electric vehicles) have an energy rating of A.

SUSTAINABLE MOBILITY

The Red Eléctrica Group has been working for some years on the optimisation of work-related trips and on 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** to incorporate a new culture of mobility within the Company. The most important measures developed in recent years, noteworthy are the following:

- **Efficient management of fleet vehicles** by progressively improving the energy rating of vehicles used by selecting the best existing technologies. In 2019, 98% of the vehicles renewed have been done so for vehicles of the highest energy rating and a further 10 new charging points for electric vehicles have been installed. Additionally, the optimisation of their use through the application of CARS (Agile, Responsible and Safe Driving System) enables the use of efficient routes and promotes 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 business travel**, through the incorporation of sustainability criteria in the Company's work-related travel policy. Implementation of a corporate fleet of electric vehicles for commuting during the working day, prioritisation of the use of efficient taxis and





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The emissions associated with the supply chain are those that have the greatest impact on the indirect emissions of the Company (Scope 3). Therefore, a roadmap has been designed to make progress in their management.

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. Additionally, 11 charging points were installed in 2019 for use by non-directorship positions.

CARBON FOOTPRINT OF THE 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, a **roadmap** has been designed to continue improving in the management of these emissions.

The main objectives sought are:

- Involve suppliers in the commitment of the Red Eléctrica Group, providing appropriate guidelines in order to promote changes in their management and fostering 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.

EFFICIENT MANAGEMENT OF VEHICLES

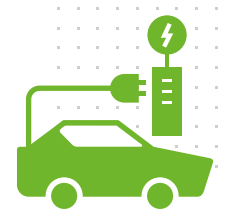
Since 2015, Red Eléctrica has maintained the 'Ecological Fleet Accreditation' in its 'Master' category.

RATIONALISATION IN THE USE OF PRIVATE VEHICLES

The Company has installed

11 CHARGING POINTS

FOR USE BY EMPLOYEES FOR VEHICLES USED FOR COMMUTING





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In 2019, the first phase of the **Supplier Collaboration Programme** was carried out, involving 23 of the organisation's most relevant suppliers, which account for around 57% of the supply chain's emissions.

Thanks to this project, the emissions inventory has been improved by incorporating part of the direct information provided by the participants. Similarly, each of the suppliers has been qualified with a level of maturity in the area of climate change, which allows, in addition to making a general diagnosis of the supply chain, different and specific development and collaboration programmes to be deployed depending on the characteristics of each supplier. These actions will begin to be implemented throughout 2020.

OFFSETTING OF EMISSIONS

In addition to the measures aimed at reducing emissions, and with the goal of achieving greater progress in reducing the carbon footprint of the Red Eléctrica Group as much as possible, specific actions have been implemented to offset emissions.

The main action carried out by the Company for offsetting emissions is the 'Red Eléctrica Forest' project, described in the section of this report entitled 'Conservation of natural capital'.

In addition, for the seventh consecutive year, the Company has offset part of its emissions derived from the daily commutes of its employees by purchasing **2,700 VCUs [Verified Carbon Units]** under the VCS [Verified Carbon Standard], which corresponds to the emissions generated by all those workers who took part in the 2019 mobility survey [59% of the workforce]. Said offsetting measures were carried out by supporting the project in **Peru against the deforestation of land for Brazil nut plantations**; a project that is geared towards the protection of 500.000 hectares of forested areas and the promotion of local employment thanks to the creation of a processing plant for the nuts, the promotion of reforestation activities and the control and monitoring of the plantations.



OFFSETTING OF EMISSIONS

FOR THE 7TH CONSECUTIVE YEAR, THE COMPANY HAS PURCHASED

2,700

VCUs

Allowing part of its emissions derived from the daily commutes of its employees to their respective work centres to be offset

IN 2019

The first phase of the Supplier Collaboration Programme was carried out and had the participation of 23 of the Company's most relevant suppliers and that as a whole account for around 57% of emissions in the supply chain.



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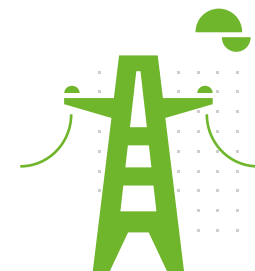


TRANSMISSION GRID LOSSES 103-1 / 103-2 / 103-3 / EU12

The emissions associated with energy losses in the transmission grid are accounted for within the emissions of Scope 2, as indicated by the GHG Protocol. These are calculated taking into account the energy dissipated in the form of heat by electricity lines in the transmission 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 variables is under the direct control of Red Eléctrica de España, although it should be noted that increased efforts to integrate more renewable energy into the energy mix results in a lower emission factor and therefore a greater reduction in emissions associated with losses.

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 [1] effect, the corona effect and the own consumption of the electricity substations



[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.



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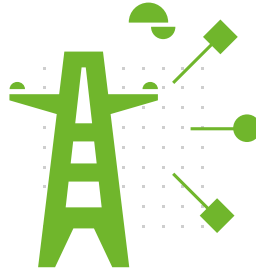
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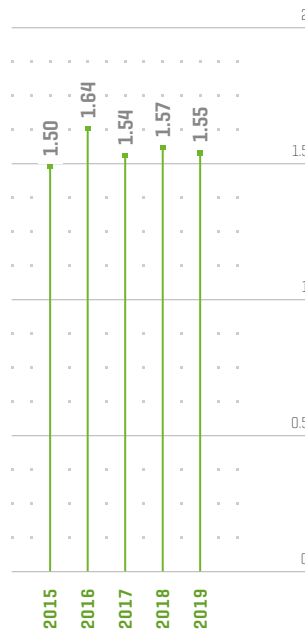
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Transmission grid losses with respect to the peninsular demand %



necessary for their correct operation. Of these, the most relevant, without a doubt, is the Joule effect, 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.

Note: Information on transmission grid losses is obtained from the SIMEL energy metering system, which receives the data recorded by all meters in Spain. Due to various issues, this is adjusted and updated throughout the year. The regulation provides for a period of 11 months to close the definitive information, given that in November 2019 the relevant update of the data regarding transmission losses took place, and the percentage corresponding to 2018 has been recalculated and modified.



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Red Eléctrica's role as operator of the Spanish electricity system is carried out in accordance with specific and mandatory operating procedures that do not make it possible to operate the electricity system based on loss reduction criteria.

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, while other aspects, not controlled by Red Eléctrica, have the greatest influence.

Increased losses are mainly due to the following: distances between generation and consumption points (losses increase notably when there are significant distances), the amount of energy demanded in the year, the electricity generation mix, international energy exchanges and the shape of the demand curve. In the case of the Spanish electricity system, the increase in losses is usually related to the share of renewables in the energy mix (as this type of generation is not usually close to the consumption points).

The electricity generation structure depends on the rules of the electricity market, regulated by an independent body. The function of Red Eléctrica de España, as operator of the electrical system is carried out following specific and mandatory operating procedures. In accordance with 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.

TRANSMISSION GRID LOSSES

In the case of the Spanish electricity system, the increase in losses is usually related to the share of renewables in the energy mix (as this type of generation is not usually close to the consumption points).





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CARBON FOOTPRINT INDICATORS

The scope of the data shown in the following tables includes: REE (Red Eléctrica de España S.A.U.), REC (Red Eléctrica Corporación S.A.), REINTEL (Red Eléctrica Sistemas de Telecomunicaciones) REINCAN (Red Eléctrica Infraestructuras en Canarias), REI (Red Eléctrica Internacional) and RETIT (Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología).

Fuel consumption / 302-1

	2015	2016	2017	2018	2019
Diesel ^[1]	450,752	712,853	567,942	462,169	443,251
Petrol ^[1]	23,799	49,768	52,124	201,470	250,643
Biodiesel ^[1]	121	0	0	0	0
LPG Autogas ^[1]	33	0	0	0	0
Diesel generating sets ^[2]	5,061	3,452	1,212	3,476	2,472

^[1] Fuel consumed by Red Eléctrica vehicles (fleet, shared leasing and management 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

	2015	2016	2017	2018	2019
Total	16,169,682	15,540,936	15,177,175	14,583,566	14,051,381

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. As of 2018 data includes the electricity consumption of telecommunications shelters (REINTEL's activity). In 2019, 87% of the electrical energy consumed came from renewable origin.

Summary of energy consumption ^[1] / 302-1

	2015	2016	2017	2018	2019
Fuel consumption (joules)	7.59 · 10 ¹³	8.41 · 10 ¹³	7.75 · 10 ¹³	7.66 · 10 ¹³	7.56 · 10 ¹³
Electricity consumption (kWh)	21,024,947	23,283,480	21,445,765	21,184,281	20,905,365

Note. 1 kWh = 36 · 10⁶ joules; 1 litre of diesel fuel = 37 · 10⁶ joules; 1 litre of gasoline = 34 · 10⁶ joules; 1 litre of gas oil = 37 · 10⁶ joules; 1 litre of biodiesel = 32,79 · 10⁶ joules; 1 litre of LPG = 25,7 · 10⁶ joules.

^[1] Total consumption data in joules following criteria defined by GRI. In 2019, 58% of the direct energy consumed came from renewable origin.

Indirect energy consumption. Electrical energy / 302-1

	2015	2016	2017	2018	2019
Transmission grid losses (MWh) ^[1]	3,943,023	4,339,590	4,112,547	4,202,825	4,088,490
Transmission grid losses (joules)	1.42 · 10 ¹⁶	1.56 · 10 ¹⁶	1.48 · 10 ¹⁶	1.51 · 10 ¹⁶	1.47 · 10 ¹⁶

Note. The data reflected in this table includes the losses in the peninsular system and those of the Balearic Islands and Canary Islands systems.

^[1] Variations in transmission grid loss values are mainly related to generation and demand characteristics for each year (generation mix - distance between generation points in relation to consumption points - international exchanges, total demand and the shape of the demand curve). These factors depend on the electricity market and cannot be controlled by Red Eléctrica de España. However, the Company is working to identify and improve those areas where it could have an influence. ^[2] Information on transmission grid losses is obtained from the SIMEL energy metering system, which receives the data recorded by all meters in Spain. Due to various issues, this is adjusted and updated throughout the year. The regulation provides for a period of 11 months to close the definitive information, given that in November 2019 the relevant update of the data regarding transmission losses took place, and the percentage corresponding to 2018 has been recalculated and modified and is different from that published in the 2018 report.



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External energy consumption. Internal logistics / 302-2

	2015	2016	2017	2018	2019
Fuel consumption (litres)	238,240	196,973	210,870	208,065	194,558
Fuel consumption (joules)	$8,82 \cdot 10^{12}$	$7,29 \cdot 10^{12}$	$7,80 \cdot 10^{12}$	$7,69 \cdot 10^{12}$	$7,19 \cdot 10^{12}$

Note 1. This fuel consumption corresponds to the transportation of materials between the Company's various facilities (internal logistics). Does not include other types of transportation of materials or people.

Note 2. 1 litre of gas oil = $37 \cdot 10^6$ joules.

Energy intensity / 302-3

	2015	2016	2017	2018	2019
Electricity consumption per employee in Head office (kWh/employee) [1]	7,126	6,763	6,421	6,180	5,645
Transmission grid losses - peninsular and non-peninsular systems (MWh/MWh transported) [%] [2]	1.503	1.642	1.538	1.566	1.548
Average consumption of vehicles for logistical use [external] (litres/100 km)	26.6	26.4	24.6	24.3	22.8

[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] The percentage indicated corresponds to the energy dissipated in losses with respect to total demand.

Reductions in electricity consumption / 302-4

	kWh for the year	Joules for the year
Efficiency measures in work centres: (optimisation of buildings).	134,690	$4.8 \cdot 10^{11}$
Efficiency measures in electricity substations: switching off of night-time lighting.	9,714,520	$3.5 \cdot 10^{13}$
Efficiency measures in computer IT equipment: renewal of desktops and laptops, data storage systems and improvement CECOEL of IT systems.	83,758	$3.0 \cdot 10^{11}$

Note. The estimated annual reductions derived from the measures carried out in 2019 have been included (estimates made according to actual data on reduced consumption depending on the implementation of the measures).

Direct GHG emissions (Scope 1) / 305-1

	2015	2016	2017	2018	2019
SF ₆ [2]	31,651	28,770	26,453	36,921	21,289
Air-conditioning Systems	840	610	709	545	450
Fleet vehicles	2,124	1,898	1,556	1,604	1,646
Diesel generating sets	182	222	275	202	229
Total direct emissions	34,797	31,499	28,994	39,272	23,614

[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 corporate website](#). 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: 4th assessment report].

**Indirect GHG emissions****from the generation of energy (Scope 2) / 305-2 t CO₂ eq. (1)**

	2015	2016	2017	2018	2019
Associated with electricity consumption (2)	5,441	1,664	946	801	587
Derived from transmission grid losses (3) (4)	1,135,791	1,044,416	1,162,865	1,009,953	780,865
Total indirect emissions	1,141,232	1,046,080	1,163,812	1,010,754	781,452

(1) The information on the inventory scope and methodology is available on the [REE corporate website](#). The inventory was submitted to independent review in accordance with ISAE 3410. (2) The emissions are calculated under the 'market based' approach, applying the emission factors associated with the market agents that supply the electricity. The emissions calculated under the 'location-based' approach would total 783,704 t CO₂ eq. (3) 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 activities of Red Eléctrica de España 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 Red Eléctrica de España based on the annual generation balance. There are several reasons for the decrease in emissions in 2019. The most relevant is the decrease in the average peninsular emission factor [emission factor in t CO₂/MWh: 0.219 in 2018 and 0.165 t CO₂/MWh in 2019], which mainly reflects the drastic reduction in the share of coal-fired power stations in the energy mix (69% reduction compared to 2018). (4) The data on emissions derived from transmission grid losses for 2018 has been modified with respect to that published in the 2018 report due to the fact that in November 2019 a relevant update was made to the data on transmission grid losses. This data is obtained from the SIMEL energy metering system, which receives the data recorded by all meters in Spain. Due to various issues, this data is adjusted and updated throughout the year, taking into consideration that the regulation contemplated a period of 11 months to close the definitive information.

Greenhouse gas emissions intensity / 305-4

	2015	2016	2017	2018 (6)	2019
Emission of SF ₆ / installed SF ₆ [%]	0.37	0.30	0.26	0.35	0.19
Emissions from fleet vehicles (kg of CO ₂ / km) (1)	0.27	0.16	0.14	0.15	0.16
Emissions (Scope 1 and 2) / revenue (t CO ₂ / million euros) (2) (4)	645	597	654	540	415
Emissions / revenue (t CO ₂ / million euros) (3) (4)	22.1	18.4	16.4	20.6	12.47
Emissions (Scope 1 and 2) / energy transported (t CO ₂ / GWh) (5)	4.5	4.1	4.5	3.9	3.0

(1) Fleet vehicles + shared leasing (does not include management vehicles). (2) Emissions of Scope 1 and 2 (including transmission grid losses). (3) Emissions of Scope 1 + emissions of electricity consumption. Red Eléctrica considers it relevant to monitor this indicator, without including the transmission grid losses. (4) The emissions and revenue in 2018 and 2019 include the activities of the REINTEL subsidiary. (5) 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) and it covers the peninsular, Balearic Islands and Canary Islands systems. (6) The 2018 indicators have been updated with regard to those published in the corresponding report. This is due to the fact that the Scope 2 emissions data has been corrected as a result of the updating of the information carried out in November 2019 regarding transmission grid losses (this information comes from SIMEL and there is a period of 11 months to close the definitive information).

Other indirect emissions of greenhouse gases (Scope 3) / 305-3 t CO₂ eq.

	2015	2016	2017	2018	2019
Purchase of goods and services (1)	304,596	249,584	295,787	242,648	246,917
Capital goods (2)	312,797	195,804	1,785,809	155,671	319,486
Energy production (not included in Scope 1 and 2)	1,092	674	517	431	462
Waste	96	91	134	96	62
Transportation and distribution (3)	1,416	1,594	2,288	1,110	2,090
Business travel (4)	1,421	1,399	1,487	1,394	1,441
Commuting	2,894	2,926	3,918	3,895	4,545
Leased assets	117	82	0	33	33
Total indirect emissions (Scope 3)	624,430	452,153	2,089,939	405,278	575,036

In 2019, the methodology used for calculating Scope 3 emissions changed to incorporate primary information provided by suppliers. Emissions for 2018 have been recalculated applying this new methodology. The information on the inventory scope and methodology is available on the REE corporate website. The inventory was submitted to independent review in accordance with ISAE 3410. (1) For the correct interpretation of the data, it is necessary to consider that the emissions associated with the acquisition of goods and services depend on the characteristics of the specific goods and services purchased each year (which entail different carbon intensities) and the financial amount earmarked for these acquisitions. (2) The emissions associated with this category are highly variable. In 2019, the emissions associated with the acquisition of substation bays, which had not been considered until now, have been incorporated into the historical series. This is the reason for the high number of emissions indicated for the year 2017. (3) Corresponds to the emissions associated with internal logistics and other emissions related to the transportation of materials. (4) Includes trips made by train, plane, own vehicle, rental vehicle and taxi.

Reduction of greenhouse gas emissions (GHG) / 305-5

	t CO ₂ eq
Net savings	
Emissions savings by contracting electricity with Guarantees of Origin (1)	2,252
Reduction of SF ₆ emissions by repairing leaks	10,783
Reduction of emissions due to improvements in the delivery processes of equipment and materials (internal logistics)	4.78
Annual savings (2)	t CO₂ eq / year
Efficiency measures in electricity substations: switching off of night-time lighting	1,603
Efficiency measures in IT equipment: renewal of desktops and laptops, data storage systems and improvement in CECOEL IT systems	3.5
Reduction of SF ₆ emissions by replacing old equipment with equipment with lower leakage rates	36.5
Reduction of emissions associated with employee commutes due to the implementation of the flexibility pilot programme (3)	59.2

(1) Electricity with Guarantee of Origin: 0 t CO₂/kwh. (2) Reductions associated with the measures carried out in 2019. (3) Emissions avoided due to the lower number of commutes of those employees signed up to the programme.

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RESPONSIBLE VALUE CHAIN

The Red Eléctrica Group is committed to extending its corporate responsibility, based on transparency, integrity and sustainability, to all stakeholders.



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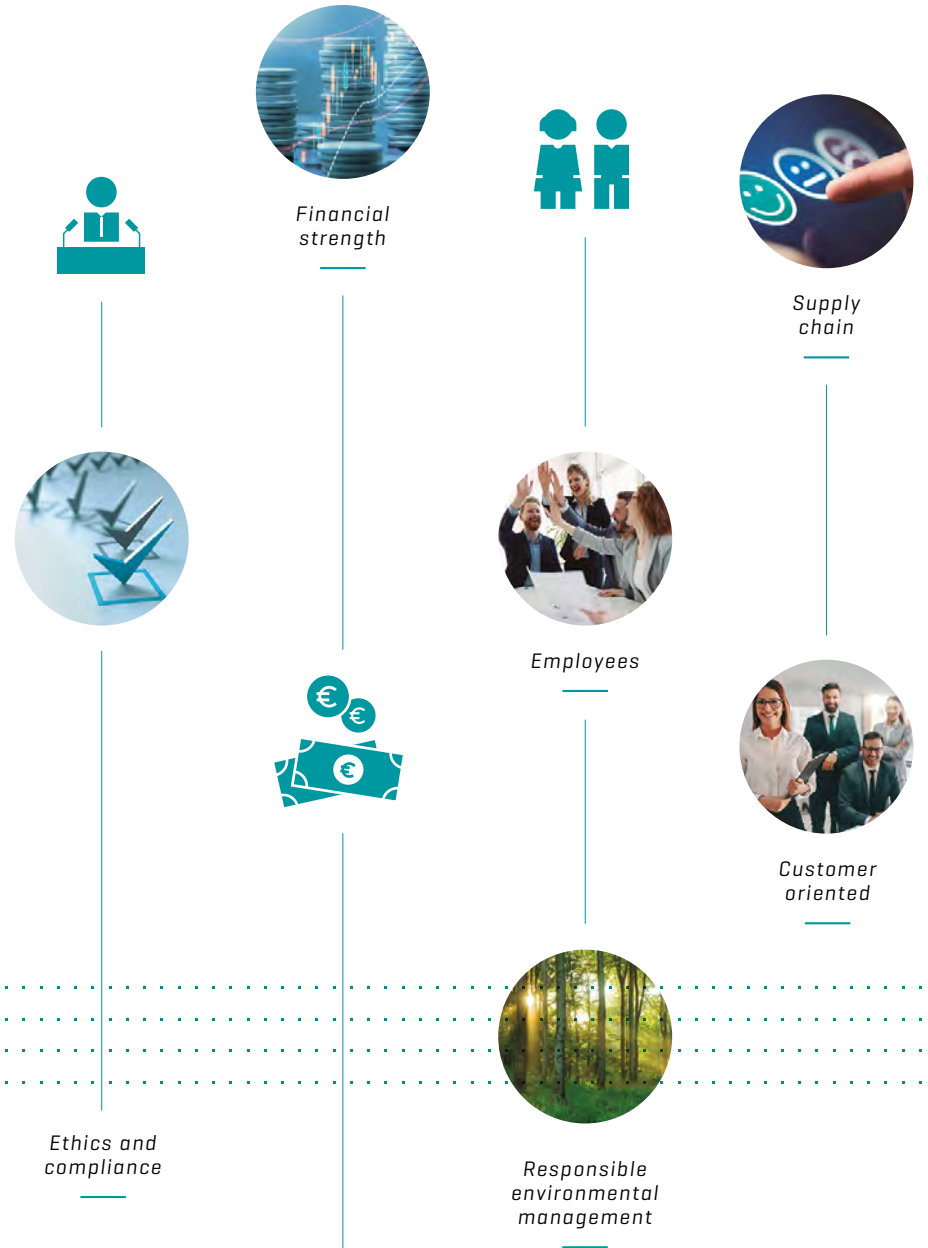


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RESPONSIBLE VALUE CHAIN

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 the business activities carried out by companies, but also all those actions required to develop its products and provide its services, including the management of its supply chain and the relationship it maintains with its customers and stakeholders.

In this regard, the Red Eléctrica Group takes on the following pledge 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 alliances and by basing it on our **governance and integrity model**.





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Ethics and compliance



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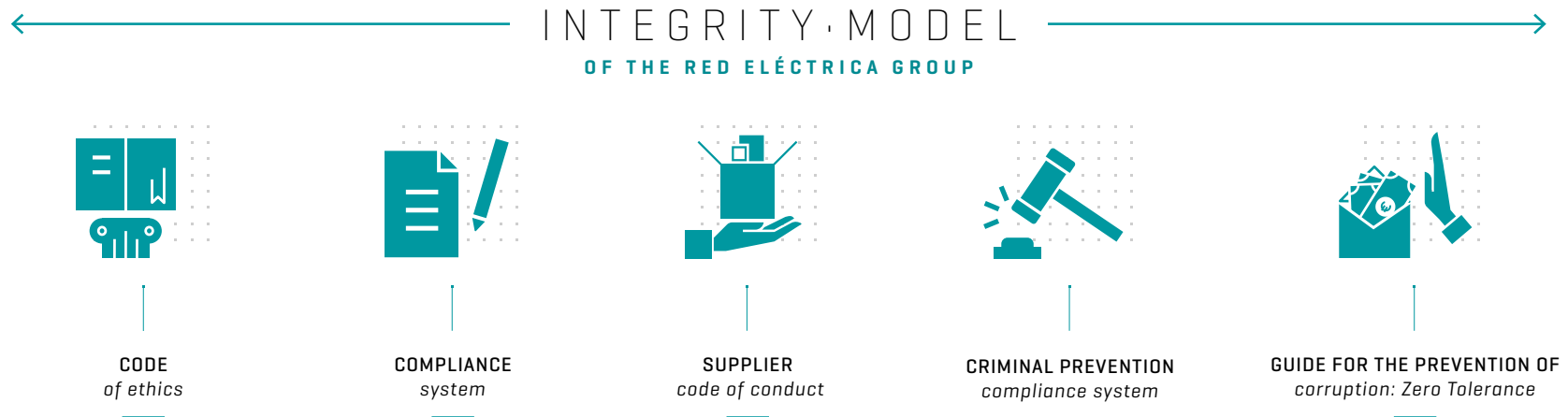
ETHICS AND COMPLIANCE

102-16 / 102-17 / 103-1 / 103-2 / 103-3

Ethics and compliance for the Red Eléctrica Group are fundamental pillars for the proper functioning of the business activity. The Company is dedicated to acting with the utmost integrity in the performance of the obligations and commitments entrusted to it, as well as in the relations it maintains with its stakeholders.



The Red Eléctrica Group has a series of corporate conduct rules that establish the ethical values and business conduct guidelines that are undertaken by all the people who make up the Company in the performance of their professional duties and responsibilities.





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The current edition of the Code of Ethics of the Red Eléctrica Group, approved in 2013, responds to the demands of stakeholders and the recommendations of international organisations of repute in this area, such as the UN, the European Union or the OECD.

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 Company.

The current edition of the Code of Ethics of the Red Eléctrica Group, approved by the Board of Directors in 2013, responds to 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 entities such as Transparency International or the ÉTNOR Foundation, among others.

Revision and update process of the Code of Ethics

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 implementation 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 the supply area (procurement).

IN 2019

The multidisciplinary working group aimed at updating the Code of Ethics has continued its work, with the aim of having the Code approved in the first half of 2020.

Started in 2018

REVIEW OF THE CODE OF ETHICS

IN ORDER TO ADAPT IT TO

BEST PRACTICES

IN COMPLIANCE MANAGEMENT



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During the external review process of the new Code of Ethics, the Red Eléctrica Group collaborated with Transparency International, the benchmark company in the field of integrity, as well as with the Group's employees through a specific assessment survey. The process of approving the new Code is expected to be completed during the first half of 2020.

Supplier Code of Conduct

The Red Eléctrica Group has a specific code of conduct for its suppliers in which it highlights the necessity to comply with respect for human rights, and compliance with the requirements of the environment and occupational health and safety by its suppliers in the development of

products or the procurement of services requested by the Company, whether they are carried out directly or through other companies. Detailed information on the Supplier Code of Conduct is set out in the Supply Chain section of this Report.

ETHICS MANAGER

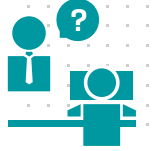
To ensure the awareness, application and enforcement of the Code of Ethics, Red Eléctrica appointed Rafael García de Diego, General Counsel and Secretary of the Board of Directors, as **Ethics Manager and Stakeholder Ombudsman**. The responsibilities and duties of the Ethics Manager are the following:

← RESPONSIBILITIES OF THE ETHICS MANAGER →



INVESTIGATE

Institute proceedings regarding grievances through the verification and investigation of the business conduct of those employees or organisational units reported.



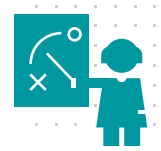
RESOLVE ENQUIRIES AND ADVISE

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 deemed necessary. Draft a periodic report on the review of the system and propose actions for the improvement of the Code of Ethics management system.



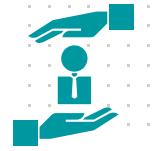
PROPOSE ACTION PLANS

Draft action strategies to resolve the grievances reported and submit them for approval by the Chairperson 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, proceedings and communications with those concerned].



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.



The whistle-blowing channel available on the corporate website allows queries, grievances or suggestions to be communicated to the Ethics Manager.

WHISTLE-BLOWING CHANNEL 102-17

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 called Dígame, in order to provide a 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 2019, 21 enquiries were made to the Ethics Manager, with a maximum resolution time of 10 days. The queries received referred to the following conduct guidelines:

- Integrity, accountability and transparency.
- Respect, dignity and non-discrimination.

CHANNELS OF COMMUNICATION WITH THE ETHICS MANAGER

Whistle-blowing channel

To communicate enquiries, grievances or suggestions to the Ethics manager



'Dígame' Service

Professionalised attention centre regarding requests made by external stakeholders [claims and general enquiries]





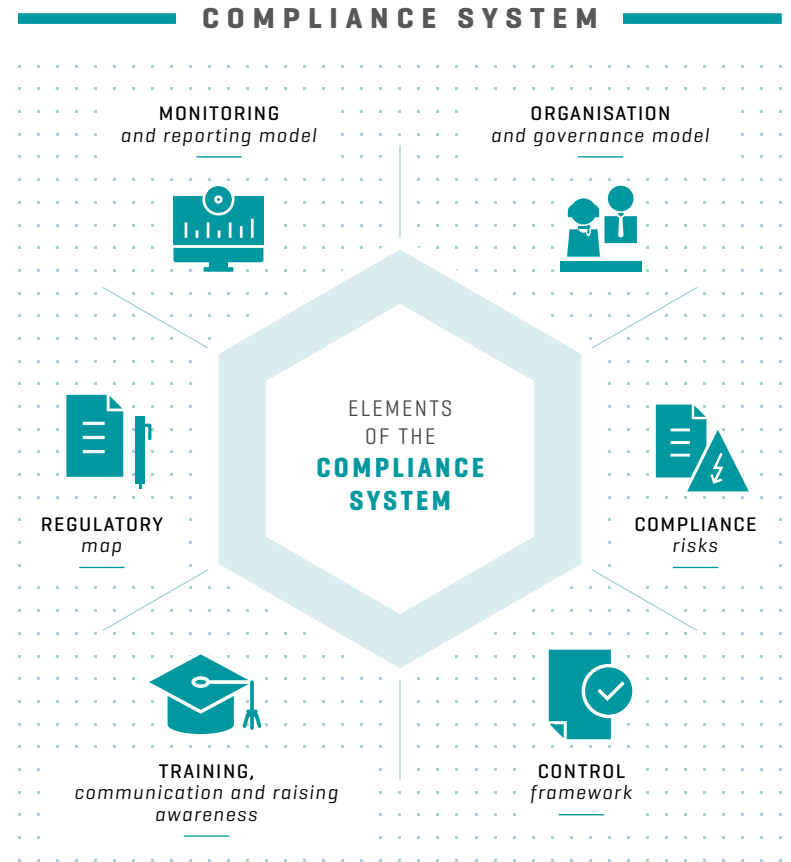
- Responsible monitoring of the management of suppliers.
- Limitation on the acceptance of gifts, loans or invitations.
- Adequate safeguarding of IT information systems.

In 2019, the Company received three grievances regarding compliance with the Code of Ethics; one is in the resolution phase at the time of publishing this report. More accurate information on these grievances can be found in the *Executive Report on the Management of the Code of Ethics in 2019* published in the Annex section of this report. / 406-1

COMPLIANCE SYSTEM

The Company has a **Compliance System** aligned with best practices, the objective of which is to ensure respect for the obligations established and commitments undertaken; all based on a proactive culture of compliance risk management.

In March 2019, the Board of Directors approved the **Global Compliance Policy** for the Red Eléctrica Group, which expresses the organisation's engagement with prevention, detection and response measures put in place when faced with any alleged conduct that is contrary to legal obligations and commitments that are voluntarily undertaken by the Company, in accordance with the principles and guidelines of the Code of Ethics.



Objectives of the Compliance System

- Ensure that all Company employees are aware of and comply with the external and internal obligations set out in the regulations and voluntary commitments
- 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.
- and **due control** for compliance thereof.

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REGULATORY SCOPE

Cross-cutting

Integrity and ethics management

Criminal law

Specific

Protection of personal data and information	Comprehensive corporate security
Corporate governance	Transparency in the markets
Economic-Financial	Insurance
Labour law	Environment
Industrial and intellectual property	Procurement
Prevention of corruption and conflicts of interest	Third-party due diligence
Tax	
Occupational Health & Safety	

The compliance function seeks to promote a global and anticipatory vision of compliance risks, ensuring an efficient control of said risks, guaranteeing the coordination and standardisation of their management within the corporate sphere, as well as improving internal control.

The Red Eléctrica Group has a Compliance area responsible for designing, developing, implementing and monitoring the Company's global compliance system.

The compliance function aims to promote a global and anticipatory vision of compliance risks, ensuring an efficient control of said risks, guaranteeing the coordination and standardisation of their management within the corporate scope, as well as improving internal control in the Red Eléctrica Group.

Development of a compliance culture

Training and awareness are key factors for the development of a compliance culture within the organisation. In this regard, the Compliance area is responsible for promoting adequate awareness and disclosure 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.

In 2019, the Company carried out, in collaboration with the Spanish Global Compact Network of the United Nations, a **training programme regarding the fight against corruption** with the aim of training suppliers in this area and jointly consolidating the ethical values of the Red Eléctrica Group.

RED ELÉCTRICA

continuously promotes a culture based on ethics and compliance as a fundamental element of due diligence in the management of compliance risk.



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The Red Eléctrica Group participates as a *premium* status member in the Integrity Forum of Transparency International Spain.

Within the commitment of the Red Eléctrica Group to ethics and compliance, noteworthy is its participation, as a premium member, 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.

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, the prevention of money laundering and promoting **compliance** in the industrial sector. Additionally, it forms part of **Forética's Transparency, Good Governance and Integrity Cluster**.

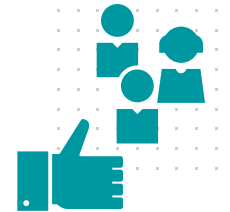
Third-party Integrity Due Diligence

The compliance policy of the Red Eléctrica Group includes among the principles and guidelines of the compliance system the establishment of the **due diligence measures necessary** for an adequate selection and monitoring of compliance matters regarding third parties, defined as those stakeholders with whom it maintains or intends to maintain business relations of any nature.



IN 2019

The third-party due diligence model seeks to promote a culture of compliance based on the principle of zero tolerance for unlawful acts.



THIRD-PARTY INTEGRITY

Due diligence

THE NECESSARY DUE DILIGENCE MEASURES HAVE BEEN ESTABLISHED FOR THE ADEQUATE SELECTION AND MONITORING OF COMPLIANCE MATTERS REGARDING THIRD PARTIES



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The Red Eléctrica Group promotes a culture of compliance based on the principle of zero tolerance for illicit acts.



In 2019, the Red Eléctrica Group designed a due diligence compliance system in order to establish the criteria and measures necessary to provide the Group with an adequate selection and monitoring of third parties in terms of integrity.

The third-party due diligence model seeks to promote the highest ethical and compliance standards, the respect for legislation and regulations in force in the field of integrity, as well as promoting a culture of compliance based on the principle of **zero tolerance for unlawful acts**.

The Red Eléctrica Group provides its workforce with the necessary tools to ensure that the Company's relations with third parties are governed by comprehensive and transparent business conduct, which is key to maintaining the trust and reputation of the Group's companies among its stakeholders.

NOTEWORTHY ACTIONS 2019

- Approval of a global compliance policy for the Red Eléctrica Group
- Updating of the corporate crime prevention and compliance system and creation of the Corporate Crime Prevention and Compliance Committee.
- Approval of a corporate crime prevention and compliance system for subsidiaries of the Red Eléctrica Group in Latin America.
- Updating of the System Operator's Code of Conduct
- Development of the Awareness and Dissemination Plan regarding the 2019 Corporate Crime Prevention and Compliance System
- Design of a global due diligence system on matters of compliance with third parties.

FUTURE OBJECTIVES

- Approval of the updating of the Code of Ethics and the Code of Conduct of the Red Eléctrica Group, as well as the Supplier Code of Conduct.
- Implementation of the global due diligence system on matters of compliance with third parties.
- Review and update of the corruption prevention system to bring it into line with best practices.
- Digital transformation of the compliance function.
- Development of a system for promoting, measuring and certifying the culture of compliance.

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CORPORATE CRIME PREVENTION SYSTEM

The Red Eléctrica Group has a Corporate Crime Prevention System 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. The management and prevention of criminal risks that could affect the Group in accordance with its activity and business sector is thus incorporated into the due diligence exercised by the Red Eléctrica Group.

In 2019, the Company completed the process of reviewing and updating the Corporate Crime Prevention and Compliance System with

a view to adapting it to the criteria of the global crime prevention and compliance system of the Red Eléctrica Group and to best practices in the field of corporate crime prevention management systems.

The Ethics Manager received no grievance regarding non-compliances related to criminal risks and none of the Group's companies have been investigated or convicted for infringements related to criminal risks within the organisation during 2019. / 205-3

MEMBERS

- Ethics Manager and the Stakeholder Ombudsman.
- Internal Audit and Risk Control Management Area.
- Legal Services Area.
- Human Resources Area.
- Risk Control, Compliance and Quality Department.

THE FOLLOWING AREAS REPORT TO IT

- Internal Audit and Risk Control Management Area.
- Legal Services Area.
- Human Resources Area.
- In addition, the Ethics Manager reports on the grievances received with possible criminal implications, maintaining the confidentiality of all information gathered at all times.

CORPORATE CRIME PREVENTION AND COMPLIANCE COMMITTEE

KEY FUNCTIONS

- Supervise the effectiveness of the Corporate Crime Prevention and Compliance System.
- Promote a culture of ethics and compliance.
- Investigate grievances that fall within the Corporate Crime Prevention and Compliance System.
- Prepare an annual report on the monitoring and effectiveness of the Corporate Crime Prevention and Compliance System, to be submitted to the Board of Directors.
- Interlocutor with the judicial/legal authorities.



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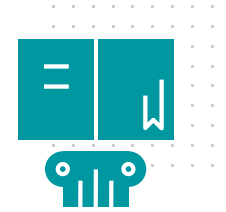


PREVENTION OF CORRUPTION AND CONFLICTS OF INTEREST
103-1 / 103-2 / 103-3 / 205-1 / 205-2

The Code of Ethics and the Whistle-blowing channel, as a **system for the management of enquiries and grievances**, constitute an effective mechanism for the detection and handling of possible cases of corruption, fraud and conflict of interest.

The Red Eléctrica Group has a Guide for the Prevention of Corruption: zero tolerance, approved by the Board of Directors in 2015, which develops the corporate values and business conduct guidelines contained in the Code of Ethics related to the main manifestations of corruption.

All persons in the Red Eléctrica Group are aware of and assume the obligations contained within this Guide, basing their actions on the principles, commitments and controls established therein.



GUIDE FOR THE PREVENTION OF CORRUPTION

Approved by the Board of Directors in 2015

DEVELOPS THE CORPORATE VALUES AND BUSINESS CONDUCT GUIDELINES CONTAINED IN THE CODE OF ETHICS RELATED TO THE MAIN MANIFESTATIONS OF CORRUPTION

CODE OF ETHICS

Whistle-blowing channel

Guide for the Prevention of Corruption: zero tolerance

Guide for the management of conflicts of interest



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IN 2019

A Guide for the management of conflicts of interest was created to fulfil the commitments undertaken in the Code of Ethics, with the aim of detecting and preventing potential conflicts of interest that could affect the management team of the Red Eléctrica Group.

Additionally, and of a specific nature, the Company periodically controls the processes considered susceptible to the risk of corruption and fraud through internal audits based on the fraud risk map and the Corporate Crime Prevention and Compliance System, which incorporate specific controls on these risks. In 2019, the Red Eléctrica Group conducted six internal audits related to the fraud risk map, and 20 control processes linked to corruption prevention were identified and verified.

In 2019, 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, since 2018 the Red Eléctrica Group has published a **Guide for the management of conflicts of interest** in order to fulfil the commitments undertaken in the Code of Ethics in this field, to detect and prevent potential conflicts of interest that may affect the management team of the Red Eléctrica Group. This Guide, which is the result of the due diligence of the Red Eléctrica Group in matters regarding conflicts of interest, incorporates preventive measures to minimise the risks in this sphere.

PROTECTION OF PRIVACY

The Red Eléctrica Group has a data protection compliance system, encompassed within the global compliance system, which responds to the requirements of the European Data Protection Regulation and the Organic Law on Personal Data Protection, at a technical, legal and organisational level.

The objective of this system is to promote and maintain a responsible and proactive attitude regarding the protection of personal data, which guarantees the good governance of such data and assures the trust of our stakeholders.

The Data Protection Compliance System of the Red Eléctrica Group guarantees the good governance of personal data based on current regulations.

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Data Protection Governance Model

The data protection governance model of the Red Eléctrica Group responds to the organisational requirements established by the data protection regulations, assigning and delimiting the responsibilities and functions of the business units and employees of the Company with respect to data protection.

Development of a privacy culture

Awareness-raising actions and training session are key factors for the development of a privacy culture within the organisation.

Through the annual activity plan for the data protection compliance system, the Red Eléctrica Group promotes adequate training and awareness among its workforce on the relevance of the data protection compliance system as part of the Company's integrity culture.

For the Red Eléctrica Group, it is key to have a corporate culture of compliance so that everyone in the Company values the right to privacy of stakeholders and their members.



DATA PROTECTION GOVERNANCE MODEL

Data Protection Officer (DPO)

Role: to ensure compliance with current data protection legislation and to liaise with the data protection supervisory authority.

Data Protection Advisory Body

Function: to support the proper functioning of the Data Protection Compliance System and to propose improvements to it within a legal, technical and organisational scope. In addition to the role of the DPO itself, the areas of Compliance, Legal Services, Comprehensive Corporate Security, Information Technology and Human Resources form part of this advisory body.

Network of interlocutors

Function: to deploy the culture of data protection within the Company, connecting the management areas with the fulfilment of the regulatory requirements in this field.

AWARENESS-RAISING PLAN AND TRAINING REGARDING PRIVACY MATTERS

89
EMPLOYEES

FROM GIVEN GROUPS OF THE ORGANISATION SPECIFICALLY INVOLVED IN THE HANDLING OF PERSONAL DATA, TOOK PART IN

6
WORKSHOPS





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The Company has a privacy policy that determines how personal data is managed, guaranteeing the rights of the owners of the data and its security thereof.

During 2019, a plan was developed to raise awareness and train employees in privacy matters, which will continue in 2020, and which included the following actions:

- Conducting six face-to-face workshops aimed at specific groups within the organisation who are directly involved in the processing of personal data. 89 employees attended the workshops.
- Six e-learning training pills on privacy matters aimed at the entire workforce, with a participation in 2019 of close to one thousand employees, an action that will continue in 2020.

Proactivity in personal data protection

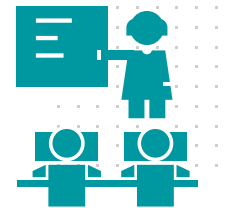
The Red Eléctrica Group has a conscious, diligent and proactive attitude when handling personal data. In line with the elements already mentioned, the Company also has:

- A privacy policy that sets out aspects such as how personal data is processed, how the data owners' rights are guaranteed as well as the security of the information itself.
- A specific risk analysis methodology regarding the processing of personal data, in order to assess said risks and establish the security measures and controls that guarantee the rights and freedoms of citizens.

PROTECTION OF PERSONAL DATA

The Red Eléctrica Group has a conscious, diligent and proactive attitude towards the processing of personal data.

e-learning
TRAINING
PILLS



WITH THE PARTICIPATION OF AROUND

1,000
EMPLOYEES



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In 2019, the Data Protection Officer did not receive any complaints about breaches of personal data protection.

- A methodology to identify, assess, qualify and respond to security incidents related to compliance with data protection regulations.
- A protocol for managing and dealing with the ARCOPL rights of citizens regarding their right to access, rectification, erasure [right to oblivion], opposition, limitation of processing and portability of data of a personal nature.
- A protocol for the contracting of personal data processing agents.
- The Data Protection Officer is the person responsible for safeguarding the rights of data owners and ensuring compliance with personal data protection within the Red Eléctrica Group.

In 2019, the DPO did not receive any complaints about breaches related to personal data protection and none of the Group companies have been investigated or convicted for breaches related to privacy regulation.

A request was received in 2019 to exercise the right to erasure [right to oblivion] regarding the processing of personal data, which was duly replied to in a timely manner, and the necessary technical measures were taken to respond effectively to the request, all in accordance with the Red Eléctrica Group's ARCOPL protocol and the applicable privacy regulations.

During the 2019 financial year, an internal audit was carried out on the degree of adequacy in data protection of the Red Eléctrica Group. Said audit was conducted with the support of a benchmark auditing company in order to identify and assess the key controls implemented that help mitigate the main associated risks. During said review process, no anomaly was discovered.

In 2019, 81 queries were received from the data protection advisory body.



DATA PROTECTION

81 ENQUIRIES

WERE RECEIVED IN 2019 BY THE DATA PROTECTION ADVISORY BODY



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The Code of Ethics reflects the explicit and public commitment to respect and promote human rights in the execution of the organisation's activities in all those territories where the Group operates.

HUMAN RIGHTS

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.

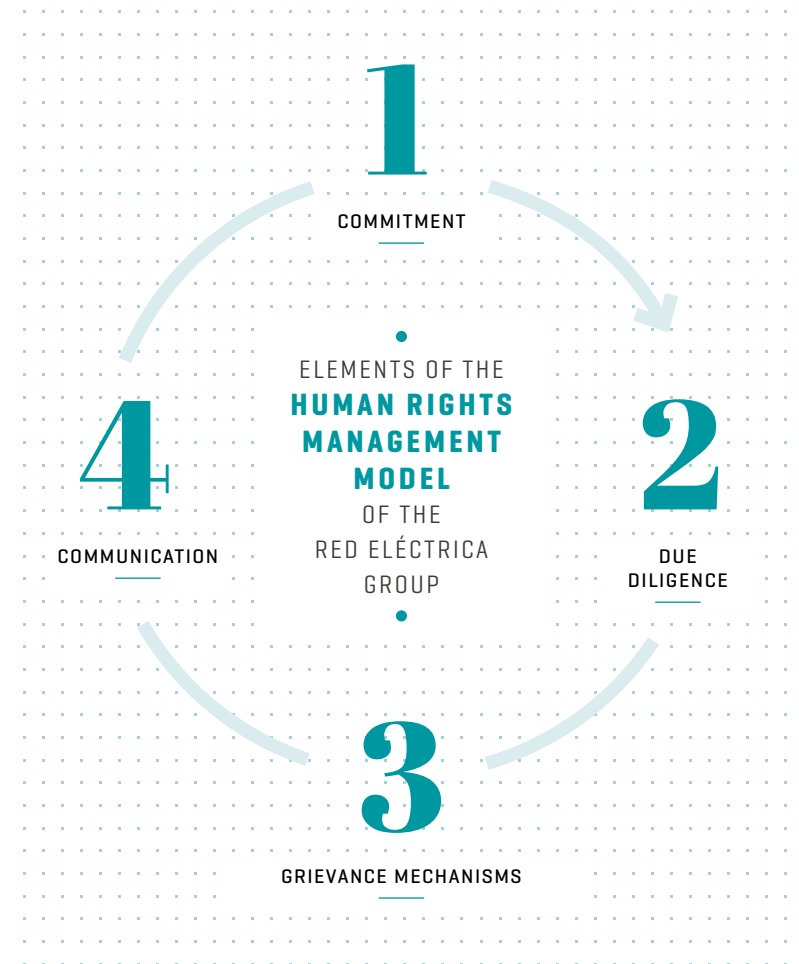
The model embodies the full scope of the activities of the Red Eléctrica Group, defining commitments and global grievance mechanisms for the main business activities and geographical areas in which the Red Eléctrica Group operates.

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 promotes the extension of this respect to its suppliers.





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This commitment is included in the corporate values and the principles and business conduct guidelines established in the **Code of Ethics**. Similarly, the **Group's Corporate Responsibility Policy** defines 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. This information is further explained in the *Respect for human rights in the supply chain* subsection of the *Supply Chain* section of this report.

Due diligence process

411-1 / 412-1 / 412-3

Since 2013, Red Eléctrica has been **conducting periodic due diligence analyses** to identify the human rights risks associated with its activity, 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 and the third-party due diligence process, as explained above.

Red Eléctrica's commitment to human rights is strengthened through its support for the ten principles of the United Nations Global Compact.



DUE DILIGENCE ANALYSIS

Since 2013

THE COMPANY CARRIES OUT THIS ANALYSIS ON A REGULAR BASIS TO IDENTIFY THE HUMAN RIGHTS RISKS ASSOCIATED WITH ITS ACTIVITY

With a scope that encompasses all the companies of the Group

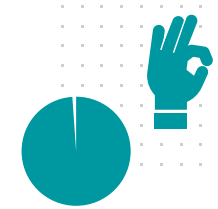
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The Company audits all its work centres on a three-yearly basis regarding aspects of human rights.

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 2019, the Company conducted external audits at the head offices and in the work centres in the Northeast and the Balearic Islands, which represents 30% of the total work centres of Red Eléctrica de España. In the case of companies in Peru, 43% of the work centres were audited pursuant to the standard under which the corporate responsibility management system is certified.



LOW RISK LEVEL

THE COMPANY HAS A LOW LEVEL OF RISK

The degree of compliance with the recommendations of the Global Compact is 99%



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In addition to the Whistle-blowing channel, the Company has other communication channels, such as the *Dígame* service and the ASA channel, where external stakeholders and suppliers can express their concerns regarding any violation in the area of human rights.

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.

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 2019, the Red Eléctrica Group received a total of two grievances regarding human rights through the *Dígame* service. 100% of these grievances have been resolved.

In order to adequately manage the demands of stakeholders regarding possible human rights violations, in 2019, the Group made progress



GRIEVANCES WERE RESOLVED



100%

IN 2019, TWO HUMAN RIGHTS GRIEVANCES WERE RECEIVED THROUGH THE *DÍGAME* SERVICE

Both were completely resolved



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The Company engages its stakeholders in its performance in terms of human rights through the Sustainability Report and through its annual publication of the Executive Report on the Management of the Code of Ethics, which includes an analysis of any grievances received in this area.

HUMAN RIGHTS

ANNUALLY THE COMPANY PUBLISHES ITS

EXECUTIVE REPORT ON THE MANAGEMENT OF THE CODE OF ETHICS,

WHICH INCLUDES AN ANALYSIS OF ANY GRIEVANCES RECEIVED IN THIS AREA



in improving the identification of the grievances received via its three communication channels. With this information, it has been possible to identify the areas with the most significant impact on human rights due to the Group's activity.

Communication

The Red Eléctrica Group makes its stakeholders participant in its performance on human rights issues through the Sustainability Report. In 2019, the Company did not carry out any new specific training activities for its employees in the field of human rights. / 412-2.

Moreover, 100% of the security guards working in the Company's premises have received the mandatory training on human rights applicable to security companies. / 410-1

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.



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Financial strength



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FINANCIAL STRENGTH

103-1 / 103-2 / 103-3

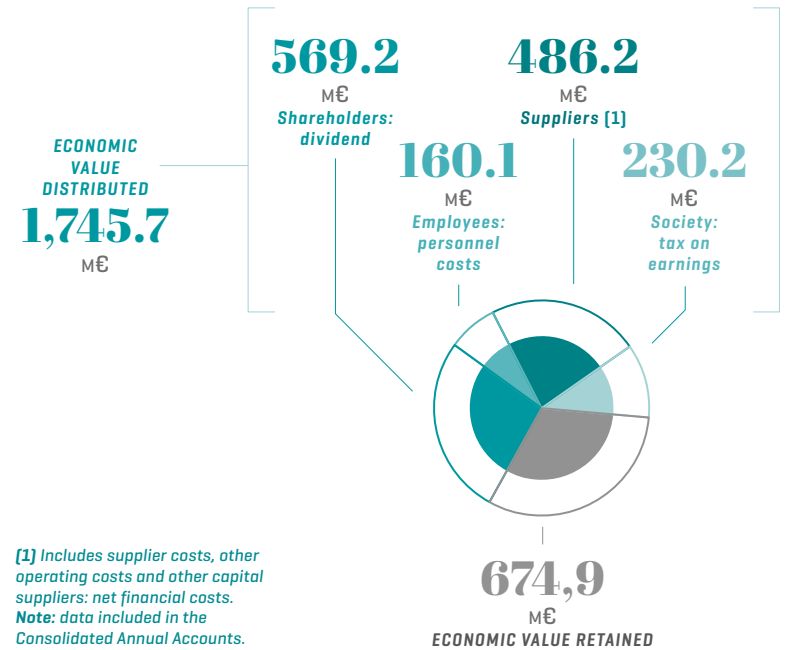
EVOLUTION OF THE FINANCIAL RESULTS

For yet another year, the Red Eléctrica Group has been able to show stable growth. The Company has obtained financial results that are in line with the provisions of its strategic plan and has strengthened its main solvency ratios, maintaining a clear focus on efficiency and the generation of value through improved operating margins.

FINANCIAL STRATEGY

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.

ECONOMIC VALUE DISTRIBUTED AND RETAINED / 201-1



Key Financial Indicators

	M€		
	2018	2019	Δ%
Revenue	1,948.5	2,007.2	3.0%
Gross operating profit (EBITDA)	1,539.7	1,582.4	2.8%
Net operating profit (EBIT)	1,069.8	1,081.4	1.1%
Net profit	704.6	718.0	1.9%
Non-current assets	9,303.5	10,875.2	16.9%
Net equity	3,361.4	3,614.4	7.5%
Operating cash flow after tax	1,218.9	1,257.8	3.2%
Total investment	546.6	1,870.4	242.2%
Net Financial Debt	4,682.7	6,025.6	28.7%



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Sustainable financing

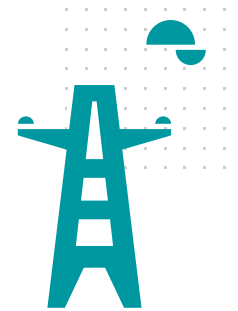
In December 2017, Red Eléctrica was the first company in the utilities sector to transform its **syndicated loan** of 800 million euros into sustainable financing (green financing) by adding environmental, social and good governance (ESG) criteria to the applicable interest rate. Since then, the credit conditions have been linked not only to the Company's credit profile but also to the evolution of sustainability parameters in accordance with the **rating of Vigeo Eiris**, an international provider of ESG research and services for investors and organisations.

One year after this transformation, the progress made by Red Eléctrica in sustainability matters, also in the financial sphere, has enabled the Company to **reduce the cost of its syndicated loan**, thanks to the improvement in the rating granted by the Vigeo Eiris rating agency. These results show the strategic commitment and outstanding performance of the Company in sustainability matters. The cost reduction became effective on 22 December 2018 and will continue to be applied until at least December 2020.

The true commitment of Red Eléctrica in the field of sustainability and the progress made by the Company both in this area and in the financial sphere, has enabled it to reduce the cost of its syndicated loan, thanks to the improvement obtained in the rating granted by Vigeo Eiris.

SYNDICATED
LOAN

800 M€



THE FIRST UTILITY COMPANY IN TRANSFORMING ITS SYNDICATED LOAN INTO 'GREEN FINANCING'



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ELIGIBILITY CRITERIA FOR THE PORTFOLIO OF GREEN PROJECTS

Category

RENEWABLE ENERGY

Eligible 'green' projects

Projects aimed directly at increasing the production of renewable energy

Projects aimed at the integration of renewable energy

Category

CLEAN TRANSPORT

Green projects that are eligible

Projects aimed at improving the efficiency of the railway system

In 2019, new long-term financing was taken out for 375 million euros and 30 million dollars, both incorporating sustainability parameters.

On the other hand, in September 2019, Red Eléctrica prepared its **green finance framework**, through which it intends to issue green finance instruments to finance and/or refinance projects that promote environmental progress. With the implementation of its green finance framework, Red Eléctrica aims to:

- Align its funding strategy with its sustainability strategy and its commitment to the decarbonisation of the economy.
- Follow the path set out by Spain's Integrated National Energy and Climate Plan (2021-2030), investing heavily in the transmission grid to increase the percentage of renewable energy in the system and contribute to the transformation of the Spanish economy.
- Contribute to the development of the green bond market and the growth of the impact of investments linked to the United Nations Sustainable Development Goals.
- Diversify its investor base, with a focus on socially responsible and dark green investors, while increasing dialogue with existing investors.

Red Eléctrica's green finance framework is aligned with the 2018 Green Principles of the ICMA (International Capital Markets Association) and the LMA (Loan Markets Association). Similarly, the eligible projects are aligned with the European Union's draft taxonomy.

This framework has obtained a favourable Second Party Opinion from the external agency named *Sustainalytics* which has confirmed its reliability and positive impact on the environment.



NEW FINANCING

375

M€

AND 30 MILLION US DOLLARS, INCORPORATING SUSTAINABILITY PARAMETERS IN 2019

Red Eléctrica, as the driving force behind the energy transition, is one of the companies that is spearheading green financing in Spain.

As a result of the previous action, in January 2020 the first issue of green bonds was made by Red Eléctrica for an amount of 700 million euros and with a maturity of 8.5 years.

Financial debt structure

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 occurs over long periods. Therefore, the financial debt of the Company is primarily contracted long-term and is referenced mainly at fixed rates.

Net financial debt at the end of 2019 totalled 6,026 million euros. The average maturity of the debt issued at the close of the year was 5.2 years.

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 2019, amounting to 1,768 million euros. With respect to the classification of financial debt according to its maturity, short term is defined as all debt that will mature within the next twelve months as of 31 December 2019.

FINANCIAL DEBT STRUCTURE

Fixed vs Variable

78

%

Fixed rate



22

%

Variable rate

Long-term vs Short-term

89

%

Long-term debt

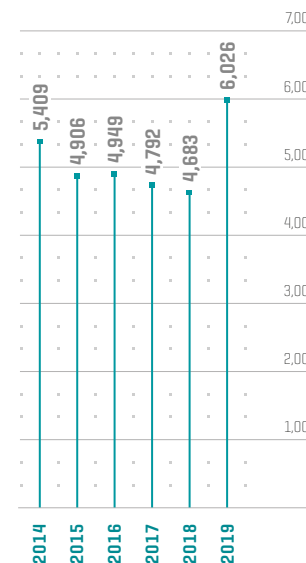


11

%

Short-term debt

Evolution of net financial debt
M€





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Credit rating

Red Eléctrica has been given a long-term credit rating of 'A-' by Standard & Poor's and a short-term rating of 'A-2' with a stable outlook. Fitch gave ratings of 'A-' and 'F1' respectively. In its report, Standard & Poor's highlighted the financial strength of the Group and its maintenance of a prudent capital structure.

For its part, Fitch bases its rating on the low level of risk in the electricity transmission business and the growing revenue stream from telecommunications activities and international investments.

SHAREHOLDER RETURN

Stock market performance

From a stock market point of view, 2019 can be considered a good year. Although it could also be described as a strange year. On the one hand, the main markets were revalued strongly, even reaching all-time highs, as in the case of Wall Street. On the other hand, the world economy has suffered a gradual slowdown, which, according to initial estimates, has meant that 2019 has been the year with the lowest growth in the last ten years. The reasons for this decoupling between the stock markets and the economy may lie in the strong support given by the main central banks to the markets by means of monetary injections through debt buyback programmes or interest rate cuts, where possible, which have been implemented in the last twelve months by the monetary authorities. Lastly, it should be noted that the easing of trade disputes in the last few months of the year has helped to consolidate the gains that had been made throughout the year.

The main US stock market indexes recorded gains of between 22.3% for the Dow Jones and more than 35% for the Nasdaq. All of these indexes recorded all-time highs during the year. The Asian stock markets also enjoyed a good year, with Japan's Nikkei 225 rising 18.2% and China's Shanghai stock exchange rose more than 22% after the rally it experienced in the last month of the year,



2019

could be described as atypical as, despite the strong revaluation of the main stock market indexes, the world economy has recorded the lowest growth in the last ten years.



DIRECT SHAREHOLDER RETURN

7 %

GROWTH COMPARED TO THE PREVIOUS YEAR



KEY PERFORMANCE INDICATORS



LETTER FROM THE CHAIRWOMAN AND FROM THE CEO



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3 CORPORATE GOVERNANCE



4 COMMITMENT TO SUSTAINABILITY



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once a trade agreement was reached with the USA. Lastly, the main European stock market indexes experienced gains of around 25% with the exceptions of the UK's FTSE and the Spanish IBEX, possibly weighed down by the uncertainty generated by the Brexit, in the first case, and by the political instability suffered by Spain, in the second case.

Red Eléctrica's share price

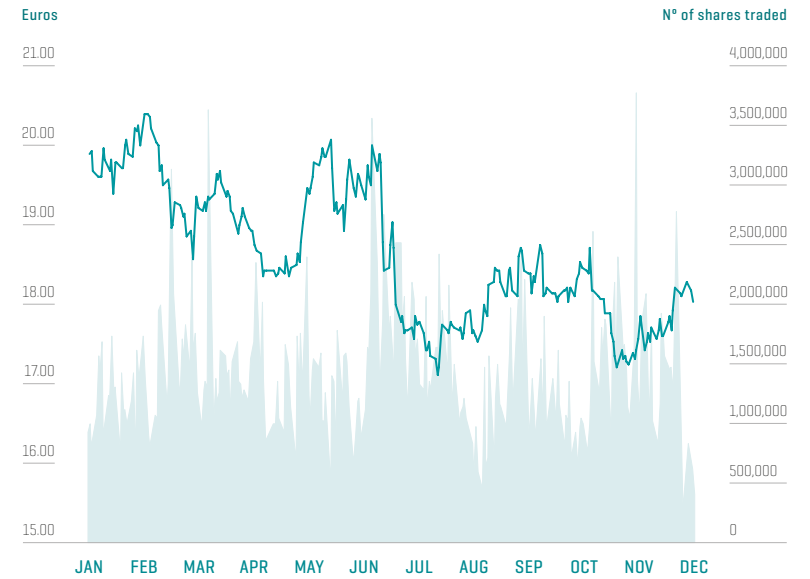
This favourable panorama contrasts with the evolution of Red Eléctrica's share price, which fell by 8% during the year as a whole. This atypical behaviour is possibly due in large part to the regulatory adjustment suffered by the electricity transmission activity in Spain with the publication of the proposed circular with the new regulatory parameters, which at the beginning of July caused the share price to fall sharply and on 31 July it recorded the minimum level for the year at 16.74 euros. Since then, and until 31 December, the share price regained more than 7%.

In 2019 as a whole, 529.6 million shares were traded on the Madrid Stock Exchange, 7% more than the year before, which represents 0.98 times the Company's shares. Purchases made in cash totalled 9,804.2 million euros, 12% more than in 2018.

Distribution of dividends

In 2019, 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 2019 profit, is 1.0519 euros per share. On 7 January 2019, a gross interim dividend payout of 0.2727 euros per share was made, with 0.7795 euros per share pending distribution, as part of a gross complementary dividend.

Share price performance and daily volume



Main stock market indicators

	2019
Share price (in €)	
Maximum	20.37
Minimum	16.74
Year-end	17.925
Market capitalisation at the close of the year (in m€)	9.699
Earnings per share [EPS] (in €)	1.327
Share price/EPS [Nº of times]	13.51
Dividend per share (in €)	1.0519



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EMPLOYEES

STABILITY AND QUALITY OF EMPLOYMENT

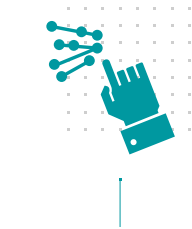
The 2018-2022 Human Resources Master Plan of the Red Eléctrica Group is linked to the Company's strategy and is based on four essential principles which are deployed through four courses of action, promoting cultural transformation, sustainable management of diverse

The Red Eléctrica Group promotes cultural transformation through the design of policies and systems for the management of people.

and committed talent, employee experience and transforming the organisation into a healthy workplace that is considered a benchmark in this sphere.

In this regard, the Human Resources Area provides support to employees regarding the transformation process of the Red Eléctrica Group, promoting cultural transformation through the design of policies and systems for the management of people that

CORNERSTONES OF THE HUMAN RESOURCES MASTER PLAN 2018-2022



BE A BENCHMARK
as a healthy workplace



CULTURAL
transformation



SUSTAINABLE MANAGEMENT
of diverse and committed talent



EMPLOYEE
experience



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will be necessary throughout the professional life of the Company's employees and thus ensuring they buy into the strategy of the Group for reaching the Company's objectives.

The *ImpúlsaTE* (Promote yourself) project, initiated in 2018 and with a 2020 horizon, deployed a large part of its functionality in 2019, promoting the transformation of people management to provide value to the Group as a strategic partner for change and to facilitate the achievement of the Company's objectives.

AXES OF THE HUMAN RESOURCES MASTER PLAN 2018-2022

Be a benchmark as a healthy workplace

Actively promote, develop and evaluate the Healthy Workplace Model, seeking the safety and complete well-being of the people to achieve a healthy working environment from a unique occupational health and safety, and personal health perspective.

Cultural Transformation

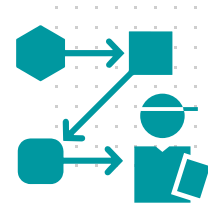
Promote the transformation of the Red Eléctrica Group by developing an innovative, agile and collaborative culture, driven by self-leadership, to achieve a more resilient organisation capable of facing the challenges of the Strategic Plan in an environment of change.

Talent management and development

Engage employees throughout their life cycle, attracting the best professionals, optimising the needs of the workforce in accordance with the priorities established, constantly developing talent, anticipating the needs of the Group and helping to position it as a benchmark employer.

Leadership in terms of Occupational Health and Safety: healthy workplace

Develop a customer-oriented approach, with the aim of providing service and facilitating the business of the Red Eléctrica Group.



ImpúlsaTE PROJECT

Started in 2018 and with a 2020 horizon

PROMOTES THE TRANSFORMATION OF PEOPLE MANAGEMENT TO BRING VALUE TO THE GROUP AS A STRATEGIC PARTNER OF CHANGE AND FACILITATE THE ACHIEVEMENT OF ITS OBJECTIVES.



KEY PERFORMANCE INDICATORS



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The complete workforce of the Red Eléctrica Group consists of 2,056 people.

A stable, committed and highly qualified team 401-1

As at 31 December 2019, the Red Eléctrica Group had a total workforce of 2,056 people. 93% of the total [1,907] carry out their activity in Spain and 7% [149] in Latin America.

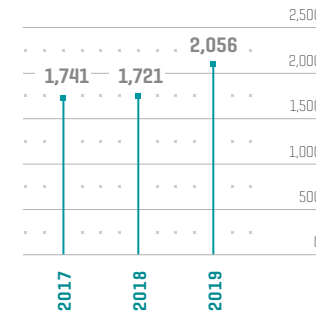
The Company offers its employees stable and quality employment [97% of the job positions offer a permanent contract], undertaking the commitment to employability and functional mobility as a lever for growth and professional development [6.7% mobility in 2019].

Key Employment Indicators ^[1]

	2017	2018	2019
Total workforce	1,741	1,721	2,056
Women [%]	24.4	24.1	25.9
Men [%]	75.6	75.9	74.1
Women in management positions [%]	24.8	28.8	31.8
People with a disability [%]	0.8	0.9	0.8
Creation of net employment [N° of job positions]	35	-20	335
Average age	45	46	44.7
Average length of service [years]	16	17	15.1
Undesired external turnover [%] ^[2]	2.6	2.4	2.8
Total turnover [%] ^[2]	3.7	3.7	2.9
Permanent contracts [%]	98.3	99.4	96.7

[1] Scope of the data: REE+REC+REINCAN+REI+REINTEL in 2017 and 2018 and the Red Eléctrica Group in 2019. [2] Scope of the data: REE+REC

Evolution of the workforce of the Red Eléctrica Group N° of employees



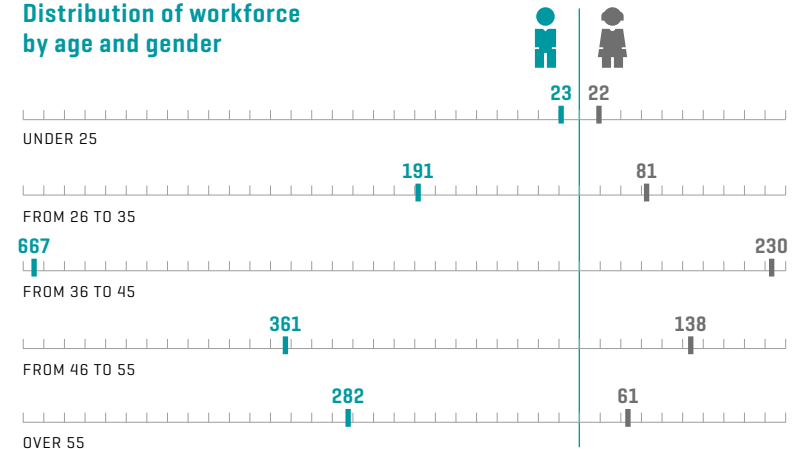
PERMANENT CONTRACTS

97

%

SUPPORTING EMPLOYABILITY AND FUNCTIONAL MOBILITY

Distribution of workforce by age and gender



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 Red Eléctrica Group continues to advance in the **model of total compensation** which contemplates 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 Company. Based on this same approach, we have **recognition programmes** linked to both the development of efficient and innovative ideas, and income generation in order to promote the participation of all the Group's professionals.

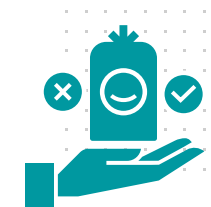
In 2019, a study was carried out on **the gender pay gap [methodology, quantification and analysis]**, with the aim of gaining greater insight in this field and quantifying the gender gap and establishing corrective action plans where applicable. The methodology used has been a quantitative analysis to determine the unadjusted gap and a qualitative study, as well as a linear regression analysis to determine where the gap currently stands and adjust it based on related variables.

Red Eléctrica's remuneration model for non-managerial staff consists of a fixed part within broad salary bands that are wide enough to allow different salary scales to be established within the



IN 2019

A study was carried out on the gender pay gap [methodology, quantification and analysis].



TOTAL COMPENSATION MODEL

Contemplates various elements

[ECONOMIC, FINANCIAL, INTANGIBLE AND EMOTIONAL] AND FACILITATES AND SUPPORTS ORGANISATIONAL AND CULTURAL TRANSFORMATION AND NEW WAYS OF WORKING IN THE COMPANY



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The Company continues to promote leadership objectives, which incentivise and link variable remuneration to the leadership model of the management team, as well as to the Company's strategy.



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 efficiency, quality and other factors [such as occupational health and safety 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, the Company continues to promote **leadership objectives**, which incentivise and link variable remuneration to the leadership model of the management team, as well as to the Company's strategy.



REMUNERATION MODEL

For non-managerial staff

CONSISTING OF CASH AND NON-MONETARY ITEMS AND PRODUCTS SUCH AS HEALTH INSURANCE, TRAINING, LIFE INSURANCE, TRAVEL CARD, LUNCHEON VOUCHERS AND CHILDCARE VOUCHERS, AS WELL AS COMPANY SHARE PURCHASE SCHEMES

DIVERSITY / 103-1 / 103-2 / 103-3

The Red Eléctrica Group showcases its commitment to diversity, inclusion and non-discrimination through its **2018-2022 Comprehensive Diversity Plan**, which is aligned with the Company's Strategic Plan and the 2030 Sustainability Commitment. The mission of this plan is to inspire and be a benchmark, both within the Group and in the social, labour and personal environment, through a commitment to talent diversity, social and labour inclusion and non-discrimination, challenging stereotypes and cultural barriers.

Gender Equality and Equal Opportunities

Gender equality is one of the vectors included in the Comprehensive Diversity Plan and is in keeping with the principles of equal employment opportunities, promotion of women into positions of responsibility, equal pay for men and women, fostering of equal-sharing of family responsibilities, prevention of moral, sexual and gender-based harassment and the prevention of gender-based violence. These aspects are monitored through indicators that allow the progress of the defined objectives to be measured.



The 2018-2022 Comprehensive Diversity Plan seeks to make the Company a benchmark within the Group and within its social, labour and personal environment, through a commitment to talent diversity, social and labour inclusion and non-discrimination, challenging stereotypes and cultural barriers.

COMPREHENSIVE DIVERSITY PLAN 2018-2022

COMMITMENTS

- Strive to create a corporate culture that favours diversity not only for employees, but also for stakeholders as a whole.
- Integrate diversity into all the Group's processes, especially in people management.
- Involve, raise awareness and promote the Group's mission and focus on diversity among collaborators and suppliers.
- Participate with official bodies, academic institutions and other social agents in campaigns and projects that enable the Group to be a reference as a social agent that contributes to the construction of a more diverse society.

OBJECTIVES

- Ensure that at least 35% of the management team are women.
- 0% pay gap.
- EFR A+ rating.
- Compliance with 70% of the General Law on the Rights of Persons with Disabilities in Direct Employment.



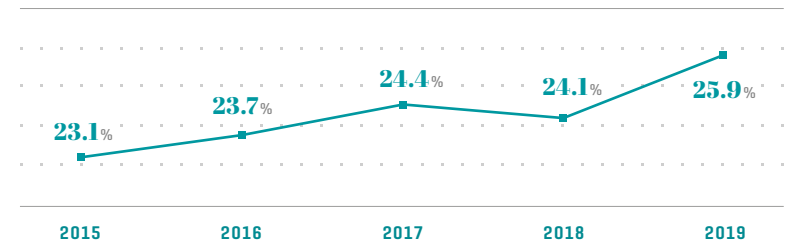
IN 2019

The number of women in the management team increased from 28.8% in 2018 to 31.8% in 2019.

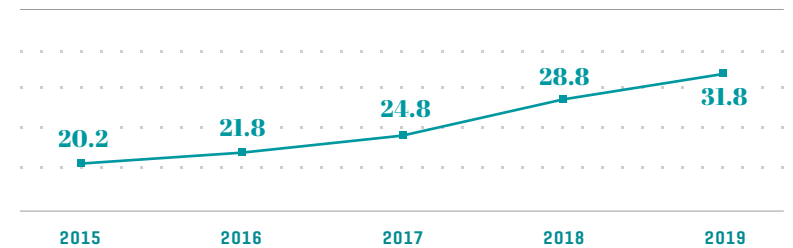
The percentage of women on the workforce of the Red Eléctrica Group was 25.9% in 2019. Regarding the number of women in management positions, this increased significantly once again, reaching 31.8% in 2019 [28.8% in 2018]. It should be noted that these results came very close to reaching the target set for 2022 and that, in the case of Red Eléctrica de España, said target was exceeded with a percentage of 35.6% at the end of 2019. In addition, noteworthy was the important presence of women on both the Executive Committee, with 55.6% women, and on the Board of Directors, with 41.7% female Board members.

As for the indicator used to measure **equal opportunities in internal promotion**, this indicator stood at 1.58% in 2019, thereby exceeding the target of 1.20% set for the year. Regarding **equal training opportunities**, the indicator has reached 1.09%, and noteworthy was the participation of Red Eléctrica de España in all the editions of the *PROMOCIONA* programme with a total of seven female managers who took part.

Evolution of women in management positions



Evolution of women on the workforce



Note. Scope of the data: REE+REC up until 2016; REE+REC+REINCAN+REI+REINTEL in 2017 and 2018 and the Red Eléctrica Group in 2019.

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MAIN AGREEMENTS AND COLLABORATIONS CARRIED OUT IN 2019

Training and awareness

- Organisation of Women in REE Week, which included a keynote lecture on equality and diversity (given by Eva Levi, diversity expert), a round table with Company executives, a workshop on unconscious bias, in collaboration with the IE Business School, and a volunteering event at the Adecco Foundation's employment school aimed at women at risk of exclusion.
- Awareness campaigns against gender-based violence.
- Communication campaign for the International LGBTI Day.

Forums and participation in external working groups

- Collaboration in working groups and forums on diversity and inclusion promoted by institutions such as the IE Business School, the Association of Spanish Diplomatic Women (AMDE) and the Spanish Association of Executives and Directors (EJE&CON), among others.
- Participation in the questionnaire of *InnoDiversidad* (a diversity foundation), promoted by the IE Business School.
- Diversity and Equality Committee of the Association of Businessmen/women of Alcobendas.
- Intergenerational health and well-being project of the Generation & Talent Observatory of the Universidad Europea de Madrid.
- Working group on gender equality and international relations of the Elcano Royal Institute.
- Participation in the Women and Engineering project, to promote the incorporation of women to STEM degrees/careers, technology, engineering and mathematics] with the Royal Academy of Engineering.

Signed up to initiatives and agreements with the Ministry of the Presidency, Parliamentary Relations and Equality.

- Signing of the protocols regarding 'More women, Better Companies', an agreement to promote the balanced participation between men and women on Boards of Directors.
- Participation in the *PROMOCIONA* programme, which promotes training and professional development as a strategy for women to have access to managerial positions.
- Collaboration agreement: 'Network of companies for a society free of gender-based violence'.
- Participation in technical conferences on equality and gender-based violence organised by the Women's Institute.

Collaboration agreements with other public or private entities

- Collaboration agreement with the Royal Academy of Engineering (RAI) to promote STEM studies among women.
- Creation and participation in the Work-life Balance and Equal-sharing of Family Responsibilities Observatory promoted by the Universidad de Comillas (Madrid).
- Signing of the #CEOPORLADIVERSITY Commitment with the Spanish Confederation of Employers' Organisations (CEOE) and the Adecco Foundation, to promote the DE&I (Diversity, Equity and Inclusion) strategy.
- Renewal of the signing of the Diversity Charter with *Fundación Diversidad*.
- Signing of the membership agreement with the Spanish Association of Women for Energy (AEMENER).

Recognitions

- Woman Forward Award for Corporate Governance and Gender Diversity in the 'Business' category.
- 49th place in the Top 100 of the EQUILEAP Ranking.
- Within the Top 30 Companies with best practices in Diversity & Inclusion.



WOMAN IN REE WEEK

INCLUDED A KEYNOTE LECTURE ON EQUALITY AND DIVERSITY, A ROUND TABLE WITH FEMALE DIRECTORS, A WORKSHOP ON UNCONSCIOUS BIAS AND VOLUNTEERING ACTIONS AIMED AT WOMEN AT RISK OF EXCLUSION



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The Age Management Plan responds to the challenge of the ageing workforce and represents an important advance in the Company's commitment to generational diversity.

Age management

The Red Eléctrica Group has continued working on the **Age Management Plan** that responds to the challenge of the ageing workforce. This Plan represents a significant advance in the commitment of the Company to generational diversity, as one more vector of the Comprehensive Diversity Plan.

In 2019, the Company continued to carry out multidisciplinary actions [occupational health and safety, talent and organisation] integrated into the employee life cycle, such as the generational change-over programme, temporary mobility of specific job positions and the analysis and planning of staff requirements according to age. Similarly, noteworthy is the launching of 'The Value of your Experience' project, to promote the transfer of knowledge from expert people, who are close to retirement age, to younger employees.

In addition, in 2019, work continued to carry out **physical condition assessments**, in addition to medical examinations, to help assess the working capacity of older employees belonging to the group of people that perform more physically demanding tasks. At the same time, the Company carried out an awareness-raising campaign to **promote healthy ageing**, which emphasises the importance of physical activity.

The Red Eléctrica Group participates with other entities in generation management projects, such as the Generation & Talent Observatory, with which it has collaborated on a study regarding the well-being of different generational groups.

IN 2019

The Company continued to carry out multidisciplinary actions [occupational health and safety, talent and organisation] integrated into the professional life of employees.



FITNESS ASSESSMENT

OF OLDER STAFF MEMBERS, TO HELP ASSESS THEIR ABILITY TO CARRY OUT THEIR WORK



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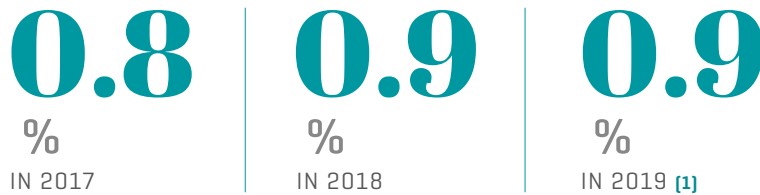
Inclusion of people with disabilities

With regard to compliance with the General Law on the Rights of Persons with Disabilities (LGD), in 2019, the Company reached an equivalent employment of persons with disabilities rate of 2.7%. Of this percentage, 0.9% corresponds to direct employment and the rest to the application of alternative measures of exceptionality within the framework of the LGD. These measures encompass the contracting of goods and services from Special Employment Centres, and making donations to entities whose mission is the social and labour inclusion of people with disabilities, which also provide support in the execution of the actions carried out within the annual diversity programme relating to disability, as is the case of the Adecco Foundation.

PEOPLE WITH DISABILITIES



Direct employment of people with disabilities



[1] This data corresponds to the Company Red Eléctrica de España S.A.U. The General Law on the Rights of Persons with Disabilities (LGD) applies to companies with 50 employees or more. REINTEL complies with the direct employment parameter (3.44% of disabled persons on the workforce).



Red Eléctrica applies alternative measures such as contracting goods and services from Special Employment Centres, or through donations for the social and labour inclusion of people with some sort of disability.



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Corporate website developed with accessibility criteria, in accordance with 'Double A' level, according to the Web 2.0 content accessibility guidelines of the Web Accessibility Initiative (WAI) of the World Wide Web Consortium.

MAIN ACTIONS REGARDING DISABILITY

Employment generation

Acquisition of goods and services from Special Employment Centres

Corporate volunteering

Supporting diversity through the 2018-2020 plan

Plan familia

with personalised assistance to improve the social and labour integration of disabled family members of employees of the Red Eléctrica Group

Planaflorea

supports employees who could be eligible for disability certificates

Definition of an inclusive recruitment process

Support for the Adecco Foundation's *Employment for All Programme*

Corporate website developed with accessibility criteria,

in accordance with 'Double A' level, according to the Web 2.0 content accessibility guidelines of the Web Accessibility Initiative (WAI) of the World Wide Web Consortium

3rd Forum for Women and Girls with Disabilities 'United for Diversity'

in collaboration with CERMI Women's Foundation



EQUIVALENT EMPLOYMENT RATE

2.7

%

OF PEOPLE WITH DISABILITIES REACHED IN 2019



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TALENT MANAGEMENT / 103-1 / 103-2 / 103-3 / 404-2

The Talent Management model constitutes an essential axis of the Human Resources Master Plan of the Red Eléctrica Group. Aligned with the Company's strategy and based on a systemic approach, the model aims to attract, develop, train, transform and retain talent, as well as promote the exchange of knowledge. The model

The talent management model seeks to attract, develop, train, transform and retain talent, as well as promote the exchange of knowledge and excellence in HR processes to maintain the Company in a position of national and international reference.

pursues excellence in HR processes to maintain the Company in a position of national and international reference, through the deployment of five courses of action.





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Transformational 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 **Leadership Model** of the Red Eléctrica Group defines the role of the leader as a benchmark for the organisation and values of the Company, a team developer and a driver of change.

The **Company's Strategy and Leadership Institute**, whose objective is to promote cultural change through transformational leadership, has responded to the strategic needs of the Red Eléctrica Group and is deployed through the following managerial skills: development of leaders and teams, transformation and innovation, stakeholder impact and influence, stakeholder management, change management, strategic vision and business development.

The leadership model of the Red Eléctrica Group defines the role of the 'leader' as the person of reference within the organisation who represents the values of the Company and is a team builder and a driver for change.

MAIN ACTIONS CARRIED OUT IN 2019

Transitions into new managerial positions

- Internal mentoring process.
- Informative sessions on procedures related to managing employees.
- Individualised follow-up meetings to assess their suitability and evolution into the new position.

Actions contributing to managerial development

- Self-learning actions through personal and professional development workshops.
- External coaching to accompany a tailored professional development plan, working on a strengths-based leadership development model.
- Feedback and management development workshops.
- Programmes in business schools for executives.
- Participation in the women's leadership programme *PROMOCIONA* of the CEOE and the Women's Institute.
- Specific support actions for teams in order to solve particular needs.
- Multi-session processes in which managers meet in pairs to exchange professional development practices and apply peer coaching.

The role of the manager within the *ImpúlsaTE* project

- Internal mentoring programme carried out among the managers themselves to address the management of a challenge-based learning model.
- Training sessions, in groups, to improve the management team's exchanges with their employees.
- Personalised orientation sessions for the management team.

The *ImpúlsaTE* project is explained further in the section of this report entitled Transformation of the Red Eléctrica Group.



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In addition, the Red Eléctrica Group has made a significant effort to define the behaviour associated with this new leadership style, to guarantee its implementation in the Company, noteworthy of which are the following:

- Managing complexity and uncertainty and creating and driving the vision.
- Acting as a transformation agent: setting examples regarding values and new attitudes. Driving innovation.
- Promoting flexibility and agility.
- Taking risks.



The Group has made a significant effort on defining the behaviours associated with this new leadership style, to guarantee its implementation.

DEPLOYMENT AND IMPLEMENTATION OF TRANSFORMATIONAL LEADERSHIP

VISION

of the type of organisation of the future.

ACCESS TO SUPPORT AT GIVEN STAGES OF TRANSFORMATION

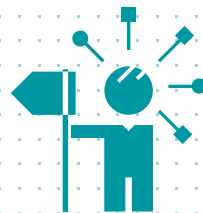
Development of monitoring and support for the processes regarding people and team management.

MONITORING

Taking on board the lessons learned and establishing good practices.

WORKSHOPS

Involvement in the transformation of new ways of working.



FOCUS

Based on the leadership style, skills and competencies that define it.

ANALYSIS

Continuous improvement in leadership.

2018/19 ACTIONS

Skills and competencies of the Transformational Leader and the drafting of tailored Professional Development Plans.

PROFESSIONAL ADVANCEMENT

Drafting of global and personalised programmes within the Leadership Institute.



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IMPULSORES - RE AVANZA PROGRAMME

Geared towards members and collaborators of the network of experts, it seeks to enhance and share critical knowledge about the Company, and is aimed at the development and improvement of the skills and competencies required to boost the management of key knowledge, innovation and technological and product development of the Red Eléctrica Group.

- Promoting a **cross-cutting style** and endorsing **co-responsibility**: fostering trust and collaboration.
- Promoting the **professional development of people**: through ongoing feedback.

It should be noted that in the Group's companies in Peru and Chile, leadership workshops have also been held, aimed at the management team, in order to strengthen their skills as managers.

Knowledge management

The Red Eléctrica Group's **knowledge management model**, linked to the Strategic Plan, the Human Resources Master Plan and the key competencies, serves to channel, manage and facilitate the generation of new knowledge that allows the Company to innovate. In 2019, the organisation consolidated the deployment of the model by sharing it with employees, including those in Red Eléctrica Andina (Peru).

The Red Eléctrica Group continues to advance and improve thanks to its knowledge management model. The new **IMPULSORES - RE AVANZA programme (Drivers of change - analyse, enhance and progress)**, geared towards members and collaborators of the network of experts, aims to boost and share critical knowledge about the Red Eléctrica Group. The goal of the programme is to develop and improve the skills required to promote the management of key know-how, innovation and technological and product development of the Group. To this end, the IMPULSORES programme will focus on improving the development of three areas focused on the efficient performance of activities related to the generation of innovative ideas and products:

- The transformation of **RE AVANZA** working groups into agile teams that have an organisational structure and defined roles, which are self-governing, motivational, goal-oriented, collaborative in nature, that generate prototypes and foster ongoing improvement.
- The research, conservation, update and bolstering of key knowledge within the Red Eléctrica Group, and the creation of networks of experts.

The purpose of the knowledge management model is to channel, manage and facilitate the generation of new knowledge thus allowing the Company to innovate.



- The improvement of communication and training skills in *IMPULSORES* area of knowledge.

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, *RE AVANZA* allows the influence of new technologies on the Company's activity to be analysed and new opportunities to be identified.

In addition, knowledge transfer processes are being executed in accordance with 'The Value of Your Experience' project, whose main objective is to transfer the knowledge, fundamental tasks and experience of the experts involved. Said experts, at the end of the process, will assume the duties and responsibilities that will help ensure the conservation and transfer of the business know-how among our employees and also facilitate optimal performance within the change management process. This process includes the following aspects:

- The corporate description and associated documentation regarding the expertise and know-how in its transfer to the relevant person affected by the change, this will be done through the provision of online

RE AVANZA

allows the influence of new technologies on the activity of the Company to be analysed and new opportunities to be identified.



PILOT PROJECT
'THE VALUE OF YOUR EXPERIENCE'

whose main purpose is to pass on

THE KNOWLEDGE, KEY TASKS AND EXPERIENCE OF THE EXPERTS INVOLVED IN THE PROJECT TO THEIR TRAINEES.

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questionnaires and individual interviews with the person concerned and their manager to outline the tasks, the knowledge and experience required, as well as to identify the relevant key contacts.

- The design of a Knowledge Transfer Plan, that includes specific actions as part of the mentoring process and sets out aspects that must be complied with in a timely and efficient manner.
- The monitoring and guidance necessary for the implementation of the actions described in the Knowledge Transfer Plan.
- The design and generation of a key skills development plan for the new person who will take over the position.

Training and development / 404-1

In 2019, the Company consolidated the design and optimisation of the training model, aligning the contents with the three learning levers on which the Red Eléctrica Group Campus is based: business knowledge and technical training; strategy and leadership; and cultural transformation and innovation.

The strategy and its standardisation of learning is a core element within the global talent management model. This strategy is built around the following:

- Principles. The self-development of actions so that it is the employee who takes responsibility and commits to learning. Furthermore, the involvement of the leader as a facilitator and participant in the learning process is essential.
- 70-20-10 Learning Methodology, where 70% of learning is job-related training, 20% is learning acquired during interactions with others in the workplace and the remaining 10% is formal learning events.
- Incorporation of technological advances, with the development of the virtual campus for online learning which offers multidisciplinary



TRAINING AND DEVELOPMENT
[70-20-10]
LEARNING METHODOLOGY

70

%

JOB-RELATED LEARNING

20

%

LEARNING ACQUIRED DURING INTERACTIONS WITH OTHERS

10

%

FORMAL LEARNING EVENTS

IN 2019

The Company consolidated the design and optimisation of the training model, aligning the contents with the three learning levers of the Red Eléctrica Group Campus: business knowledge and technical training; strategy and leadership; and cultural transformation and innovation.



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The Red Eléctrica Group provided more than 143,330 hours of training to its employees in 2019.



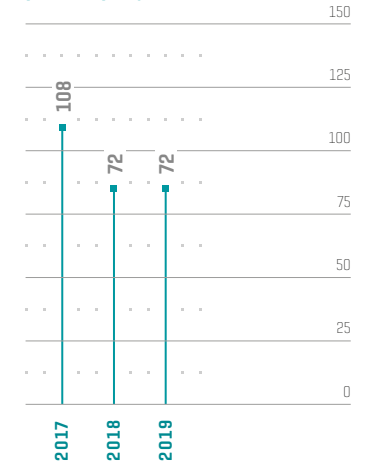
training products which are available for self-management by employees who may wish to take on the responsibility for their own professional development. Additionally, the strategy includes the design and launch of a new gamified training system via an App which gives access to virtual training through mobile devices and is available to 100% of the organisation.

- Standard learning roadmaps, in which the core focus of the course deep dives into the knowledge associated with the development of the skills linked to goals of the learning programme.
- Evaluation system that contemplates different levels: satisfaction with the training, knowledge acquired that applies to the workplace, and the impact of the training, culminating in the calculation of the return on investment as a whole and per learning programme.

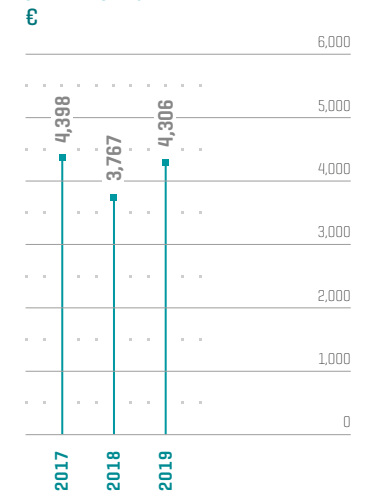
The various training and development programmes are grouped into four areas: technical training, skills development, corporate training and training for specific groups.

In 2019, the Red Eléctrica Group provided more than 143,330 hours of training to its employees at all professional levels, which represents an average of 72 hours and an investment of 4,306 euros per employee.

Training hours per employee / 404-1



Investment in training per employee



Note. Scope of data: REE+REC until 2016; REE+REC+REINGAN+REI+REINTEL from 2017 to 2018; and Red Eléctrica Group in 2019.



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MAIN TRAINING ACTIONS IN 2019

- **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, aims to facilitate professional development, promote the development of necessary current and future IT skills and drive cultural change.
- **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.
- **Joint practical training** 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.
- **Digital training** through the 'Digitall by Campus' program, available in the new BeREDY App, where the entire organisation has access to tools, content

and digital knowledge via a gamified training system with which to improve their level of digital culture. This program has an impact on the promotion of a culture of innovation and on the flexibility and adaptation of people and the adoption of ways of working.

- Pilot project for the implementation of **agile methodologies** in the Accounting and Administrative Information department.
- **TransformaRE Project**, linked to the improvement of the efficiency of the work carried out in regional areas defined by the Company.
- **Self-development ecosystem**, where each employee, depending on their learning preferences, can freely access a different methodology to improve their personal and professional performance.

Noteworthy is that, given that internal training is a lever for the development and transmission of essential knowledge for the Red Eléctrica Group, 8.48% of technical employees with relevant expertise in their respective areas participate as **internal trainers**.

The Red Eléctrica Group Campus

The Campus has consolidated itself as the Company's corporate university. Its mission 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.

In 2019, efforts were made to create a new virtual campus, which will materialise in 2020, as a learning axis for the Group as part of the *ImpúlstaTE* philosophy.

CAMPUS MOTTO:
CREER, CREAR Y CRECER (C³)
 'BELIEVE, CREATE AND GROW'

The Red Eléctrica Group Campus is structured around three fundamental pillars called institutes, which can continuously transform and learn through its permanent contact with both the Company and the global environment:

- **Cultural Transformation and Innovation Institute**; focused on the development of the necessary competencies 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 organisation's strategy.
- **Business Knowledge and Technical Training Institute**; linked to the core business and responsible for the training of specific skills and competencies that are necessary to achieve the business objectives of the Red Eléctrica Group.

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The transformation of the evaluation model, which effectively separates the assessment of the contribution made from the development of key skills, aims to increase its objectivity and facilitate the alignment of all employees with the Group's strategy.

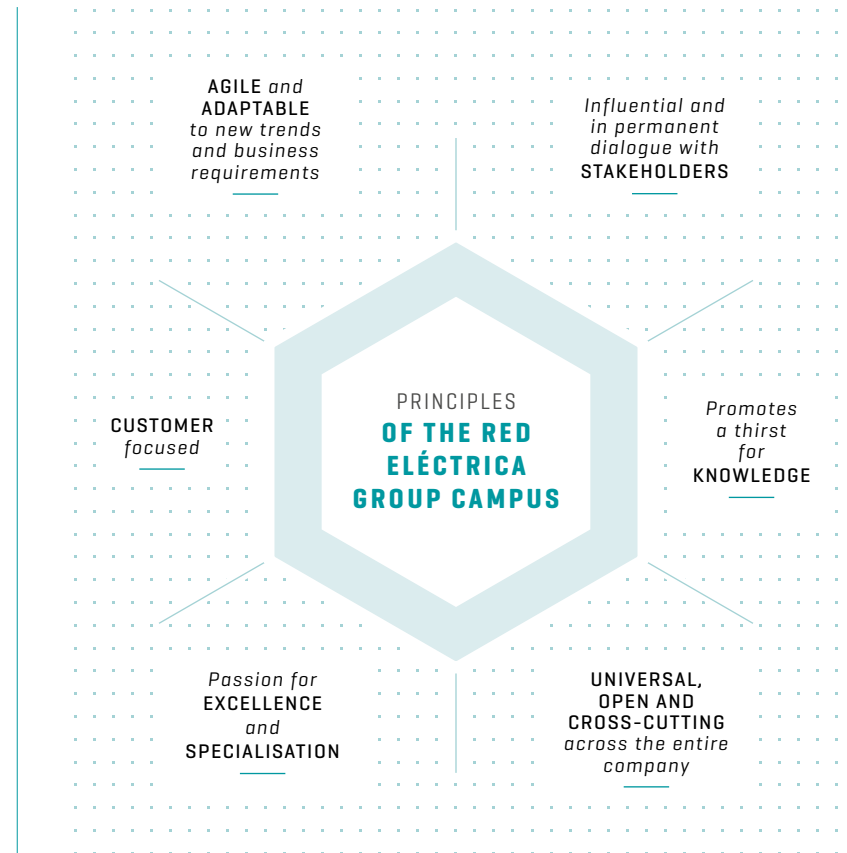
The new Campus, located in the Technological Business Park in Tres Cantos (Madrid), represents a significant disruptive approach compared with previous internal training centres, going from a mainly technical approach to a more comprehensive approach and its design has followed the guidelines of the CLIP certification tool (Corporate Learning Improvement Process) of the European Foundation for Management Development (EFMD).

Assessment and management of professional development / 404-3

In 2018, the Red Eléctrica Group 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 a 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.

In 2019, 360-degree feedback was consolidated as a development tool, through which employees have had access to multiple evaluation sources which, regardless of their professional category,



enables them to access information about the evolution of their contribution or their skills, thus allowing them to take a leading role in their own development.

Similarly, worth noting is the implementation throughout the Company of a **challenge-based management model**, which helps each professional to have a clear orientation of their work with greater autonomy and flexibility. The model provides greater transparency for the employee through a more objective assessment of their performance, based on results, which will help them to better understand their degree of contribution and impact they have within the organisation.

Lastly, as a result of the review and updating of the **key skills** included in the model, **personal development plans (PDPs)** have been developed and are managed by the employees themselves.

The assessment of key skills focuses 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.

KEY SKILLS AND COMPETENCIES. 'HOW TO PROGRESS'

CROSS-CUTTING

- Collaboration.
- Change management.

MANAGEMENT PERSONNEL

- Development of leaders
- Impact and influence
- Business development
- Be a benchmark in the values of the Group
- Team development
- Transformation and innovation
- Stakeholder management
- Strategic vision

NON-MANAGERIAL PERSONNEL

- Knowledge management
- Innovation and continuous improvement
- Initiative
- Communication
- People management
- Planning and organisation
- Customer orientation
- Problem analysis and decision making

IN 2019

360-degree feedback was consolidated as a development tool, through which employees have had access to multiple evaluation sources which, regardless of their professional category, enables them to access information about the evolution of their contribution or their skills, thus allowing them to take a leading role in their own development.



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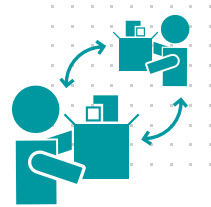
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INTERNAL MOBILITY

6.7

%

OF THE WORKFORCE IN 2019

As part of the Red Eléctrica Group's commitment to mobility

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 2019, 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 2019, various initiatives were developed aimed at the ongoing promotion of internal mobility as an element for professional 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 the Red Eléctrica Group's firm commitment to society. The objective of these programmes is to provide qualified professionals with access to the labour market.

The Red Eléctrica Group has consolidated its Advanced Technical Expert in Power Stations Degree which is included in the Higher Vocational Dual Training system in Spain.



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The first graduating class of the Advanced Technical Expert in Power Stations Degree graduated in November 2019 with 80% of the students being taken on by the Group before the end of the year.

In order to promote the qualification of students enrolled in Higher Vocational Training, the Red Eléctrica Group has been actively involved in setting up a theoretical-practical training programme within the Higher Vocational Dual Training system for the **Advanced Technical Expert in Power Stations Degree**.

This initiative has the following objectives: to have professionals with this qualification available for immediate incorporation into expert technical maintenance positions, to provide the sector with professionals trained with Red Eléctrica de España's expertise and know-how and to increase the employability of young people for their inclusion into the national industrial fabric.

It should be noted that the programme combines training at the Integrated Technological Industrial Training Centre in León and at the Red Eléctrica Group Campus, with work experience in the operational centres of various regional offices of the transmission grid.

The first class graduated in November 2019 with 80% of the students being recruited by the Red Eléctrica Group before the end of the year.

Young Talent Programme - *DescubRE*

In 2019, a group of 30 people took part in the second edition of this programme, which aims to leverage and promote 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 will be part of the Company's team for a year and will be able to develop their skills by collaborating on 29 cross-cutting projects for the transformation of the Group.

At the same time, they will have the opportunity to complement the internship with a 100% online postgraduate degree in English: Master Decision Making and Innovation.

The course started in January 2019. Each participant has an assigned tutor who will work on the achievement of objectives and will be the person who will provide guidance and be in charge of their development.

Opera Internship

In 2019, a group of 14 people took part in this programme, which lasts nine months, and which qualifies people for the position of Electricity Control Centre

Operator, through a theoretical/practical programme which is conducted with the participation of the Company's electricity system operators.

AHORA TÚ Internship

The *AHORA TÚ* programme (Now You) is aimed at boosting female talent in STEM degrees within various companies. In 2019, a group of 5 women took part in this programme.





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The 2019 Working Climate Survey incorporated new items and categories such as cultural and digital transformation or innovation, allowing the complete traceability of the results through a bespoke methodology and questionnaire.

DIALOGUE AND TRANSPARENCY

Social climate

In October 2019, the Red Eléctrica Group Working Climate Survey was conducted to find out the employees' perception of different aspects related to the Company [commitment, leadership, development, communication, etc.] and to identify opportunities for improvement.

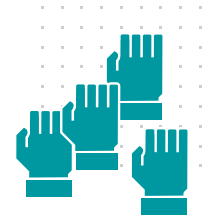
The approach used in previous years has been maintained in relation to the methodology and the questionnaire in order to be able to provide traceability of the results. Even so, new items and categories have been incorporated that respond to current needs, such as cultural and digital transformation or innovation.

The results were shared with the staff at the end of 2019 and the beginning of 2020. The Group's results were communicated through miRED and the results per business area were reported through the management team in face to face sessions with their individual teams with the aim of promoting constructive dialogue.

Looking ahead to 2020, work will be carried out on the design, execution and communication of action plans relating to areas of improvement at Group, area and leader level.



WORKING CLIMATE SURVEY RESULTS 2019



89

%

OVERALL PARTICIPATION

OVERALL SATISFACTION

89

POINTS

SUSTAINABLE COMMITMENT

79

POINTS



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IN 2019

Twelve legal grievance cases (labour conciliation procedures and legal grievance cases) on labour practices received through formal mechanisms were handled, of which six have been resolved and six are pending resolution due to the corresponding appeals.

Social dialogue / 102-41 / 402-1

The Red Eléctrica Group guarantees its employees the right to union-affiliation, association and collective bargaining within the framework of existing labour laws and the collective bargaining agreement applicable at any given time.

During the first half of 2019, negotiations on the 11th Collective Bargaining Agreement of Red Eléctrica de España, which began in 2018, were continued. These negotiations reached a consensus, and the 11th Agreement came into force on 21 June 2019.

Consequently, the relationship with the social representation has been marked by the negotiations of the new agreement through the Negotiating Committee which was set up for this purpose.

In addition, during the second half of 2019, various meetings of the Red Eléctrica de España Inter-work centre Committee were held along with other committees in which social representatives participated. In this respect, beyond the negotiation of the 11th Collective Bargaining Agreement, noteworthy is the agreement reached with the social representation of Red Eléctrica de España within the framework of the new management model for shared-leasing vehicles.

Similarly, various meetings of the *Red Eléctrica de Infraestructuras de Telecomunicacion* Workers Committee were held, and negotiations commenced on a collective bargaining agreement for this company.

The majority of the workforce of the Group in Spain is covered by the collective bargaining agreement, excluded from its scope are: the management team [7%] and the employees who voluntarily and reversibly accept the proposal of the management of the Company to be excluded from the agreement [2%].

In 2019, 12 grievance cases (labour conciliation procedures and legal grievance cases) on labour practices received through formal

COMMITTEES CONTEMPLATED WITHIN THE 11TH 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



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mechanisms were handled, of which six have been resolved and six are pending resolution due to the corresponding appeals.

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. If it concerns company-wide changes, a consultation period will be opened with legal representatives who may be replaced by a mediation or arbitration procedure.

Internal communication

The Red Eléctrica Group considers internal communication instrumental in sharing the mission and goals of the Company, involving employees in various projects and improving the working climate by increasing their pride of belonging. This year, internal communication has been especially focused on supporting the transformation of the Company and is focused on implementing new ways of working that are more agile, flexible and collaborative, which will make it possible to meet the challenges established in the new Strategic Plan.

Within the various internal channels, new tools continue to be promoted on the intranet, such as the corporate Twitter viewer and the latest innovation channel, which aims to encourage digital capabilities and user co-creation. Looking ahead to 2020, the Company will continue to strengthen cascading communication, providing it with a more open and personal approach, and new channels will be designed to promote listening to each other.

Internal communication is key to sharing objectives, engaging employees and improving the working climate, thus increasing the pride of belonging.



STRENGTHENING COMMUNICATION

WITH A MORE OPEN AND PERSONAL APPROACH, DESIGNING NEW CHANNELS TO PROMOTE LISTENING BETWEEN MANAGERS AND EMPLOYEES



KEY PERFORMANCE INDICATORS



LETTER FROM THE CHAIRWOMAN AND FROM THE CEO



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HEALTHY WORKPLACE / 103-1 / 103-2 / 103-3

The Red Eléctrica Group promotes, with the commitment and leadership of the management team, the best practices in occupational health and safety and wellbeing. 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 below.

The model is deployed through **annual programmes** aimed at giving continuity to the management model through continuous improvement and consolidating the Red Eléctrica Group as a leading



HEALTHY · WORKPLACE · MODEL

PRINCIPLES



PHYSICAL WORK ENVIRONMENT
Provide the means necessary to carry out the work functions under better health and safety conditions.



COMMUNITY ENGAGEMENT
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.



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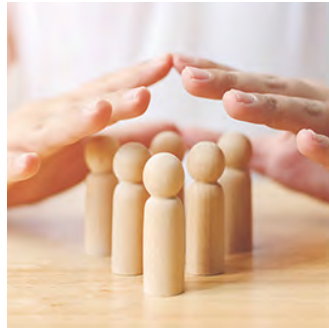
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The Occupational Health and Safety Committee regularly and periodically oversees the Company's actions in the field of occupational risk prevention.

company in good practices regarding occupational health and safety, well-being, health promotion and prevention. In addition, given that the control of occupational health and safety activities is a fundamental part of obtaining the best health and safety results, the Red Eléctrica Group has created a new **comprehensive dashboard**, accessible to all employees, totally automated and with common safety indicators for all the Company's units, which will facilitate its monitoring and also help in the decision-making process, highlighting the lines of action in which corrective measures should be anticipated and planned.

Consultation and participation / 403-1 / 403-4

Red Eléctrica de España has an **Occupational Health and Safety (OHAS) Committee** whose composition and functions are set out in Chapter 7 of the 10th 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 2019, 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 of the corporate intranet, 'miRED'. Also, this Committee is made aware of the



OCCUPATIONAL HEALTH AND SAFETY COMMITTEE

in 2019 held

4

MEETINGS FULFILLING THE EXPECTED OBJECTIVES



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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.

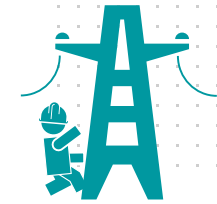
Physical work environment

For the Red Eléctrica Group, the prevention of occupational risks constitutes a differentiating element and an indispensable requirement to guarantee the health and safety of employees and collaborators.

The Red Eléctrica Group 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 Group for its fulfilment.

EMPLOYEE PARTICIPATION IN TERMS OF RISK PREVENTION

A specific community has been created on the corporate intranet through which enquiries, suggestions and doubts related to occupational health and safety can be resolved.



PREVENTION OF WORK-RELATED RISKS

Through a specific strategy and action plan

TO PROMOTE BEST PRACTICES IN RELATION TO OCCUPATIONAL RISKS DURING THE EXECUTION OF ACTIVITIES AND WORK CARRIED OUT ON THE COMPANY'S PREMISES



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The knowledge obtained through the collaborative implementation of corrective actions will allow all those involved in the value chain to improve their occupational health and safety processes and bolster their culture of prevention through newly shared knowledge.

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 the Group. In this regard, in 2019, almost 11,000 safety inspections were carried out on works in facilities where incidents were detected in 13.75% of the inspections. As a result of all the activities carried out for the control and monitoring of the work, more than 2,200 corrective actions were identified, of which more than 93% have been resolved.

Red Eléctrica considers that the knowledge obtained through the collaborative implementation of corrective actions will allow all those involved in the value chain to improve their occupational health and safety processes and bolster their culture of prevention through newly shared knowledge. The continuous and proactive identification of dangers associated with the processes is a source of added value information to determine the risks and opportunities of the OHAS system.

SAFETY INSPECTIONS



11,000

CARRIED OUT ON WORKS IN FACILITIES

identifying more than 2,200 corrective actions, of which more than 93% have been resolved



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The Occupational Health and Safety Improvement Action Plan has increased the level of control of works through internal inspections and audits, as well as through the reinforcement of safety protocols and via improvements in the training and awareness of all those involved.



In addition, this year the management team continued to carry out **internal safety audits** on construction worksites.

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 OHAS measures carried out on all stakeholders, together with the improvement in the training and awareness of the intervening agents.

In order to improve health and safety conditions in construction and maintenance work, a series of actions have been implemented in recent years aimed at reducing accidents in the execution phases of the work. Specifically, the Red Eléctrica Group has focused on **innovation** as a digital transformation lever in the field of occupational health and safety, designing and executing different projects that promote the use of new technologies in order to respond to the strategic challenge of being a company with 'zero accident' vision. In this line of action, solutions are being investigated to monitor and eliminate risks on construction sites due to unsafe actions by workers.

INNOVATION

Used as a digital transformation lever in the field of occupational health and safety, designing and executing different projects that promote the use of new technologies in order to respond to the strategic challenge of being a company with 'zero accident' vision.



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The overall accident severity rate of the Red Eléctrica Group, including both own personnel and those of suppliers, stood at 0.28, which is a significant reduction compared to the previous year (0.92).

In 2019, the main accident indicators for Red Eléctrica Group employees were 4.13 [frequency indicator] and 0.14 [severity indicator]. The overall accident severity rate of the Red Eléctrica Group, including both own personnel and those of suppliers, stood at 0.28, which is a significant reduction compared to the previous year [0.92]. Lastly, it should be noted that during 2019 no serious or particularly serious accidents occurred.

Monitoring and the promotion of health and well-being

The Red Eléctrica Group permanently monitors the health of its employees on a preventive basis. The Group's companies in Spain have **their own 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

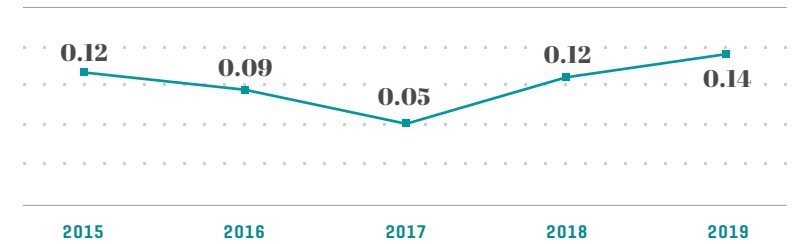
The healthcare campaigns respond to the analysis of the different health indicators evaluated annually and to previously identified needs, whose main objective is the incorporation of healthy living



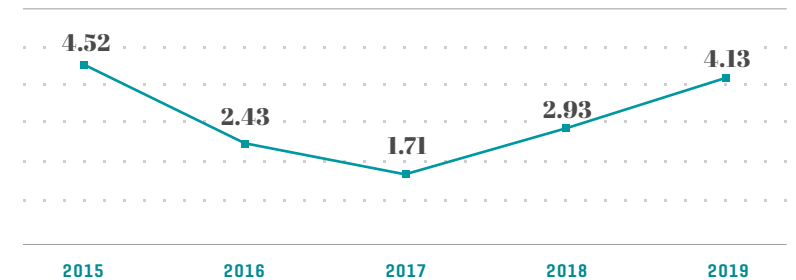
THE COMPANY'S MEDICAL SERVICE

is responsible for monitoring the health of workers through examinations and healthcare consultations.

Accident severity rate of the Red Eléctrica Group / 403-2



Accident frequency rate of the Red Eléctrica Group / 403-2





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MAIN ACTIONS

For health promotion and prevention and the improvement of well-being in 2019

Medical examinations

Medical and nursing consultations

Healthy nutrition

Physical examinations

Promotion of physical activity

Prevention of cancer: colon, prostate

Stroke prevention

Active ageing

Flu vaccinations

Stress management

Physiotherapy consultations

Energy space (yoga and Pilates classes, and other sports activities)

In 2019, previously set up healthcare campaigns continued to run, whose objective is the incorporation of healthy living habits, rolling them out to workers from other work centres and to other internal and external groups.

habits. In 2019, previously set up healthcare campaigns continued to run, whose objective is the incorporation of healthy living habits, rolling them out to workers from other work centres and to other internal and external groups.

In the field of health and well-being, to continue promoting healthy lifestyle habits, a new platform has been launched, which will improve the management and communication of the sporting activities that take place in the Company.

Within the scope of psychosocial risk management, the Company has worked on defining the characteristics of a new tool for observing, measuring and intervening in those aspects regarding the emotional state of workers and their behaviour when faced with risk, which will make it possible to act early and proactively in situations that could put people in danger, leading to work-related accidents or that could cause problems for third parties and that could affect infrastructures and services.

The complete set of programmes and actions implemented in recent years have received external recognition by being awarded one of the prizes in the 12th NAOS Strategy Awards granted by the Ministry of Health and the Spanish Agency for Consumer Affairs, Food Safety and Nutrition (AECOSAN), showcasing the Groups



NEW TOOL FOR THE MANAGEMENT OF PSYCHOSOCIAL RISK

GEARED TOWARDS THE OBSERVATION, MEASUREMENT, AND INTERVENTION IN THOSE ASPECTS REGARDING THE EMOTIONAL STATE OF THE WORKERS AND THEIR BEHAVIOUR WHEN FACED WITH RISK, WHICH ALLOWS THE COMPANY TO ACT EARLY AND PROACTIVELY IN RISK SITUATIONS



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actions and other initiatives that contribute to the prevention of obesity by promoting healthy eating and/or regular physical activity.

Similarly, the Company carries out various initiatives in Peru and Chile, which are focused on prevention and looking after the occupational health and safety of our employees, promoting an improvement in their quality of life.

Training and awareness

The Red Eléctrica Group 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.

Noteworthy this year was the implementation of a **new training model in occupational health and safety**, focused on the certification of skills and competencies according to the activity carried out by the worker, which is a significant improvement with respect to the previous model which was generically focused on the position held by the person.

MAIN ACTIONS IN TRAINING AND AWARENESS IN 2019

Training in occupational risk prevention

- The courses included in the education and training model for occupational health and safety (AM012).

Nutritional campaign

- Antioxidant workshops held in Madrid, where 20 people participated.

Training session on occupational health and safety awareness in forestry work

- As part of the Company's 2030 Sustainability Commitment, and in compliance with the priority of extending this commitment to all links in the value chain (people, suppliers and customers), this session focused on preventing accidents related to tree felling, disseminating the main incidents that have occurred in recent years and sharing the lessons learned from them.
- Raise awareness and convey the 'zero accident' vision, as well as to improve the health and safety levels of all people working in our facilities.

Stroke prevention campaign

- Face-to-face informative actions in Madrid, Ponferrada, Bilbao-Güeñes, Barcelona, Tenerife and Las Palmas, with 200 attendees, in addition to being broadcast via live streaming.
- 'Passport to Life' training pill for all Group employees.
- 'Heroes at home' initiative included in the 2019 Corporate Volunteering Programme.

Campaign to promote active ageing

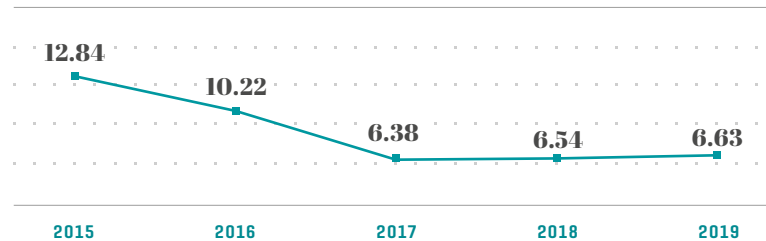
- Face-to-face informative sessions in Madrid, Ponferrada, Bilbao-Güeñes, Barcelona, Tenerife and Las Palmas.

Healthcare campaigns in Chile and Peru

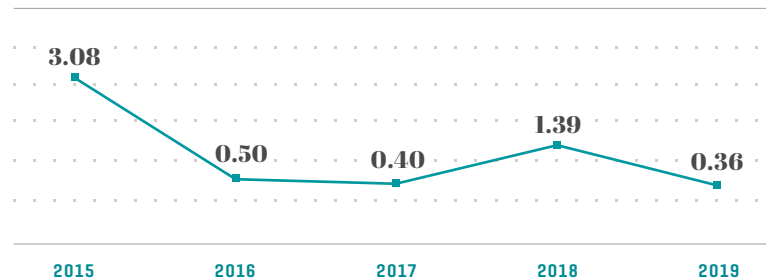
- Immunisation and quality of life campaigns were conducted with the assistance of a nutritionist.
- Reactive Programme: for our employees in order to promote healthy lifestyle habits through recreational sporting activities. For this purpose, four teams were created: football (2), dance (1) and marathons (1).
- Institutional collaboration: agreements were signed with gyms and entities focused on the well-being of people for employees and their families.

The new supplier assessment model includes the joint evaluations of all the organisational units involved in the work execution phase.

Accident severity rate in Red Eléctrica Group contractors / EU17



Accident frequency rate in Red Eléctrica Group contractors / EU17



Workplace safety in the supply chain / EU18

The Red Eléctrica Group promotes development and excellence in the occupational health and safety performance of its suppliers, implementing measures aimed at fostering a culture of prevention throughout the entire supply chain.

As a result of all these actions, noteworthy in 2019 was the considerable reduction in the accident severity rate of contractors, which showcases the commitment the Red Eléctrica Group has towards its contractors.

All suppliers who work in the facilities and work centres of Red Eléctrica de España 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 certified by the Company's health prevention service. Over recent years, Red Eléctrica de España has certified more than 2,000 works supervisors, and more than 400 worksite managers belonging to contractors.

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 order to promote a culture of prevention and excellence in our suppliers, the new model for evaluating suppliers in terms of prevention has been implemented, to improve occupational health and safety results in the execution phase of the work, and helping suppliers to implement the best practices in prevention, focusing on those activities of greatest risk.

Work-life balance / 401-2

After the approval in 2018 of the 3rd Comprehensive Work-life Balance Plan, of note in 2019 was the deployment of the targets set for



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the year, with a fulfilment of 65.2% of the goals. This has entailed the noteworthy participation of the Red Eléctrica Group in the Observatory for the Work-life Balance and the Equal Sharing of Family Responsibilities between Women and Men, led by the Universidad Pontificia de Comillas [ICADE-ICAI] and the extension of the flexitime working culture and the implementation of a support service for dependent family members.

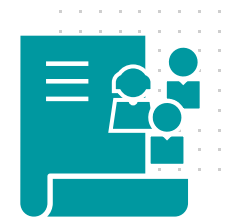
This management model is one of the fundamental pillars of both the Healthy Workplace and the Diversity Model and includes more than 70 work-life balance measures, structured in different blocks:

- Leadership and management styles.
- Quality in employment.
- Open workspaces and flexible working schedules.
- Family support.
- Personal and professional development.
- Equal opportunities

Many of the measures contemplated within the scope of Red Eléctrica's Comprehensive Work-life Balance Plan are applicable to the rest of the companies of the Group.

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 Universidad Pontificia de Comillas. 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.

The Red Eléctrica Group participates in the Observatory for the Work-life Balance and the Equal Sharing of Family Responsibilities between Women and Men, led by the Universidad Pontificia de Comillas (ICADE-ICAI) and shares its experience in this field.



WORK-LIFE BALANCE MANAGEMENT MODEL

MORE THAN

70

MEASURES IMPLEMENTED

structured around leadership, quality in employment, flexible working schedules, family support, personal and professional development and equal opportunities

EMPLOYMENT INDICATORS

KEY TO THE COMPANIES INCLUDED [scope of the data]

- REE [Red Eléctrica de España S.A.U.]
- REC [Red Eléctrica Corporación S.A.]
- REINCAN

- REI [Red Eléctrica Internacional]
- REINTEL
- REA [Red Eléctrica Andina]

- RETIT [Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología]
- Hispasat

- RECHILE [Red Eléctrica Chile]
- REDCOR [Reaseguros]

Information regarding employees and other workers / 102-8

	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Workforce (n° of people)	1,317	424	1,741	1,306	415	1,721	1,524	532	2,056
Employees with permanent contracts (n°)	1,302	409	1,711	1,302	408	1,710	1,484	505	1,989
Employees with temporary contracts (n°)	15	15	30	4	7	11	40	27	67
Permanent contracts (%)	98.9	96.5	98.3	99.7	98.3	99.4	97.4	94.9	96.7
Part-time contracts (n°)	0	0	0	0	0	0	0	0	0
Workers from Temporary Employment Agencies (n°) [1]	6	9	15	8	6	14	2	1	3
Interns (n°) [1]	35	32	67	11	5	16	10	19	29

Note: Scope of the data REE + REC + REINCAN + REI + REINTEL in 2017 and 2018; and Red Eléctrica Group in 2019.

[1] These workers are not added to the workforce as they are not employees of the Red Eléctrica Group. Only companies of the Group are taken into account for the calculation.

Workforce distribution by age, gender and professional group / 405-1

	2017						2018						2019					
	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	62.9	37.1	87.0	13.0	0.0	0.0	60.0	40.0	81.5	18.5	0.0	0.0	64.4	35.6	78.3	21.7
Specialist/technical experts	60.0	40.0	77.3	22.7	90.4	9.6	63.6	36.4	78.0	22.0	87.5	12.5	56.3	43.7	77.6	22.4	87.7	12.3
Administrative personnel	0.0	0.0	15.9	84.1	29.7	70.3	0.0	0.0	7.1	92.9	30.0	70.0	0.0	0.0	10.9	89.1	27.9	72.1
Total	60.0	40.0	74.1	25.9	81.3	18.8	63.6	36.4	75.1	24.9	78.4	21.6	56.3	43.7	73.8	26.2	78.3	21.7

Note: Note: Scope of the data REE + REC + REINCAN + REI + REINTEL in 2017 and 2018; and Red Eléctrica Group in 2019.



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Number of employees broken down by age group and gender / 405-1

	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Under 30	40	26	66	35	20	55	67	52	119
30 to 50	858	300	1,158	793	263	1,056	978	347	1,325
Over 50	419	98	517	478	132	610	479	133	612
Total	1,317	424	1,741	1,306	415	1,721	1,524	532	2,056

Note: Scope of the data REE + REC + REINCAN + REI + REINTEL in 2017 and 2018; and Red Eléctrica Group in 2019.**New hires broken down by age group and gender / 401-1**

	2017						2018						2019					
	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			
Under 30	18	15	33	45.0	57.7	50.0	5	2	7	14.3	10.0	12.7	34	19	53	50.75	36.54	94.64
30 to 50	28	13	41	3.3	4.3	3.5	19	5	24	2.4	1.9	2.3	46	22	68	4.70	6.34	7.56
Over 50	2	0	2	0.5	0.0	0.4	4	1	5	0.8	0.8	0.8	1	0	1	0.21	0.00	0.22
Total recruitment	48	28	76	3.6	6.6	4.4	28	8	36	2.1	1.9	2.1	81	41	122	5.31	7.71	8.59

Note: Scope of the data REE + REC + REINCAN + REI + REINTEL in 2017 and 2018; and Red Eléctrica Group in 2019.**Employee turnover broken down by age group and gender / 401-1**

	2017				2018				2019			
	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
Under 30	7	10	38.5	25.8	5	8	14.3	40.0	4	3	6.0	5.8
30 to 50	8	5	1.7	1.1	13	3	1.6	1.1	20	6	2.0	1.7
Over 50	27	3	3.1	5.8	22	3	4.6	2.3	25	2	5.2	1.5
Total turnover	42	18	4.2	3.4	40	14	3.1	3.4	49	11	3.2	2.1

Note: Scope of the data REE + REC + REINCAN + REI + REINTEL in 2017 and 2018; and Red Eléctrica Group in 2019.



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Employees with the possibility of retirement in the next 5 or 10 years / EU15 %

	In the next 5 years (2019-2024)	In the following 5 years (2025-2029)
Management team	0.9	1.7
Specialist/technical experts	5.9	14.8
Administrative personnel	1.1	2.8
Total	7.9	19.3

Note 1: Scope of the data REE + REC + REINCAN + REI + REINTEL in 2017 and 2018; and Red Eléctrica Group in 2019.

Note 2: Considering retirement age as a sole requirement and estimating this as 65 years of age. 10-year cumulative data.

Ratio of base salaries of men compared to women / 405-2 M/W (1)

	2017	2018	2019
Management team	1.05	1.06	1.1
Specialist/technical experts	0.98	0.95	1.06
Administrative personnel	1.06	1.00	1.04
Total	1.02	0.99	1.06

Note 1: Scope of the data REE + REC in 2017 and 2018; and Red Eléctrica Group in 2019.

(1) Average fixed salary + supplementary allowance. The Chairperson and CEO are excluded.

Maternity/paternity leave rates (M/P) / 401-3

	2017		2018		2019	
	Men	Women	Men	Women	Men	Women
Employees with the right to M/P leave (n°)	67	29	51	30	63	19
Employees who have taken M/P leave (n°)	67	29	51	30	63	19
Re-incorporations at the end of M/P leave (n°) (2)	66	27	51	25	61	16
Employees with M/P leave who remain on the workforce (%) (3)	99	93	100	83	97	84

Note: Scope of the data: Grupo Red Eléctrica.

(2) The difference between the number of women and men returning from leave is due to three authorised leaves due to childcare.

(3) 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.



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Average hours of training broken down by professional group and gender / 404-1

	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Management team	112	95	104	64	67	65	41	48	43
Specialist/technical experts	108	115	111	74	88	77	82	70	80
Administrative personnel	15	50	33	24	39	36	15	28	24
Total	109	105	108	71	75	72	77	58	72

Percentage of employees whose work performance and professional development is appraised periodically / 404-3

	2017		2018		2019	
	Men	Women	Men	Women	Men	Women
Employees with a performance appraisal [%]	100	100	100	100	100	100

Employees covered by a collective bargaining agreement by country / 102-41

	%		
	2017	2018	2019
Employees in Spain	92	93	91
Employees in Brazil [1]	-	-	96

[1] In 2018, there were no Red Eléctrica Group employees in Brazil.



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Occupational health and safety indicators / 403-2

	2017			2018			2019		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Average workforce	1,313	418	1,731	1,309	418	1,727	1,383	462	1,845
Hours worked (thousands)	2,219	706	2,925	2,213	706	2,919	2,275	871	3,146
Accidents with sick leave	5	0	5	8	1	9	10	3	13
Fatal accidents	0	0	0	0	0	0	0	0	0
Days lost due to accidents ⁽¹⁾	139	0	139	333	19	352	324	109	433
Accident frequency rate	2.25	0	1.71	3.62	1.42	3.08	4.28	3.69	4.13
Accident severity rate	0.06	0	0.05	0.15	0.03	0.12	0.14	0.13	0.14
Absenteeism rate due to common illness ^(a)	1.53	3.24	1.94	1.95	3.74	2.38	2.38	4.10	2.80
Absenteeism rate due to occupational illness ^(b)	1.64	3.26	2.03	2.06	3.79	2.48	2.48	4.18	2.89

Note: of the data REE + REC + REINCAN + REI + REINTEL in 2017 and 2018; and Red Eléctrica Group in 2019.

⁽¹⁾ 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 workdays 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:

^(a) Days absent due to common TI (temporary incapacity) > 3 days + days absent TI < 3 days / average workforce x 365 x 100

^(b) 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.

Occupational health and safety indicators of Red Eléctrica Group contractors / EU17

	2017	2018	2019
Average workforce ⁽¹⁾	3,353	3,093	3,055
Hours worked (thousands)	5,801	5,349	5,282
Accidents with sick leave	37	35	35
Fatal accidents	0	1	0
Days lost due to accidents ⁽²⁾	2,314	7,421	1,903
Accident frequency rate	6.38	6.54	6.63
Accident severity rate	0.40	1.39	0.36

⁽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.



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Responsible environmental management



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RESPONSIBLE ENVIRONMENTAL MANAGEMENT

103-1 / 103-2 / 103-3

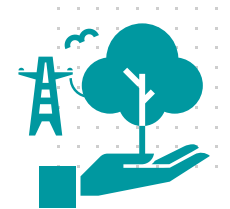
The Red Eléctrica Group carries out all its activities taking into account environmental protection, in accordance with the principles established in its environmental policy, including the commitment to prevent pollution and the principle of precaution. / 102-11

The main environmental impacts of the Red Eléctrica Group 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, the Red Eléctrica Group is a major player in the transition towards a decarbonised energy model and has therefore made a specific commitment to the fight against climate change.

The environmental commitment of the Red Eléctrica Group not only encompasses its own activities but also extends to its supply chain.

The Company works intensively to make its infrastructure compatible with the environment, considering at all times its overall life cycle and paying special attention to the conservation of biodiversity.



THE ENVIRONMENTAL COMMITMENT

OF THE RED ELÉCTRICA GROUP DOES NOT ONLY ENCOMPASS ITS OWN ACTIVITIES BUT ALSO EXTENDS TO ITS SUPPLY CHAIN



The Annual Environmental Plan is articulated on three vectors: the environmental management of facilities, biodiversity and climate change.

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 voluntary actions programmed for each year in order to contribute to the achievement of said challenges. Compliance with the Environmental Plan for 2019, consisting of a total of 118 actions, was 68%.



MANAGEMENT SYSTEM

RED ELÉCTRICA HAS IN PLACE AN ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFIED ACCORDING TO ISO 14001 AND REGISTERED IN THE EU ECO-MANAGEMENT AND AUDIT SCHEME [EMAS]



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Environmental expenditure

In 2019, 27.8 million euros were earmarked for environmental issues, of which a total of almost 20 million was allocated to the protection of biodiversity (including forest fire prevention) and landscape integration and 1.9 million was earmarked for the prevention of pollution.

EXTENDING ENVIRONMENTAL COMMITMENT TO THE SUPPLY CHAIN / 308-1 / 308-2

Aware of the need to extend its responsibility throughout the supply chain, Red Eléctrica requires that 100% of the suppliers that provide services or products that could lead to 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, on adjusting the requirements demanded from the various suppliers regarding the environmental impacts associated with each one of them, specifically in terms of climate change, biodiversity, impact on soil and water, and waste generation.

Additionally, 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/ renovation 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.

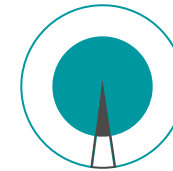
Environmental expenditure

M€

26.1

M€

Allocated to in-service facilities



1.74

M€

Invested in new facilities

New facilities

- Environmental impact studies
- Preventive and corrective measures
- Supervision of construction works
- Environmental improvement measures

In-service facilities

- Improvements to in-service facilities aimed at the prevention of pollution
- Fire Prevention
- Biodiversity protection and conservation projects
- Waste management and reduction
- Activities related to climate change and energy efficiency
- Training
- Communication
- Others



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INTEGRATING FACILITIES INTO THE ENVIRONMENT

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.

In this regard, it is essential to consider environmental and social variables at all transmission grid development stages. This includes carrying out a viability analysis of the facilities before their incorporation into the electricity planning proposal that Red Eléctrica de España, as System Operator, submits to the Ministry of Ecological Transition and the Demographic Challenge.

During 2019, Red Eléctrica worked on the feasibility analysis of the infrastructures proposed for the next Electricity Planning for 2021-2026, which is binding in nature, having evaluated the different alternatives and studied the complexity of their implementation within the territory.

Once electricity planning has been approved, the Company conducts a detailed study of the territory and works in coordination with the public administrations and the main stakeholders to define the locations where the substations will be sited and the routes to be taken by the lines.

Red Eléctrica carries out an environmental assessment and establishes voluntary communication with the competent administrations even when the law does not require a regulated procedure.



LOCATIONS FOR THE SITING OF FACILITIES

THEIR SELECTION IS THE MAIN MEASURE TO REDUCE OR EVEN AVOID UNWANTED IMPACTS ON THE ENVIRONMENT AND LOCAL COMMUNITIES



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During 2019, Red Eléctrica worked on the feasibility analysis of the infrastructures proposed for the next Electricity Planning for 2021-2026, which is binding in nature.

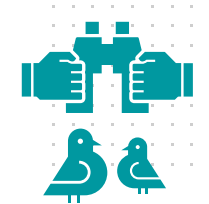
Furthermore, in order to reduce the potential impacts of the infrastructure as much as possible, it is necessary to establish the appropriate preventive and corrective measures to be applied during the construction or maintenance phases.

The most suitable tool for defining the best project and appropriate preventive and corrective measures is the **environmental impact assessment** procedure, which most Red Eléctrica projects are subject to by law.

During 2019, Red Eléctrica worked on the feasibility analysis of the infrastructures proposed for the next Electricity Planning for 2021-2026 which is binding in nature, having evaluated the different alternatives and studied the complexity of their implementation within the territory.

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. It should be noted that, during 2018 and 2019, the organisation has defined and implemented the **'Maintenance Management or Territorial Observatory'** project, which consisted of integrating all the environmental, sectorial and technical conditioning factors that



MAINTENANCE MANAGEMENT OR TERRITORIAL OBSERVATORY

MORE THAN

65

CONDITIONING FACTORS

A PROJECT THAT INTEGRATES ALL THE ENVIRONMENTAL, SECTORIAL AND TECHNICAL CONDITIONING FACTORS THAT MUST BE TAKEN INTO ACCOUNT INTO THE CORPORATE MAPPING SYSTEM

to facilitate the process for requesting permits to conduct maintenance work on facilities

ENVIRONMENTAL MONITORING PROGRAMMES

These are applied in the construction of the facilities and in the first years of their operation and guarantee the implementation and effectiveness of the established environmental measures.



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Red Eléctrica works tirelessly to improve its relationship with stakeholders.



must be taken into account into the corporate mapping system when requesting permits to conduct maintenance work on facilities [more than 65 conditioning factors that have an impact on 200 metres on each side of each line], so that they are accessible to all the Company's personnel, facilitating their analysis and application.

Among the preventive and corrective measures applied, noteworthy are those aimed at protecting habitats and species and those aimed at reducing potential impacts on the socio-economic environment. These actions are detailed in the following sections of this report.

STAKEHOLDER RELATIONS

Currently, one of the most relevant issues regarding the integration of facilities into the environment is the improvement of their social acceptance. In this regard, Red Eléctrica works tirelessly to improve its relationship with stakeholders, as described in the section on the *Stakeholder Management Model* of this report, and in the development of public consultation and participation processes. Among other objectives, the aim is to provide greater and more detailed information for stakeholders, enrich the processes for evaluating the environmental impact assessment of projects and minimise possible conflicts.

DEVELOPMENT AND IMPLEMENTATION PHASES FOR TRANSMISSION GRID INFRASTRUCTURE

Infrastructure proposal
[Drawn up by REE]

Environmental Feasibility Study

- Analysis of all proposals from an environmental point of view.
- Only includes environmentally viable projects.

Transmission grid planning
[Drawn up by MITECO]

Strategic environmental assessment of plans and programmes.

Public consultation and participation of stakeholder groups through the submission of comments or arguments.

Project design
(new facilities and modifications)

Prior dialogue with stakeholders before defining the project (Autonomous Communities, local councils and NGOs).

Environmental Impact Assessment.

- 1 Prior consultation with stakeholders.
- 2 Defining the alternative of least impact.
- 3 Public information. Submission of arguments by stakeholders.
- 4 Proposal for preventive and corrective measures.
- 5 Publication of results. Environmental authorisation.

Construction or modifications of facilities

Implementation of preventive and corrective measures.

Environmental monitoring (monitoring of preventive and corrective measures).
Monitoring the work of contractors regarding compliance with environmental requirements.
Environmental certification of works taking into account compliance with environmental requirements.

Maintenance

Environmental monitoring programmes in the initial years of operation of a facility.
Periodic inspections of facilities to verify compliance with standards and identify improvement measures.
Application of environmental improvement measures.





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On the other hand, more than 15 specific environmental actions have been carried out in 2019, among which noteworthy were the technical and informative seminars, which contribute to strengthening relations with the various public administrations.

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, and regarding the lines, the occupation is 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.

Main conditioning factors in the definition of locations for the siting 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 work: geomorphological recovery of the land, replacement of stones or crops, restoration of slopes, repair of roads, accesses and enclosures.
- Measures to control particle and dust emissions in work areas (mainly periodic watering down measures. In 2019, a meshed filtering system and a riprap were installed for this purpose).

• *These restoration actions may be accompanied by other measures agreed with the landowners, such as the 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.*



Social aspects are integrated both into the Environmental Assessment and into the management process during the lifecycle of the facilities.

IN THE CASE OF LINES

Agricultural and livestock farming activities are compatible with the lines, enabling livestock grazing and all types of agricultural farming activities to take place underneath them.



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All Red Eléctrica substations processed in 2019 have architectural and landscape integration measures incorporated in their design.

Livestock and agricultural activities are compatible with the lines, allowing all kinds of crops to grow under them and the free movement of the machinery necessary for its management.

Social aspects are integrated both in the environmental assessment carried out in the design phase of the facilities and in the management of the infrastructure throughout its useful life.

NOISE

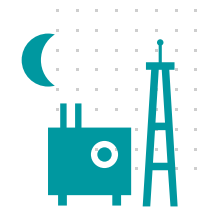
On occasions, electricity substations can be an annoyance for the neighbours, due to the noise generated by some of its elements. Red Eléctrica works on the implementation of the most effective measures for mitigating noise pollution.

During 2019, an analysis was conducted on the noise produced by the 134 substations that have power transformers on site. This has been based on direct measurements taken at 18 substations and includes the use of prediction software, fed with data from the ACURED innovation project [2016-2018]. Thanks to this study, it has been possible to identify and prioritise some actions to be carried out in the coming years, such as making adjustments to some power transformers or installing an acoustic screen at the Arkale substation in Guipúzcoa, planned for 2020.

In addition, Red Eléctrica carried out noise measurements at the request of some administrations or individuals, which in all cases have yielded results in accordance with current legislation.

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 the substations and reducing potential light pollution as much as possible.



NIGHT-TIME SHUTDOWN

81

%

OF SUBSTATION LIGHTING IS TURNED OFF AT NIGHT IN ORDER TO AVOID LIGHT POLLUTION



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At present, 81% of the substations are switched off at night and work will be completed in the next year to increase that percentage.

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. Given that this is an aspect that is becoming increasingly important and in order to advance in this integration, it is essential to make progress in improving the **tools for assessing the visual impact** of the facilities and therefore, in recent years, Red Eléctrica has been promoting different works in this area, and in the application of integration measures that allow the impact of the facilities on the landscape to be reduced.

ASSESSMENT TOOLS

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.

Landscape analysis methodology.

Applied to all the new lines processed in 2019.

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 particularly useful for making comparisons between alternative solutions or for presentations to different stakeholder groups.

LANDSCAPE INTEGRATION MEASURES

Standardisation and design of towers that blend better into the landscape.

Progress is being made on various projects in this regard. Firstly, in the 'Study on the use of specially-designed towers in environmental and/or socially sensitive environments. Economic impact throughout its useful life', which analyses non-conventional towers, with a different aesthetic (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. In 2019, the life cycle of the different materials used in the construction of towers was analysed, and it is foreseen to carry out tests on some of the 66 and 132 KV towers in 2020.

Progress has also been made in the use of more integrated towers belonging to the Almaraz nuclear power station-Almaraz transformer substation 200 kV line, which minimises their visibility in a natural area with incredible views and outstanding natural beauty. In this case, an infrastructure with a high impact on the landscape would not have been viable.

Landscape integration of substation buildings.

The Company develops designs adapted to the environment in which they are located and works on the creation of vegetation barriers and gardened areas. In 2019, noteworthy was the integration project for the Caletillas substation (Tenerife), which includes exterior vegetation covering that forms a vertical garden made up of native species. The incorporation of these species has the added value of serving as a focal point for helping to generate biodiversity in the areas surrounding the facility.

Restoration of affected areas

The Company provides topsoil, adapts slopes and fields, and carries out sowing and planting works. Noteworthy in 2019 were the actions carried out on the 220 kV Telleo-Villablino line for tower replacement works, which required the restoration of numerous tower bases, the creation of a riprap and the planting of 60 Birch trees - *Betula celtiberica* and 63 Pyrenean Oaks *Quercus pyrenaica*, as well as the sowing of some sections of the accesses with plant species from the surrounding area.



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Before carrying out any earthworks, an archaeological survey of the land is carried out if there is the likelihood of material of interest being discovered in the area.

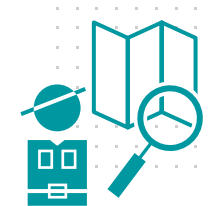


PROTECTION OF ARCHAEOLOGICAL AND ETHNOLOGICAL HERITAGE

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. These measures mainly consist of avoiding or protecting certain elements of archaeological and ethnological heritage, although on some occasions cataloguing, excavation or even restoration work is carried out.

Similarly, archaeological supervision has also been necessary at 8 new or existing substation sites and 31 works on new or existing lines, 5 and 22 respectively required intensive monitoring. In addition, intensive palaeontological tracking has been carried out in the construction of a new substation.



ArqueoRED PROJECT

Over the last 5 years

THE PROJECT HAS ENABLED A DIGITAL MAP OF THE ENTIRE COUNTRY TO BE DRAWN UP THAT CONTAINS INFORMATION REGARDING CATALOGUED CULTURAL HERITAGE



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THE CONSERVATION OF HERITAGE

Noteworthy is the conservation of a cultural trail in the Turia Natural Park, where different military structures of the Spanish civil war can be seen.

On the other hand, the Company began to work on the ArqueoRED project five years ago, 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 enables the necessary measures to be defined in each case and thus avoid potential impacts. To date, we have proceeded to compile all available documented information available in a digital format and which has been contrasted in the field.

In addition, Red Eléctrica actively collaborates with the public administration in the conservation of heritage by developing cultural projects in the areas surrounding its facilities. An example of this is the creation of and collaboration on a cultural trail 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.

ELECTRIC AND MAGNETIC FIELDS / 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.

Permanent presence of an archaeologist in 63% of the works in substations and 71% of the works for lines.



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- Establishing the minimum distance of electricity lines from population nuclei and isolated houses

To verify compliance with the recommendation, Red Eléctrica has a tool that uses specific line parameters to calculate accurately the maximum EMF levels that said facilities could generate.

This type of study was carried out in 2019 for the 220 kV underground line between Eliana-Beniferri which is currently under construction.

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.

In addition, Red Eléctrica carries out some measurements at the request of interested parties. In 2019, it took measurements on four lines, that have produced results below the 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 generates significant interest in the territories where electricity facilities are located, the Company gives special relevance to this point in the informative sessions regarding future projects, as has been the case with those carried out in 2019 in the municipalities of Cantabria where the future 220 kV Cacedo-Puente de San Miguel line is currently in the permitting process stage.

Thanks to the criteria applied by Red Eléctrica in the design of its facilities, electric and magnetic field (EMF) levels are kept below those recommended by the Council of the European Union.



Evaluation of compliance with

EMF LEVELS INCLUDED IN THE REGULATION

CARRIED OUT ON **100** % OF THE FACILITIES



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IN 2019

No incidents have occurred due to non-compliance with the regulations regarding electromagnetic fields.

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. In this regard, a conference was held with the Sub-Directorate General of Environmental Assessment of MITECO to agree on the state-of-the-art technology related to this environmental aspect of electricity transmission facilities.

In addition, contact has been made with various experts at national and international level for the creation of a group of experts on electromagnetic fields spearheaded by Red Eléctrica and in collaboration with other electric utility companies. The aim is to advise environmental bodies on the design of environmental and social assessment guidelines for new projects.



GROUP OF EXPERTS

IN THE SPHERE OF ELECTROMAGNETIC FIELDS, SPEARHEADED BY RED ELÉCTRICA, TO ADVISE ENVIRONMENTAL BODIES ON THE DESIGN OF ENVIRONMENTAL AND SOCIAL ASSESSMENT GUIDELINES FOR NEW PROJECTS



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BIODIVERSITY

103-1 / 103-2 / 103-3

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.

Red Eléctrica maintains alliances in matters of biodiversity conservation with the competent areas of the public administration and other organisations in the different autonomous communities. The following alliances with organisations of reference are also noteworthy:

- Adhered to the **Biodiversity Pact**. Red Eléctrica forms part of the Spanish Initiative for Business and Biodiversity promoted by the Ministry of Ecological Transition.
- Signing of the framework agreement for relations (2018-2021) with the **Centre for Mediterranean Cooperation** [International Union for the Conservation of Nature].

Red Eléctrica maintains alliances in matters of biodiversity conservation with the competent areas of the public administration and other organisations in the different autonomous communities.



MULTI-YEAR ACTION PLAN

WHICH SETS OUT THE MAIN ACTIONS FOR THE PROTECTION AND CONSERVATION OF BIODIVERSITY TO BE CARRIED OUT IN THE PERIOD 2017-2021

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- Signing of a framework agreement with **SEO Birdlife** (Spanish Ornithological Society) for the conservation and protection of biodiversity [2018-2021].
- Signing of the Agreement for the formalisation of the '**Natural Capital in the Spanish Energy Sector**' working group.

BIODIVERSITY MANAGEMENT / 103-2

Biodiversity management is carried out taking into account the **hierarchy of impact mitigation**. The potential effects on biodiversity are associated with the presence of the facilities in the territory and with the construction and maintenance of the same. The main impacts are described throughout this chapter.

Avoidance of areas rich in biodiversity is a priority criterion considered when choosing the locations for the siting of facilities. However, bearing in mind that 25% of the surface area of Spain has

some form of environmental protection, it is inevitable that in some cases infrastructure will cross or be located in protected areas or areas with species of interest. On these occasions, Red Eléctrica implements all the necessary preventive and corrective measures to **minimise** potential impacts, including the **restoration** of affected areas, when possible.

Lastly, the Company carries out different environmental improvement actions aimed at promoting biodiversity in the vicinity of the facilities. In addition, Red Eléctrica encourages and collaborates with the public administration, non-governmental organisations, research bodies and other interested parties in the development of biodiversity conservation projects. These measures and projects are aimed at **offsetting** the impacts that may possibly have been produced during the execution of the activities.

HIERARCHY OF IMPACT MITIGATION ON BIODIVERSITY

AVOID AREAS RICH IN BIODIVERSITY	MINIMISE IMPACTS RESTORE AFFECTED AREAS	OFFSET THE IMPACTS PRODUCED
Through an adequate design of the facilities in the planning and project phases.	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 the risk birdlife colliding with lines and those regarding the management of the safety corridors.	Through complementary measures for environmental improvement, the development of biodiversity conservation projects and the development of actions linked to fire prevention agreements.



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CREATING A POSITIVE IMPACT ON NATURAL CAPITAL

Within the framework of the goals set in its 2030 Sustainability Commitment, the Red Eléctrica Group has undertaken to generate a **positive net impact on natural capital in the vicinity where its facilities are located**. To advance towards meeting this objective, Red Eléctrica is working on incorporating the concept of natural capital into its management.

In accordance with the guidelines of the *Natural Capital Protocol* and given the relationship of interdependence of the Group's activity with society, Red Eléctrica understands natural capital as the inventory of assets or natural resources of an ecosystem, whether biotic or abiotic (biodiversity, air, water, soil, minerals) which, combined or by themselves, provide society with benefits: ecosystem services.

During 2019, based on a **pilot project** carried out on an existing facility, the Company worked on the design of a **methodology and analysis for the responsible assessment of natural capital**. In view of the impossibility of measuring the total value of natural capital, responsible assessment considers the measurement of changes of the same and the influence it has on Red Eléctrica's business model.

In this regard, the following work was carried out:

- Identification of the natural assets most related to electricity transmission: habitat, soil and landscape [UN classification].

- Analysis of positive and negative impacts and dependencies of transmission system facilities on said natural assets.

- Identification of the 21 most relevant ecosystem services for the conservation of biodiversity related to the natural assets identified and to the transmission grid.

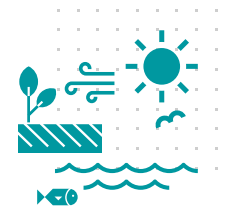
- Design of an assessment system for each of the ecosystem services identified.

From 2020 onwards, the Company foresees making progress in the adjustment of the information gathered in the environmental impact studies for new facilities in order to calculate the responsible assessment of the value of the natural capital of these facilities.













The development of this methodology and its application will allow progress to be made in the quantification of the impacts (positive and negative) of electricity transmission facilities on ecosystem services and, therefore, raising awareness on the net balance of its impact on biodiversity. This quantification will facilitate, among other things, the definition of offsetting measures and their desired level of fulfilment and will help identify the positive impacts on which to focus efforts. In this way, it will be possible to move towards the positive impact sought.

Red Eléctrica's facilities occupy only 0.08% of the Spanish Red Natura network. In 2019, only 11.47% of the new kilometres of line built is located in protected areas (Red Natura) and no new substations have been built in protected areas.

NATURAL CAPITAL



DURING 2019, BASED ON A PILOT PROJECT CARRIED OUT ON AN EXISTING FACILITY, THE COMPANY WORKED ON THE DESIGN OF A METHODOLOGY AND ANALYSIS FOR THE RESPONSIBLE ASSESSMENT OF NATURAL CAPITAL.

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BIODIVERSITY ACTION PLAN (2017 - 2021)

BIODIVERSITY CHALLENGES

MOST RELEVANT ACTIONS	PROGRESS MADE IN 2017	PROGRESS MADE IN 2018	PROGRESS MADE IN 2019	2021 GOALS
Improve the management of biodiversity in the Company, incorporating new approaches and expanding its scope				
<ul style="list-style-type: none"> · Definition of a new assessment methodology for investment projects. · Promoting the management of biodiversity in the Group's subsidiaries. · Extending commitment to the supply chain. 	Actions underway.	<ul style="list-style-type: none"> · Definition of a new methodology for assessing the impact of investment projects on natural capital. · Definition of biodiversity conservation criteria for the selection of suppliers. 	Design of a methodology for the analysis and responsible assessment of natural capital, based on ecosystem services and tested in a practical business case.	Completion of the three proposed actions.
Make facilities compatible with biodiversity				
Birdlife: Multi-year line marking plan.	38 % of the critical priority area marked.	51% of critical priority areas marked.	60,7% of critical priority areas marked.	100% critical priority areas marked by 2023.
Forested areas: Signing of agreements for the prevention of forest fires.	12 agreements in force.	13 agreements in force.	10 agreements in force and 3 in the process of being renewed.	21 agreements in force [nationwide].
Habitat of high ecological value: HABITAT Project.	Obtaining field-validated mapping for 16 Autonomous Communities.	Field-validated mapping for all the Autonomous Communities (30,361 ha of Priority Habitats of Community Interest beneath overhead electricity lines, 11,000 ha with a high conservation status).	Standardisation of the mapping of the different Autonomous Regions. Integration into the mapping database.	Mapping designed, field-validated state of conservation and management plans for the conservation of the habitats identified in all the Autonomous Communities.
Promote the conservation of biodiversity				
Participation in wildlife conservation projects (especially birdlife) and flora.	11 birdlife projects (on focal species) in force.	12 birdlife projects (on focal species) in force.	15 birdlife projects (on focal species) in force.	6 annual projects in force, 5 of them on focal species.
Red Eléctrica Forest.	Surface area recovered: 778 ha recovered. Investment: 1,843,941 euros.	843 ha recovered. Investment: 2,126,327 euros.	843 ha recovered. Investment: 2,126,327 euros.	Exceed 1,000 ha recovered and reach a total investment of 2,500,000 euros.
Red Eléctrica Marine Forest.	Agreements signed with the CSIC and the Government of the Balearic Islands.	1 hectare planted.	1.5 hectares planted.	Development of the Posidonia forest: 2 ha.

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BIODIVERSITY ACTION PLAN (2017 - 2021)

BIODIVERSITY CHALLENGES

Continued

MOST RELEVANT ACTIONS	PROGRESS MADE IN 2017	PROGRESS MADE IN 2018	PROGRESS MADE IN 2019	2021 GOALS
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Raise awareness on Red Eléctrica's stance on biodiversity matters

Increase employee awareness.		Publication of information related to biodiversity on the corporate intranet.		Publication of internal news and the carrying out of specific campaigns.
Promote corporate volunteering in the field of biodiversity.	Volunteering actions within the framework of the Red Natura 2000 day.	Volunteering actions: European ORed Natura 2000 day; Libera Project campaigns; REE Asturias Forest; Workday for the removal of invasive flora in Valencia.	Red Natura 2000 campaign; Libera project campaigns; Limne Foundation; Oceans Day; Scopoli's Shearwater Release project.	Development of new actions [at least one a year].
Increase the Company's externally visibility with regard to biodiversity.		Dissemination of projects in the press and on social networks, publication of brochures and videos and participation in forums and specialised working groups.		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.	Vegeta Project Prodint Project. Project for the assessment of natural capital.	Minimum of three innovation projects implemented in the period.
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PROTECTION OF HABITATS AND SPECIES DURING WORKS / 304-3

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. / 304-2

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.

SPECIFIC MEASURES NOTEWORTHY IN 2019

Protection and conservation of flora

- Dismantling, assembly and hoisting of 6 towers using a helicopter on the 220 kV Gúeñes-La Jara 1 line, to avoid the opening up of access routes and avoid earthworks in forested areas with steep slopes.
- Hanging of line by helicopter for 14 towers of the 132 kV Puerto del Rosario-La Oliva line, to prevent damage being caused to the rough and barren volcanic landscape.
- Cordoning off of areas to avoid impacts on Hornwort plants (*Caralluma bruchardii*), a species in danger of extinction according to the Catalogue of Threatened Species of the Canary Islands, and the removal of stones with lichen for use in subsequent restoration works (several lines in the Canary Islands).
- Transplanting of Holm oaks and marking off of Holly trees next to a tower of the 400/220 kV incoming and outgoing feeder lines in Soto de Ribera.

Protection and conservation of fauna

- Biological stoppages of between two and seven months in the construction

- work of eleven facilities due to the presence of protected species.
- Specific control in the field (between two and five months) for two lines due to the presence of the Iberian parsley frog (*Pelodytes ibericus*) and bats.
- Protection of the Bonelli's Eagle (*Aquila fasciata*) breeding area by means of the cancellation of road construction and the marking off of the area.
- Placement of nesting deterrents on the 13 towers of the Ciudad Rodrigo incoming and outgoing feeder lines of the 400 kV Almaraz-Hinojosa line.
- Installation of a nest for the Peregrine falcon (*Falco peregrinus*) on the 400 kV Almaraz-Hinojosa line
- Installation of nests for Common kestrels (*Falco tinnunculus*) in the gantries of the 220 kV Sant Just substation.
- Installation of bird-saving devices (see section on Minimising the risk of birds colliding with overhead lines).
- Installation in the Tafalla substation (Navarra) of a base station for collecting data on the movements of Lesser Kestrels (*Falco naumanni*).



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In 2019, biological stoppages of between two and seven months were established in the construction works of eleven facilities in order to preserve protected species.

HÁBITAT PROJECT [2015-2021]

This project aims 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 its 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 (50 metres on each side of the route of the line in 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.

During 2019, work was carried out on the standardisation of the information obtained from the different autonomous communities, with the aim of integrating it into a single national layer compatible with the corporate geographic information system (GeoRed).

Furthermore, a system of indicators is being developed to assess the impact, reflecting the habitat's state/pressure it is under/ how it responds to the effects and the subsequent monitoring of the influence that activities have on the habitats.

Lastly, a comprehensive proposal will be formulated for the management and improvement of the habitats of interest, consistent with the maintenance needs of the facilities.

- 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.
- Use of construction techniques that minimise earthworks and the occupation of land (reducing the opening up of access roads, size of worksites 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.
- 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.

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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 'Birds and power lines: mapping of bird flight paths', which ended in 2016, the Company put in place a **multiyear 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 plan will mean a reduction of 25% in the potential risk of birds colliding with overhead electricity lines.

Red Eléctrica is also working on other relevant projects related to protecting birds from colliding with lines, including the analysis of the effectiveness of the bird-saving devices in different bird

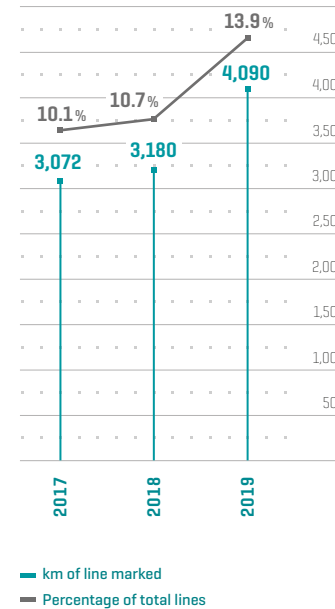
MULTI-YEAR LINE MARKING PLAN 2016-2023

FORESEES A **25%**

REDUCTION IN THE POTENTIAL RISK OF BIRDS COLLIDING WITH ELEMENTS OF THE ELECTRICITY TRANSMISSION GRID



Marking of lines with bird-saving devices

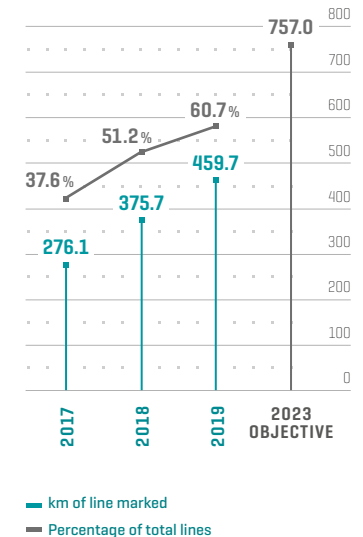


MARKING OF THE GROUNDING CABLES

Main measure to avoid birds colliding with the grounding wires by installing devices that increase their visibility.

Marking of lines with bird-saving devices

In critical priority areas. 2016-2023 Plan (1)



Note. Cumulative data at the end of each year. This data refers to the stretch of line, i.e. the length of the line regardless of the number of circuits they carry. In addition to the transmission lines marked in Spain, there are 58 km of line marked that belongs to TESUR (Peru).

(1) The target value fluctuates slightly each year, depending on the variations in Red Eléctrica de España's facilities (new lines and changes to existing lines). The percentage of marking refers to the target value defined in each of the years.

communities, a project in collaboration with the Spanish National Research Council (CSIC). In 2019, the results showing the effectiveness of this project were presented to MITECO, so that it can evaluate its possible consideration as a standardised measure.

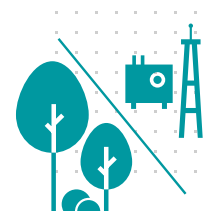
FIRE PREVENTION

In order to minimise the risk of fire associated with the presence of transmission grid facilities, strict compliance with rules regarding safety distances between flora and facilities is critical. Red Eléctrica ensures this compliance through the proper design and maintenance of the security corridors of overhead lines and of the perimeter areas around electricity substations located in forested areas.

The Company annually reviews all of its facilities and carries out periodic forestry work, applying best practices, respecting shrubs and small, slow-growing tree species, minimising actions on protected species and without using chemical treatments methods.

Red Eléctrica executes numerous projects and works aimed at optimising the management and treatment of flora and minimising the risk of fire associated with its activities, having created a specific interdisciplinary working group to work on this matter.

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 2019, 6 of the 10 agreements in force have been renewed, with an additional three in the process of being renewed. The joint budget of all of these agreements represents an investment of more than 1,040,000 euros over a period of 4 years. The Company aims to establish this type of agreement with all 21 of the competent public administrations.



COLLABORATION AGREEMENTS

FOR THE PREVENTION AND FIGHT AGAINST FOREST FIRES

In 2019, 6 of the 10 agreements in force were renewed, with an additional three in the process of renewal

INNOVATION PROJECTS REGARDING 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 these tasks.

In 2019, an algorithm [Vegeta algorithm] was defined which, based on the input variables and technical and environmental criteria, analyses the information and creates the optimum action plans. This algorithm includes information on environmental regulations specific to each of the Autonomous Regions. This year, this algorithm has already been applied to felling works for one specific line.

Prodint

A system developed by Red Eléctrica for the early detection of forest fires, using the towers of the transmission lines and by means of sensors based on the Internet of Things [IoT] technology, which capture the radiation emitted by the fire and automatically sends warnings to the system operator. This makes it possible to reduce the arrival time of firefighting agents, with a consequent reduction in costs and environmental and personal damage.

The *PRODINT* system aims to provide a service of great value to society by taking advantage of the wide geographical coverage of Red Eléctrica de España's electricity lines and the considerable height of the towers, as an ideal platform for monitoring the appearance of wildfires in large extensions of critical forested areas.



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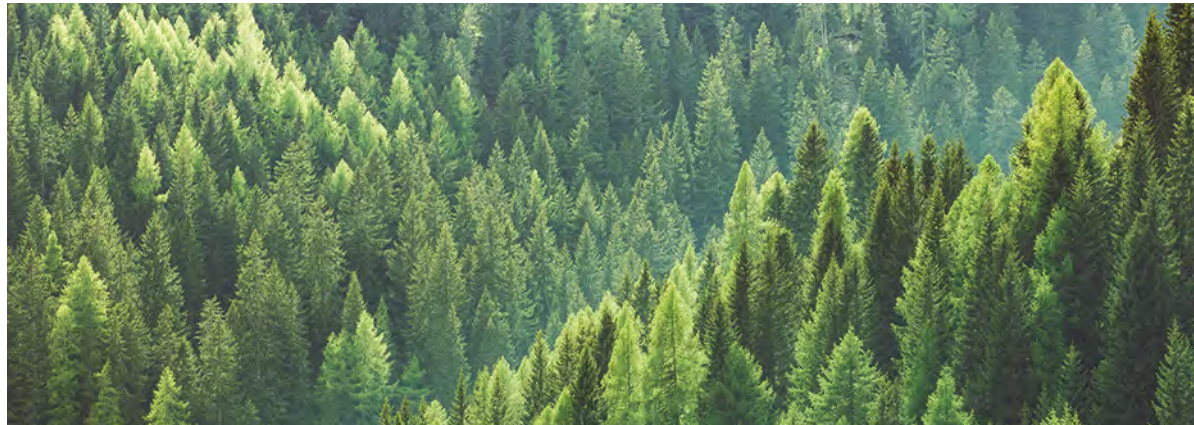
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BIODIVERSITY CONSERVATION

Red Eléctrica carries out different environmental improvement measures and projects.

Lastly, within the framework of the commitment to biodiversity and the action plan, work has begun on **offsetting measures for the loss of native flora** as a result of the felling of trees to open up the security corridors for the new electricity lines. In 2019, a first agreement was signed with this objective, whereby some 200,000 euros will be invested in the restoration of 53 hectares in a burnt-out area in the municipality of Altura [Castellón]. The planting of trees will help restore the habitat and landscape and protect the soil from erosion in addition to the loss of nutrients.

CONTRIBUTION TO BIODIVERSITY CONSERVATION / 304-3 / 304-4

Red Eléctrica carries out different environmental improvement measures and promotes various projects that actively contribute to the conservation of biodiversity.

In some cases, the work is associated with certain investment projects, focusing on specific aspects related to these projects. In others, the initiatives are more global in nature and are aimed at improving those biodiversity elements that are most related to the



OFF-SETTING MEASURES

due to the loss of native flora

AGREEMENT TO INVEST AROUND 200,000 EUROS IN THE RESTORATION OF 53 HECTARES IN A BURNT-OUT AREA IN THE MUNICIPALITY OF ALTURA [CASTELLÓN]



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The main biodiversity conservation initiatives are aimed at improving and conserving habitats and protecting birdlife.

transmission grid. For this reason, they are mainly focused on the conservation of habitats and the preservation of birdlife, specifically for focal species [those most prone to colliding with the lines].

Other actions aimed at improving biodiversity conservation are included in the *Conservation of natural capital* section in this report.

LIFE BOOGI-BOP PROJECT (2018-2021)

This project promotes the design and management of business and industrial environments taking into account nature. Biodiversity Oriented Design of Business Premises (BOP) seeks to provide solutions for shaping permanent or temporary habitats for local fauna and flora and contributes to the creation of biological corridors or urban green infrastructure. In this way, companies can contribute to biodiversity conservation while improving

their facilities, which can benefit their engagement with different stakeholders, including employees.

In 2019, Red Eléctrica de España started work on analysing the potential of the San Sebastián de los Reyes substation, for which a proposal for action has been drawn up.

BIODIVERSITY CONSERVATION PROJECTS NOTEWORTHY IN 2019

Conservation of endangered species

- Preliminary actions for increasing populations and establishing colonies of Black Vulture (*Aegypius monachus*) [1] in Aragon.
- Reintroduction of the Black Vulture (*Aegypius monachus*) [1] in the province of Burgos.
- Behavioural patterns of transmission line usage by Iberian Egyptian Vultures (*Neophron percnopterus*) [1] monitored by GPS devices, in Fuerteventura.
- Platforms for Ospreys (*Pandion haliaetus*) [1] in Andalusia.
- Reintroduction of the Bonelli's Eagle (*Aquila fasciata*) [1] in Majorca.
- True impact of supplementary feeding on the spatial and reproductive ecology of Bonelli's Eagle (*Aquila fasciata*) [1] in the Community of Valencia.
- Reintroduction of the Bearded Vulture (*Gypaetus barbatus*) [2] in the Community of Valencia.
- Foraging grounds and movements of the Canary Houbara Bustard (*Chlamydotis undulata fuertaventurae*). [2][3] in the Canary Islands.
- Monitoring, conservation and recovery of the Iberian Imperial Eagle population (*Aquila adalberti*) [2][3] in Doñana.
- Effects of global change on Iberian Egyptian Vulture populations (*Neophron percnopterus*) [1][4] in Catalonia
- Northern Bald Ibis Observatory (*Geronticus eremita*) [5] in the province of Cadiz.

Other conservation projects

- Ecological study on the invasive Japanese brown algae (*Rugulopteryx okamurae*) on the coast of Tarifa [Andalusia].
- Bioblitz Project: intensive biodiversity prospecting in an emblematic natural enclave in Campo de Gibraltar [Andalusia].
- Recovery of the Golden Eagle (*Aquila chrysaetos*) in Galicia.
- Radio-tracking of the Golden Eagle (*Aquila chrysaetos*) in Navarra.

[1] Vulnerable species according to the national catalogue of endangered species. [2] Species in danger of extinction according to the national catalogue of endangered species. [3] Vulnerable species according to the IUCN red list. [4] Endangered species according to the IUCN red list. [5] Species regionally extinct according to the IUCN red list.



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CIRCULAR ECONOMY

103-1 / 103-2 / 103-3

As part of the path towards a sustainable energy model, the Company is committed to the integration of the circular economy in the development of its activities. In this regard, since 2018, Red Eléctrica has been a member of the **Pact for a Circular Economy** led by the Ministry of Ecological Transition and the Demographic Challenge, whose objective is to involve the main economic and social agents in Spain in the transition towards a new economic model in which products, materials and resources are kept in the economy for as long as possible and in which the generation of waste is reduced to a minimum.

The commitment of the Red Eléctrica Group in this area has materialised in 2019 with the preparation of a Roadmap that will allow it to be a leading company in the circular economy in 2030. This is one of the 11 Sustainability Objectives that the Company has set for the 2030 horizon.

This **Circular Economy Roadmap** sets out the objectives to be achieved and the various actions to be carried out to progress towards their fulfilment. The actions are focused on improving

The Company is working on finding innovative solutions to minimise the amount of waste generated and improve its final management.



Objective to be achieved in the materials dimension of the

CIRCULAR ECONOMY ROADMAP

100 %

OF ECO-FRIENDLY PACKAGING, RECYCLED, RECYCLABLE OR REUSABLE PACKAGING IN THE SUPPLY OF EQUIPMENT AND MATERIALS





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OBJECTIVES OF THE 2030 CIRCULAR ECONOMY ROADMAP

Materials dimension

Creation of a circular supply network

Identification of the environmental impacts of equipment and materials from their point of origin (equipment and materials passport)

Integration of circularity criteria in procurement tenders for equipment

20% of tenders for equipment with clauses involving suppliers in maintenance and end-of-life management of the equipment

0% single-use plastics

100% eco-friendly packaging, recycled, recyclable or reusable packaging in the supply of equipment and materials

Sustainable transformers (use of vegetable esters instead of mineral oils)

Innovation and technological development (eco-friendly designed equipment and materials)



One of the goals of the 2030 roadmap is to produce zero waste (0% waste to landfill), in order to make our economy increasingly circular.

different dimensions: materials, zero waste, soils, water, energy and a final cross-cutting dimension in which the aspects that affect all the variables as a whole are included. It is worth mentioning that everything related to energy is included in the framework of the Climate Change Action Plan and is developed in the chapter on the *Reduction of the Carbon Footprint* in this report.

MATERIALS

In order to reduce the consumption of raw materials and promote the use of recycled, recyclable or reusable products, it is necessary to make progress on issues related to eco-friendly design and the consideration of environmental impacts throughout the life cycle of equipment and materials. This progress will only be possible through advances in the relationship with suppliers, collaboration with other key actors and by promoting innovation and technological development

ZERO WASTE

The nature of the waste generating activities in Red Eléctrica makes it extremely difficult to predict the evolution of the quantities produced as they are closely linked to the number and type of construction and maintenance actions carried out each year. For example, the activity

OBJECTIVES OF THE 2030 CIRCULAR ECONOMY ROADMAP

Zero waste

0% waste to landfill

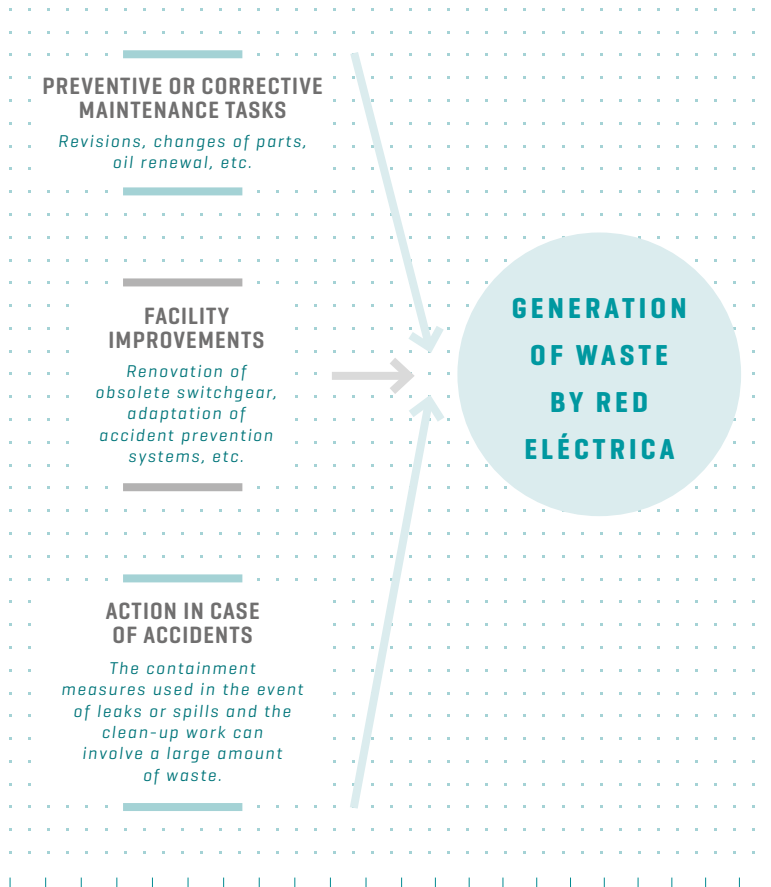
100% SF₆ waste reduction

100% reduction of waste from contaminated land (treatment of 100% of the soil affected by accidents)

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of renewing and adapting facilities generates a large amount of waste, but this cannot be limited, as this activity is linked to reducing environmental risks or increasing the safety of the system or facilities.

However, the Company is working on finding innovative solutions that make it possible to reduce the quantity and hazardousness of the waste derived from its activities and on searching for the most sustainable alternatives in terms of their life cycle.



NOTEWORTHY ZERO WASTE PROJECTS

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, must 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.

In 2018, Red Eléctrica began to design zero waste to landfill models for its facilities. In 2019, a model was developed for the Central Region (as defined by the Company), in which there are 77 waste production centres associated with the maintenance of the facilities. Its implementation and development for the rest of the Company's facilities is planned for 2020.

Sustainable treatment methods for soils and groundwater affected by leaks or spills of dielectric oils or hydrocarbons

The aim is to find innovative solutions for the treatment of these pollutants in the field, which will enable a complete clean up in situ or on site (excavated and treated on site). The alternative procedures to excavation and depositing in landfill sites allows the volume of waste generated to be reduced.

Although different techniques are considered (*Starx*, *bio* and *Ecopilas*, *Star en acuíferos*, thermal treatment, etc.), priority will be given to bioremediation, as a technology that, in addition to detoxifying the soil, restores its ecological properties. In this regard, the aim is to identify bacterial cultures with the maximum degrading capacity for the substances used by Red Eléctrica.

Project for selling obsolete power transformers

Promoting reverse logistics in materials and equipment that have reached the end of their useful life is an efficient solution for optimising obsolete inventory and obtaining added value.

The project consists of the sale of obsolete power transformers, through an auction system, so that they are incorporated into the value chain as new resources or raw materials.



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Proper maintenance of equipment, leakage containment systems and response protocols are the main measures for the prevention of soil or groundwater contamination.

SOILS

Red Eléctrica has established numerous preventive and corrective measures aimed at **preventing the contamination of soil or groundwater** due to leaks or spills of oils, fuels and hazardous substances.

On the one hand, adequate maintenance of equipment is carried out and strict procedures are established to reduce the number of incidents. On the other hand, containment systems [especially in power transformers with large amounts of oil] and response protocols are in place for possible mishaps, which reduce the consequences of accidents, should they occur.

In addition, rigorous procedures have been established for the characterisation of the subsoil in new substation locations, to eliminate risks related to incidents that occurred prior to the activity of Red Eléctrica.

In addition to these measures and with the aim of **minimising the risks** related to leaks and spills of hazardous substances, the organisation has voluntarily carried out the project for the assessment of environmental risks and identification of environmental liabilities in electricity substations (2015-2017), which has given rise to an action plan, prioritised by their urgency, to reduce, control or completely eliminate the risks identified. Since 2017, when the Company began to implement this plan, soil and groundwater characterisation actions were carried out at 17 sites [nine of them in 2019].

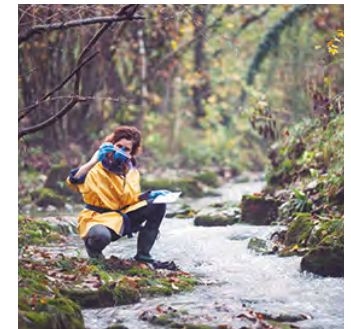
2030 ROADMAP OBJECTIVES

Soils

Action plan for the prevention of hydrocarbon leaks and mitigation of their impacts

Decontamination of 100% of the soils affected by hydrocarbons in accidents

100% reduction in the use of phytosanitary products in substations



AS OF 2017

Soil and groundwater characterisation actions have been carried out at 17 sites [nine of them in 2019].



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WATER

Despite the fact that the Company's water consumption is low and is not currently considered a material aspect for the Red Eléctrica Group, the organisation is working on finding alternative solutions to improve efficiency and optimise the use of this resource. An example of this is the development of the **Sustainable Water** innovation project, which seeks to capture atmospheric water by means of cooling technologies that use airflow condensation, for the supply of water in electricity substations.

CROSS-CUTTING ACTIONS

Globally, and with the aim of optimising the consumption of resources, the generation and management of waste and the efficiency of processes, the Red Eléctrica Group is working on the implementation of digital technologies and the integration of circular criteria in all its activities.

2030 ROADMAP OBJECTIVES

Water

Reduction of water consumption in all work centres to 6.5 m³/employee per year

REINCAN

re-use of 100% of the water consumed on site [work has not yet begun].

SUSTAINABLE WATER

A project that aims to capture atmospheric water by means of cooling technologies that use airflow condensation, for the supply of water in electricity substations.

ENVIRONMENTAL MANAGEMENT INDICATORS

KEY TO THE COMPANIES INCLUDED [scope of the data]

- REE [Red Eléctrica de España S.A.U.]
- REC [Red Eléctrica Corporación S.A.]
- REINCAN

- REI [Red Eléctrica Internacional]
- REINTEL
- REA [Red Eléctrica Andina]

- RETIT [Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología]
- Hispasat

- RECHILE [Red Eléctrica Chile]
- REDCOR [Reaseguros]

Total water withdrawal by source / 303-3 / 303-5 m³

	2017	2018	2019
Head Office [m ³] (1)	8,064	10,479	10,196
Other work centres [m ³]	19,563	12,088	10,151
Total of all work centres [m ³] (1)	27,627	22,566	20,347

Scope of the data REE+REC+REINCAN+REI+REINTEL

(1) The data provided has a coverage of 82%, in terms of personnel (taking into account all the staff 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 in 2019 comes from the municipal supply network (79.5%), wells (17.6%), cistern (2.9%). In some centres, there are cisterns for the accumulation of rainwater for sanitary use, fire prevention and irrigation. The cisterns do not have mechanisms for counting the water stored, so it is not possible to calculate the percentage of rainwater use.

Note 2: 98% of water is consumed in areas at high risk of water stress (high or extremely high-risk areas have been considered for the 'Baseline Water Stress' indicator published in WRI's 'Aqueduct Water Risk Atlas' tool).

Presence of facilities in Red Natura spaces / 304-1 %

	2017	2018	2019
National grid			
Km of line in Red Natura/total km of line (%)	15.0	15.1	15.58
Number of substations in Red Natura / number of substations (%)	5.86	5.75	5.69
Surface area of facilities in Red Natura / total Surface area in Red Natura (%) (1)	0.08	0.08	0.08

Scope of the REE data. 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. **Note:** In the facilities located in Peru (TESUR) there are 49 km of lines in buffer zones or natural reserves.



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Description of the most significant impacts on biodiversity / 304-2

Most relevant impacts on flora

220 kV Cañuelo - Pinar del Rey line: felling of 28 wild Olive trees (*Olea europaea*), 13 Buckthorn plants (*Rhamnus alaternus*), 2 Cork oaks (*Quercus suber*) and 1,600 m² of clearing of material.

400 kV Ciudad Rodrigo/Almaraz - Hinojosa line: clearing the base of the trunks of Holm oak (*Quercus ilex*) and clearing of new shoots in an area of 200 m².

220 kV Telleo - Pereda line: impact on Ruscus plants (*Ruscus aculeatus*) in 1.5 m².

220 kV Escatrón - Espartal line: impact on 4 individual Winterfat plants (*Krascheninikovia ceratoides*), catalogued as vulnerable in the Region of Aragon.

L220 kV Colón - Torreareanillas line: 280 m² of marsh vegetation cleared in the 'Estero de Domingo Rubio' Site of Community Importance and Specially Protected Area for Birds (ES 6150003).

Scope of the data: REE

Note: There were 2 fires in 2019, which affected 2,305 m² of brush and 20,000 m² of grassland, respectively. Neither of these fires affected protected areas or species of environmental interest.

Most significant impacts on marine environments

400 kV Tarifa - Fardioua submarine cable: discharge of 16.9 m³ of dielectric oil due to external damage caused in Moroccan waters in the Strait of Gibraltar at a depth of 491 metres. UNESCO considers the Strait of Gibraltar as a Mediterranean Intercontinental Biosphere Reserve.

400 kV Tarifa - Fardioua submarine cable: discharge of 0.5 m³ of dielectric oil due to external damage caused in Moroccan waters in the Strait of Gibraltar at a depth of less 100 metres, 6 km from the Moroccan coast. UNESCO considers the Strait of Gibraltar as a Mediterranean Intercontinental Biosphere Reserve.

Scope of the data: REE

Collisions detected in 2019 involving endangered species

Species	No. of birds affected
Iberian Imperial Eagle (<i>Aquila adalberti</i>) [1] [3]	1
Bonelli's Eagle (<i>Aquila fasciata</i>) [2]	2
Egyptian Vulture (<i>Neophron percnopterus</i>) [2] [4]	1
Great Bustard (<i>Otis tarda</i>) [1]	6
Houbara Bustard (<i>Chlamydotis undulata</i>) [1] [3]	1
Black Vulture (<i>Aegypius monachus</i>) [2]	1
Black-bellied sandgrouse (<i>Pterocles orientalis</i>) [2]	3
Little Bustard (<i>Tetrax tetrax</i>) [2]	1
European Turtle dove (<i>Streptopelia turtur</i>) [1]	2

Scope of the data: REE

[1] Vulnerable species according to the IUCN red list. / 304-4

[2] Vulnerable species according to the national catalogue of endangered species. / 304-4

[3] Species in danger of extinction according to the national catalogue of endangered species. / 304-4

[4] Species in danger of extinction according to the IUCN red list. / 304-4



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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 (2019) (Spanish Catalogue)	Classification according to the IUCN red list
<i>Aegypius monachus</i>	Black vulture	Vulnerable	Near threatened (NT)
<i>Aegypius monachus</i>	Black vulture	Vulnerable	Near threatened (NT)
<i>Aquila fasciata</i>	Bonelli's eagle	Vulnerable	Least concern (LC)
<i>Ardeala 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 ballii</i>	Bolle's pigeon	Vulnerable	Least concern (LC)
<i>Columba junoniae</i>	Laurel pigeon	Vulnerable	Near threatened (NT)
<i>Dendrocopos leucotos</i>	White-backed woodpecker	In danger of extinction	Least concern (LC)
<i>Falco peregrinus 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)	Endangered (EN)
<i>Fulica cristata</i>	Crested coot	In danger of extinction	Least concern (LC)
<i>Geronticus eremita</i>	Northern bald ibis	-	Endangered (EN)
<i>Gypaetus barbatus</i>	Bearded vulture	In danger of extinction	Near threatened (NT)
<i>Lagopus muta</i>	Rock ptarmigan	Vulnerable	Least concern (LC)
<i>Marmaronetta angustirostris</i>	Marbled duck	In danger of extinction	Vulnerable (VU)
<i>Milvus</i>	Red kite	In danger of extinction	Near threatened (NT)
<i>Neophron percnopterus</i>	Griffon vulture	Vulnerable	Endangered (EN)
<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 (EN)
<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)

Scope of the data: REE

The main impact on protected species caused by Red Eléctrica's operations is that arising from the collision of the birds with the lines. Within the framework of the project of "Birds and power lines: mapping of bird flight paths" 2010-2014, species that are prone to colliding with the Red Eléctrica's overhead electricity 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] the European turtle dove has been included in the list for which accidental collisions have been identified in 2018 and 2019, although it is not a focal species.

Waste broken down by type and method of disposal / 306-2 kg

HAZARDOUS WASTE	2017	2018	2019
Waste management method (2)			
Reuse	0	14,840	0
Recycling	2,982,225	1,491,163	293,670
Regeneration	799,909	535,600	818
Energy recovery	28,715	9,323	0
Removal	291,249	985,949	252,612
Total (1)	4,102,097	3,036,874	547,100

Scope of data: REE+REC+REINCAN+REI+REINTEL

NON-HAZARDOUS WASTE	2017	2018	2019
Waste management method (2)			
Reuse	0	0	30,400
Recycling	925,121	1,349,467	534,994
Regeneration	3,700	0	0
Energy recovery	27,754	220	625
Removal	893,666	171,463	152,968
Total (1)	1,850,241	1,521,150	718,987

Scope of data: REE+REC+REINCAN+REI+REINTEL

(1) The amount of waste generated decreased considerably in 2019. The drop is associated with three main causes: a) a decrease in renovation and improvement projects, reducing all types of waste generated in this activity [equipment with oil, oil, water-oil mixture and inert materials]; b) a reduction in hydrocarbon-contaminated soils, due to a decrease in the number of accidents; c) a decrease in septic tank sludge, resulting from a change in its management [the content of the sealed tanks meets the parameters to be considered as wastewater, and can, therefore, be emptied into a treatment plant without being considered waste].

(2) Waste management corresponds to that which appears in the legal documentation for its management thereof. The amount of waste to be recycled was 68% [included in the generic category of recycling: reutilisation, recycling, composting, anaerobic digestion and regeneration]. The reduction in this percentage with respect to 2018 is associated with the decrease in the generation of waste that can be recycled. It should be noted that in 2019 the amount of waste sent for disposal has been significantly reduced.

306-4. Waste treatment of used SF₆ 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 0.65% 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 2019, 13,323 Kg of equipment contaminated with PCB was managed.

Leaks and spills 2019 (1)(2) / 306-3 kg

	1	2	3	4	5
Oil or hydrocarbon leaks and spills during equipment use and maintenance	0	1(3)	2(4)	3(5)	0

Scope of data: REE

(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) One accident classified as minor: 112 litres of oil spilt from a capacitor voltage transformer affecting a gravel surface of 6m². The area was cleaned up.

(4) Two accidental oil spills classified as significant occurred:

- Spillage of 1,600 litres of oil from a power transformer. The oil was contained within the collection tank, the substation floor was unaffected.

- Spillage of 350 litres of oil due a cable termination fault caused by lightning. A surface area of 70 m² was affected, cleaning tasks have been completed.

(5) There have been 3 accidental oil spills classified as major accidents:

- Spillage of 3,500 litres of oil due to the breakdown of a reactor, affecting a surface area of 500 m² within an electricity substation. The area is being cleaned up.

- Spillage of 16,900 litres of oil due to external damage of the 400 kV Tarifa-Fardioua submarine cable [cable 7]. The depth at which the spillage occurred [491 m] and the strong sea currents in the area have not made it possible to detect oil on the surface and to contain the affected area.

- Oil spillage of 560 litres due to broken seal on the 400 kV Tarifa-Fardioua submarine cable [cable 4] that was pending repair after the previous breakage [cable 7]. We have proceeded to seal the damage. The strong sea currents in the area have not made it possible to detect oil on the surface and to contain the affected area.

There were no accidents of a serious nature in 2019. No spillage has been included in the financial statements of the organisation.



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Non-compliance with environmental laws and regulations / 307-1

Type of infringement	2016		2017		2018		2019	
	No. of cases	Amount (€)	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	-	-	-	-	1	270
Unauthorised felling and pruning	2	7,060	-	-	2 (1)	1,451 (1)	-	-
Obstruction of waterway / Unauthorised works in protected areas	-	-	-	-	-	-	1	4,800
An electricity line crossing over a livestock route without authorisation	1	30,051	-	-	-	-	-	-
Total	5	37,861	-	-	2 (1)	1,451 (1)	2	5,070

Scope of data: REE+REC+REINCAN+REI.

(1) Information updated in 2019. Closing of a case opened in 2018.



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Supply chain



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SUPPLY CHAIN

103-1 / 103-2 / 103-3

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, as part of its daily management, the Company promotes the values and commitments acquired in the field of ethics and compliance, working conditions, environment and occupational health and safety, seeking to ensure that all its suppliers also undertake these.

RESPONSIBLE MANAGEMENT MODEL OF 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 Procurement Master Plan (2018-2022) of the Red Eléctrica Group, aligned with the Company's Strategic Plan, promotes the development of initiatives that drive the relationship with suppliers

In its daily management, Red Eléctrica promotes the commitments undertaken in matters related to ethics and compliance, working conditions, the environment and occupational health and safety, guaranteeing they are extended to all suppliers.



PROCUREMENT MASTER PLAN 2018-2022

PROMOTES THE COMPANY'S RELATIONSHIP WITH SUPPLIERS IN ADDITION TO NEW, MORE EFFICIENT WAYS OF WORKING

and the evolution towards new markets to satisfy the needs of new businesses, the permanent focus on customers and the development of new ways of working that allow the team to be more efficient and be a driver of change.

Red Eléctrica has voluntarily participated in various initiatives and has become a member of professional associations that strengthen the requirement that its suppliers take on the Company's sustainability commitment, among which noteworthy is the commitment to the principles of the United Nations Global Compact.

Project for the analysis of new technologies [blockchain]. This project will help to make the relationship between companies and suppliers more agile, efficient and secure, allowing the latter to manage their own digital identity through a verification process shared by all companies.

It should be noted that the development of DIGITALIS, the digital identity platform for suppliers in blockchain developed by the Red Eléctrica Group, together with another five companies, has obtained the first prize in 'Integration of suppliers' the second prize in 'Innovation' and two special mentions, in 'Corporate Social Responsibility' and 'Transformation of the purchasing function' by the Spanish Association of Purchasing, Contracting and Procurement Professionals (AERCE).

Optimisation of the technical qualification processes relating to the approval of materials/equipment and the certification of people currently working for the supplier, which allows

the establishment of a common working framework that guarantees standardisation and transparency in the management of the qualification/certification processes within the Group, regardless of the department that carries it out. In addition, efficiencies and opportunities for improvement have been identified in the Company's various processes, systems and communication channels.

New integrated planning model [INTEGRA]. This project allows for the short, medium and long-term planning of transmission grid activities, integrating and taking into consideration the Company's needs for human resources, services, materials in addition to scheduling disconnection works. The initiative has improved aspects related to technology, data, processes, estimation of demand needs, optimisation of supplies, improvement of logistics and efficiency of actions in the field. This project has been awarded three EnerTIC

Red Eléctrica adheres to the principles of the United Nations Global Compact and hence strengthens the requirement that its suppliers take on the Company's sustainability commitment.

NOTEWORTHY INITIATIVES IN 2019

Awards 2019, which recognise the most innovative technological projects carried out by organisations committed to energy efficiency and sustainability.

Increasing the processes managed by RPA [Robotic Process Automation], for the daily sending of orders and their review or acceptance by the supplier, the archiving of all documentation related to each order (increasing the traceability of the information and facilitating its review). Its impact is very positive as it reduces time spent on repetitive tasks, making the process more efficient and allowing people to be placed at the centre of activities such as the relationship with the business, with suppliers and the leadership of cross-cutting projects, favouring excellence in management and the anticipation of future needs.

Progressive implementation of electronic auctions. This system makes it possible to strengthen communication

and improve transparency with suppliers, given that the criteria established for the awarding of tenders is made public and accepted in advance by all the participants, resulting in a tender award process controlled by a system that guarantees transparency and equal treatment.

Consolidation of the supplier relationship model under the principles of cost optimisation, efficiency, sustainability and innovation in the Company's processes through a **performance indicator model** that allows the performance of suppliers to be measured objectively.

Definition and implementation of the new waste management model, in collaboration with the Environmental area, so as to improve the operational control of said management, favouring the implementation of the 'Zero Waste' project.



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Red Eléctrica actively participates in the Responsible Purchasing Committee led by the Club de Excelencia en Sostenibilidad.

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 the training sessions organised by the Responsible Purchasing Committee of the Club de Excelencia en Sostenibilidad, conferences and practical workshops. This, together with the participation in numerous cross-cutting projects of the Company, allows it to transfer its knowledge, vision and best practices in this area to the supply chain.

The Supplier Code of Conduct

The [Code of Conduct for Suppliers](#) establishes the minimum ethical, social and environmental requirements that all suppliers must accept and comply with in order to work with Red Eléctrica, assuming the commitment to extend it to their own supply chain. The Code, in force since 1 January 2013, formed part of the General Contracting Conditions of Red Eléctrica as of that moment.

In 2019, a new **review and update** of the Supplier Code of Conduct was carried out to transfer new sustainability criteria to the supply chain (environmental, ethics, occupational health and safety, well-being and diversity), adapting the Code to best practices in relation to due diligence with third parties and ensuring its alignment with



SUPPLIER CODE OF CONDUCT

Minimum requirements

ETHICAL, SOCIAL AND ENVIRONMENTAL STANDARDS THAT ALL SUPPLIERS MUST ACCEPT AND COMPLY WITH, IN ORDER TO WORK WITH THE COMPANY



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The Company has a comprehensive manual for communication with suppliers, made available to all employees in order to convey the same messages to the supplier under the principles of standardisation, fairness, proportionality and transparency.

the updating of the Company's Code of Ethics. This process has undergone an assessment process by Transparency International, the benchmark entity in the field of integrity.

When a supplier starts the registration process in PRORED, a necessary step to be able to start the qualification process and form part of the Red Eléctrica database, the supplier must accept the Supplier Code of Conduct from the outset, which is an intrinsic part of the **General Contracting Conditions**. By accepting it, the supplier not only undertakes to govern its activity based on the principles set out therein, but also agrees with the possibility of being audited by the Company to verify its correct compliance.

In the event that the supplier does not allow itself to be audited or some non-compliance is identified and the supplier does not take corrective measures, the Company, depending on the seriousness of the non-compliance, could proceed to block or disqualify the company as a supplier of the Red Eléctrica Group. In 2019, six suppliers who refused to be audited were blocked and cannot participate in tenders. This situation is reversible once they agree to be audited.

Communication with suppliers

Red Eléctrica offers its suppliers various communication channels to facilitate and improve its service. Among them, noteworthy is ASA [Procurement Support and Helpdesk Service] which manages enquiries, doubts and grievances/claims from suppliers associated with the supply processes, as well as providing clarification regarding the content of

IN 2019

The Supplier Code of Conduct was further revised and updated with the advice of Transparency International, the benchmark entity in the field of integrity.

the Code of Conduct. In 2019, 1,609 enquiries from suppliers were dealt with, having an average turnaround time of 0.19 days to manage queries made by various stakeholders, well below the established target of 1 day. In addition to this channel, the Company has the Dígame Service and the Whistle-blowing channel, available to any stakeholder.

The Company has a **communication model** and a **comprehensive communication manual** which establishes how dialogue is maintained between Red Eléctrica and the supplier. This model and manual are disclosed to all Company employees regularly in order to convey the same messages to the supplier in the same format, guaranteeing compliance with the principles of standardisation, equity, proportionality and transparency.

In addition, the **corporate website** has a specific section for suppliers, which contains the applicable regulations and processes as well as other information of interest to companies included in the supply chain.



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MODEL FOR THE RESPONSIBLE MANAGEMENT OF THE SUPPLY CHAIN

Framework

UE DIRECTIVE 2014/25	LAW 31/2007	CODE OF ETHICS	SUPPLIER CODE OF CONDUCT	PROCUREMENT POLICY	CORPORATE RESPONSIBILITY POLICY	GUIDE FOR THE PREVENTION OF CORRUPTION	INTERNAL REGULATION
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Levers for ongoing improvement

STRATEGIC PLAN OF THE RED ELÉCTRICA GROUP	HUMAN RESOURCES MASTER PLAN	PROCUREMENT MASTER PLAN	AUDITS	ASSESSMENTS	CUSTOMER AND SUPPLIER SATISFACTION SURVEYS	OBJECTIVES AND PROJECTS
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Pillars

Continuous search for the lowest expected overall cost

- Search for efficiency, effectiveness, and simplification of processes.
- Implementation of sourcing strategies to optimise own resources.

Transparency and the separation of functions within the management processes

- Centralised management of the supply chain through the separation of functions.
- Existence of a specific independent department for suppliers.
- Maximum communication with the supplier in all processes.
- Open/transparent supplier qualification process.
- Processes in systems (traceable and auditable).

Ethical management and the development of suppliers and subcontractors

- Communication channels available to suppliers: ASA + *Digame* + whistle-blowing channel.
- Campaigns for extending the Company's principles and policies to suppliers.
- Specific development plans resulting from their supervision and monitoring.
- Development of medium to long-term partnerships.

Minimisation of the risk associated with the procurement processes

- Identification of legal / business / technical / sustainable impacts and risks and categorisation of associated suppliers.
- Establishment of requirements that mitigate said impacts and continuous verification of mentioned requirements in:
 - The supplier selection process and the awarding of contracts.
 - The qualification, subcontracting and corporate monitoring of suppliers.
- Acceptance of the Supplier Code of Conduct and verification of compliance with said Code through business audits.
- Wide range of suppliers.

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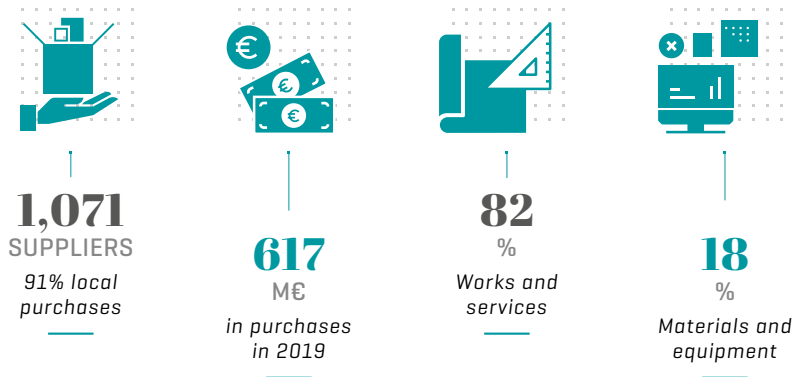
SUPPLY CHAIN / 102-9 / 204-1

Description of the supply chain

In 2019, Red Eléctrica managed its procurement of goods and services through **1,071 suppliers**, for a total of **617 million euros**. 82% of this amount corresponds to services and construction works, while the remaining 18% was for materials and equipment.

91% of the aforementioned amount was awarded to suppliers with head offices in Spain and 98% 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 1,071 suppliers mentioned with whom Red Eléctrica has worked, it is necessary to add 1,038 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 2,109.



COMPREHENSIVE MANAGEMENT PHASES REGARDING PURCHASES

Planning

The planning of purchasing, taking into account the Company's needs, in a visible and anticipatory way, allows the **efficient and sustainable management of the supply chain**, thus enabling better visibility of long-term needs and a greater level of certainty for suppliers, which enables them to better organise and plan their manufacturing processes.

To this end, the Company has developed a model for sharing increased knowledge regarding the planning of needs that provides greater traceability and facilitates consultation. Specifically, the following actions are noteworthy:

- Effective deployment of **comprehensive planning**, which makes it possible to have a plan for reviewing framework contracts,

defining an action plan on procurement policies and having a global vision of the Company's needs.

- **Optimisation of the inventory** thanks to the definition of policies and the implementation of a tool [*Integra-stock*].
- **Automation** processes that allow the calculation and scheduling of long-term material needs, controlling warehouse stock, requirement deadlines, purchase orders in progress, etc.
- Improved **visibility and traceability** through the development of an ad-hoc management tool [logistics monitor] that eliminates dependence on the logistics manager's own information systems.

The management of purchases

Procurement management starts with an adequate **selection of suppliers**, ensuring that they are known and meet the **minimum requirements** established before beginning the qualification process. In addition, suppliers must comply with the **requirements of the tender** and take into account the **criteria for awarding** the tender as set out in internal regulations.

In those supplies where it is feasible, such as ASA, the *Digame* service or catering services, among others, purchases are made through the hiring of **Special Employment Centres** that execute these services, favouring the workplace integration of people with some sort of disability and demonstrating the Company's commitment to society.

Distribution and logistics

Promoting **reverse logistics** in materials and equipment that have reached the end of their useful life is an efficient solution for the optimisation of obsolete inventory and obtaining added value from its sale. In 2019, 8 auctions were held, 5 of which were materials managed as scrap and 3 as second-life materials. The Company is also working on finding **efficient distribution routes**, monitoring deliveries in real time, and planning and coordinating the travel of staff involved in the process.

In 2019, this produced an **energy saving of 0.97% in the activity of the logistics manager's vehicle fleet** compared to the previous year.

A key factor here is the alignment of procurement and logistics policies to optimise the purchasing and storage processes with the **Red Eléctrica Group's 2030 Circular Economy Roadmap**, which, from a cross-cutting approach, promotes the circular economy and engages the key players.



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The Company identifies the risks associated with suppliers located in countries with potential risk regarding social-labour conditions, using a methodology that enables the assessment of that country's risk of sustainability impacts.

RISKS AND IMPACTS ON THE SUPPLY CHAIN / 308-2 / 414-2

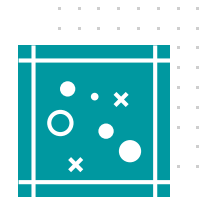
Among the initiatives that Red Eléctrica tackles within the framework of responsible management of the supply chain, it is worth highlighting the **identification of the impacts on the sustainability** of the supplies and therefore the requirements to be demanded associated with said impacts.

Once the probability of occurrence and the magnitude of each one of them has been assessed, the Company defines an **impact matrix** corresponding to the supply of equipment and/or materials and reviews the previously prepared matrix for the supply of services and works. In total, 20 types of sustainability impacts have been identified: seven in the area of ethics and working conditions, four in the area of occupational health and safety and nine in the area regarding the natural environment.

In addition, the Company identifies the risks associated with suppliers located in countries with potential risk regarding social and labour conditions, for which it has developed a methodology that enables it to assess that country's risk associated with each of the sustainability impacts, obtaining a more comprehensive assessment of the supplier by taking into account its location. If a high impact is identified, the Company can establish an action plan with the supplier and closely monitor its implementation and may reserve the right to act against the supplier if necessary.

IMPACT MATRIX

The Company has defined an impact matrix corresponding to the supplies of equipment and/or materials and has revised the matrix previously drafted for the supplies of services and works.



IMPACTS ON SUSTAINABILITY

20

TYPES IDENTIFIED

SEVEN IN THE FIELD OF ETHICS AND WORKING CONDITIONS, FOUR IN THE AREA OF OCCUPATIONAL HEALTH AND SAFETY AND NINE IN THE ENVIRONMENTAL SPHERE

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RISKS AND IMPACTS IDENTIFIED IN THE SUPPLY CHAIN AND MITIGATION MEASURES

RISKS AND IMPACTS IDENTIFIED	<u>Risks and impacts regarding ethics and working conditions</u>	<u>Risks and impacts regarding Occupational Health and Safety</u>	<u>Risks and impacts regarding the environment</u>	<u>Risks and impacts due to non-compliance with legislation</u>	<u>Risks and impacts due to non-fulfilment of deadlines or incidents in the performance of the work</u>	<u>Risks and impacts associated with supplier's country of origin</u>
	<ul style="list-style-type: none"> · Bribery and corruption. · Appropriation and misuse of information. · Discrimination/equality. · Violation of the fundamental rights of workers. · Lack of ethics in remuneration. · Impact on the well-being of the community. · Legal/regulatory non-compliance. 	<ul style="list-style-type: none"> · Accidents in the workplace. · Work-related illnesses. · Inadequate training or experience/information. · Legal/regulatory non-compliance. 	<ul style="list-style-type: none"> · Impact on biodiversity. · Impacts on soil and water. · Climate change. · Air quality. · Generation of non-hazardous waste. · Generation of hazardous waste. · Energy consumption. · Water consumption. · Legal/regulatory non-compliance. 	<ul style="list-style-type: none"> · Non-compliance with the requirements of EU Directive 2014/25 on procurement by entities operating in the water, energy, transport and postal services sectors. 	<ul style="list-style-type: none"> · Inability of suppliers to complete the execution of the works. 	<ul style="list-style-type: none"> · Risks and impacts associated with the supplier's country of origin.
MITIGATION MEASURES	<ul style="list-style-type: none"> · Acceptance of the Supplier Code of Conduct. · Conducting business audits and establishing action plans. 					
	<ul style="list-style-type: none"> · Certified quality system (ISO 9001). · Screening of suppliers. · New methodology for assessing the probability of a supplier complying with Criminal Prevention, Privacy and Cybersecurity regulation. 	<ul style="list-style-type: none"> · 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. 	<ul style="list-style-type: none"> · Environmental management system certified by a third party (ISO 14001 or similar). This requirement is compulsory for all supplies with an environmental impact. 	<ul style="list-style-type: none"> · General conditions of contract for equipment and materials, the supply of services and the provision of construction works. · Proof of a civil liability insurance policy, being up to date on payments regarding Social Security, Tax Authority, Civil Registry, and accident insurance. · Permanent monitoring of compliance with current legislation. 	<ul style="list-style-type: none"> · Certified quality management system (ISO 9001) · Control and monitoring of suppliers in financial difficulties. · Monitoring of the supplier during the term of the contract: verification of qualification requirements (business, environmental and occupational health and safety). · Establishment of KPIs and service level agreements in contracts, definition of specific clauses by contract, in addition to the General Terms and Conditions of Contract. · Minimum requirements (depending on the supply). · Analysis of references and of previous track record relating to prior works. · Comprehensive evaluation of the supplier prior to being included in the tendering process. · Awareness and supplier development campaigns. · Diversified contracts with various suppliers offering flexibility in the event that the supplies/services need to be reallocated. 	<ul style="list-style-type: none"> · 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.



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Identification and prioritisation of the risks and impacts of the supply chain has enabled Red Eléctrica to establish adequate controls to minimise them, focusing on the qualification phases as well as the monitoring, training and development of suppliers.

The main risks are controlled by means of the management systems in place and the audits carried out periodically, after which recommendations and improvements are identified, which are analysed internally and subsequently implemented in order to continuously improve the processes.

The identification and prioritisation of risks and impacts of the supply chain has allowed Red Eléctrica to establish adequate controls to minimise them. In this regard, for each of the risks identified, the Company works on the qualification, monitoring, training and development of suppliers.

Compliance in the supply chain

In view of the risk of non-compliance by suppliers with a regulation or law, Red Eléctrica has compliance mechanisms in place such as the Code of Ethics, the Supplier Code of Conduct, the General Terms and Conditions of Contract, the Criminal Risk Prevention Programme and the Guide for the Prevention of Corruption.

Furthermore, the Company also conducts business audits, the separation of functions in the purchasing process and the execution of the processes entirely through systems that enable their traceability and periodic auditing.

In addition, the Company requires the supplier to promote anti-corruption monitoring in its area of operation to prevent and detect activities such as fraud, money laundering or embezzlement.

IN 2019

The Company has focused on the culture of compliance, improving the control and monitoring of suppliers in terms of corruption and bribery.

During 2019, the Company focused on the following aspects:

- **Culture of compliance.** Improvement of the control and monitoring of suppliers in matters of corruption and bribery, through the development and testing of a new methodology for assessing the probability of a supplier's non-compliance with regulations (and, therefore, of being sanctioned), monitoring of the degree of maturity of suppliers in this area and internal dissemination of the risks identified in criminal matters, cybersecurity and privacy, to increase knowledge of the business areas and contribute to the decision-making process, in order to be able to work on their mitigation.
- **Transparency of the identified risks.** Suppliers can access the results of their company's assessment in terms of criminal compliance, privacy and cybersecurity, as well as access recommendations to help them increase the level of legal certainty regarding compliance and thus mitigate risks.



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• **A culture of privacy and proactivity in the protection of personal data.** Raising the awareness of suppliers, encouraging them to have a conscious, diligent and proactive attitude towards the processing of the personal data they manage. Development of regulations governing the hiring of personal data processors. The Company has a privacy policy, a specific methodology for risk analysis of personal data processing, a methodology for identifying, assessing, qualifying and responding to security incidents and a protocol for dealing with rights of access, rectification, erasure [right to oblivion], opposition, limitation of processing and portability of data of a personal nature and updating the privacy policy of the Red Eléctrica Group.

The Red Eléctrica Group's compliance system is described in the chapter on *Ethics and compliance* in this report.

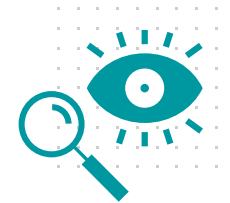
Respect for human rights in the supply chain

As a result of the work carried out in identifying the sustainability impacts of its supplies, Red Eléctrica has identified those in the area of human rights and the requirements to be demanded associated with said impacts:

- Discrimination/inequality.
- Violation of fundamental worker's rights
- Lack of ethics in remuneration.
- Lack of commitment to society.
- Non-compliance with legislation/regulations in social and labour matters.
- Accidents in the workplace.
- Professional illnesses.
- Non-compliance with legislation/regulations related to occupational health and safety.

The Company's Supplier Code of Conduct includes the commitments acquired in the area of human rights, such as:

The Company has a privacy policy, a specific methodology for risk analysis involving personal data processing and a method for identifying, assessing, qualifying and responding to security breaches.



TRANSPARENCY REGARDING THE IDENTIFIED RISKS

SUPPLIERS CAN ACCESS THE RESULTS OF THEIR COMPANY'S ASSESSMENT IN TERMS OF CRIMINAL COMPLIANCE, PRIVACY AND CYBERSECURITY



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The control of human rights in the supply chain is monitored by including specific clauses in the General Terms and Conditions of Contract.



Within the commitments undertaken in the field of human rights

BUSINESS AUDITS



AGREE ON IMPROVEMENTS THAT ENCOURAGE THE DEVELOPMENT OF SUPPLIERS AND MEASURE THEIR PROGRESS IN ORDER TO VERIFY THE IMPROVEMENTS IMPLEMENTED, OR DECIDE TO DISQUALIFY A SUPPLIER TEMPORARILY OR PERMANENTLY

- Guarantee the absence of all forms of child labour, complying with all international, national and local laws, regulations and declarations regarding the minimum age for work.
- Not to subject its employees to any type of physical or verbal abuse or any other form of intimidation.
- Guarantee the absence of any kind of forced or coerced labour.
- Not to allow any type of discrimination in the workplace associated with race, colour, gender, nationality, religion, age, social origin, ideology, disability, or sexual orientation.
- Respect the maximum number of working hours, as well as the minimum salaries established by legislation and by collective agreements to which the supplier is subject.
- Guarantee that its employees carry out their activities in a safe and healthy workplace and in accordance with applicable legislation on occupational health and safety, and hygiene. In this regard, the supplier must encourage the adoption of preventive measures that minimise the risk associated with the carrying out of its activity.
- Respect the right of its employees to associate and negotiate collectively without this entailing any type of sanction.

In the event of subcontracting by the supplier, the latter shall be responsible for ensuring that its contractors carry out their activity in the same way and in compliance with all the principles mentioned above.

The control of human rights in the supply chain is carried out through the inclusion of specific clauses in the General Terms and Conditions of Contract such as *'Any evidence of non-compliance with the aforementioned document may be grounds for the termination of the Contract or Purchase Order'*, *'The Supplier shall, in turn, be responsible for the compliance with corporate social responsibility policies by the*



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company's suppliers', etc., and/or the activation of business audits in the event of having evidence through the communication channels open to suppliers, of an indication of non-compliance with any aspect including the Supplier Code of Conduct that all suppliers must accept and comply with in order to work with Red Eléctrica, including the commitment to extend them to their own supply chain. As a result of these audits, improvements or action plans are agreed upon that encourage the development of suppliers and whose monitoring allows Red Eléctrica to measure their evolution and verify the improvements implemented. Nonetheless, the audits can also act as a tool that can lead to the temporary or permanent disqualification of a supplier depending on the results.

In 2019, no contracts with suppliers were identified in which there have been incidents related to the rights to freedom of association, collective bargaining, the use of child labour or forced or non-consensual labour, nor is there any evidence that complaints have been received for the aforementioned reasons. Nor have any suppliers been detected with a significant negative social impact, nor have any incidents been recorded through the channels set up for this purpose, which could have led to the cancellation of purchase orders or contracts with suppliers of the Group due to negative social impacts. The Red Eléctrica Group's human rights management model is described in the chapter on *Ethics and compliance* in this report.

MANAGEMENT OF SUPPLIERS

Supplier qualification / 308-1 / 414-1

During the qualification process, the Company checks and verifies that the suppliers qualified to make such supplies exceed the **minimum requirements** established. The Company requires: acceptance of the Supplier Code of Conduct, evidence of a stable financial situation, certain minimums that guarantee quality and that confirms that an appropriate civil liability policy has been contracted, and also requires references and a history of previous work carried out. In those supplies where no general minimums are established, these parameters are set out in each of the tenders in the corresponding specifications.



SUPPLIER QUALIFICATION

DURING THE QUALIFICATION PROCESS, THE COMPANY CHECKS AND VERIFIES THAT QUALIFIED AND/OR CERTIFIED SUPPLIERS EXCEED THE MINIMUM REQUIREMENTS ESTABLISHED

IN 2019

No supplier with a significant negative social impact was detected, nor were there any incidents recorded through the channels provided for this purpose.



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100% of those suppliers of goods with an impact on the environment have an ISO 14001 or equivalent, and those with an impact on occupational health and safety are certified under OHSAS 18001 or equivalent.

The purpose of Red Eléctrica in this phase is to meet the qualification requests of all companies. In 2019, the Company managed 471 requests for qualification. These requests correspond to 301 suppliers [opting for more than one supply per supplier] and affected supplies that require different verifications depending on their impact on sustainability:

- For recurring supplies, which, due to their nature, allows a definition of unambiguous requirements to be drawn up, a supplier profile is drafted [a questionnaire of minimum requirements], which must be passed as a preliminary step to qualification.
- For all supplies that have a specific supplier profile associated with them, the supplier must have an ISO 9001 quality certification.
- For supplies with an environmental impact, the supplier must have the ISO 14001 environmental certification or equivalent.
- For supplies affecting health and safety, the supplier must have the OHSAS 18000 certification or equivalent.

In 2019, the Company reviewed and updated the requirements to be demanded from suppliers in terms of occupational health and safety, ethics and working conditions, environmental and diversity aspects, in order to implement them into the qualification process.

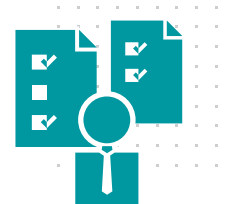
IN 2019

The Company reviewed and updated the requirements to be demanded from suppliers regarding occupational health and safety, ethics and working conditions, environmental and diversity aspects, in order to implement them into the qualification process.

REQUESTS FOR QUALIFICATION

471 REQUESTS

FOR QUALIFICATION MANAGED IN 2019 WHICH CORRESPOND TO 301 SUPPLIERS





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Red Eléctrica has an active scouting process for suppliers for those goods and services in the business areas where it needs to expand its supplier portfolio.

These requirements have been analysed internally with the areas responsible and in collaboration with other companies in the sector to take into account the global vision of the industry supported by the advice of an expert in this area.

Red Eléctrica offers a new space called **PRORED**, which is accessible via the corporate website and enables its current suppliers, and companies aspiring to become suppliers, to know in advance what the minimum qualification requirements are and how to begin the registration process and manage their qualification requests. In addition, they can update their business and contact data at any time all in one unique space. This space will help 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 their profile within the Red Eléctrica.

Furthermore, in 2019, the Company proceeded to review, simplify and update the **supplier registration questionnaire on the RePro platform**, in order to streamline the supplier's registration process, simplify the qualification procedure and encompass best practices in terms of sustainability of the supply chain, by incorporating them into the questionnaire which is mandatory for suppliers.

Active scouting process for suppliers

As part of the diversification strategy, Red Eléctrica has an active scouting process for suppliers for those goods and services in the business areas where it needs to expand its supplier portfolio. This scouting process is carried out both within Spain and abroad.

In 2019, this scouting process was carried out for the supply of 17 different goods and services and 183 companies were approached. These companies were actively encouraged to register on the PRORED platform, and the Company has now increased its portfolio by 15 suppliers for a total of 5 supply categories.



NEW PRORED SPACE

ACCESSIBLE VIA THE CORPORATE WEBSITE, ENABLES SUPPLIERS TO KNOW IN ADVANCE WHAT THE MINIMUM REQUIREMENTS ARE PRIOR TO STARTING THE QUALIFICATION PROCESS, TO BEGIN THE REGISTRATION PROCESS AND TO MANAGE THEIR QUALIFICATION REQUESTS

Subcontracting

Red Eléctrica, as part of its commitment to transfer its qualification requirements to the second level of the supply chain (*tier 2*), requires that those subcontractors who carry out activities of greater relevance and criticality must comply with the same requirements demanded of the suppliers who were awarded the contract.

In this regard, the requirements and controls established prior to the subcontracting of third parties are the following:

- Presentation of a document that accredits and proves that the payment conditions between contractors and subcontractors are those established by law (maximum 60 days after the end of the service, or delivery of the goods).
- Details of the activities that have been requested to be subcontracted in order to have a greater control of the work to be carried out.
- Proof that the subcontractor is up to date with payments to the Tax Administration and the Social Security Agency.
- Registration with the Tax on Economic Activities and the Register of Accredited Companies, if necessary, for the activity to be carried out.

The average time for the processing of requests for subcontracting is 1.5 days as of the moment the documentation submitted by the supplier has been validated, a time period that has been decreasing over the last few years, which is below the Company's commitment to resolve subcontracting requests within a maximum period of 2 days.

Supplier monitoring and development

Red Eléctrica's objective in this area is to verify both the performance of suppliers within the framework of contracts with the Company and continuous compliance with the requirements demanded at the time of qualification.

Subcontractors that carry out activities of greater relevance and criticality must comply with the same requirements demanded of the suppliers who were awarded the contract.

NOTEWORTHY MONITORING ACTIONS

Business monitoring

- **Monitoring of the financial solvency** of all qualified suppliers and application of mitigating measures in 19 of them due to their weak financial situation.
- **Continuous monitoring of legal aspects** such as being up to date with payments to the Spanish Tax Administration Agency (AEAT), Social Security, Civil Liability, etc.
- Completion of the **implementation of profiles in the Company's corporate systems**, which ensures that suppliers who are registered in those supplies in which a profile is defined (100% of supplies requiring qualification) meet the minimum requirements of the Company.

Technical monitoring

- In 2019, in collaboration with different areas responsible for contracts, **52 incidents** affecting **40 suppliers** were analysed. In all cases, a plan has been defined with improvement actions in order to correct the incident and help in the development of the supplier. In this process, two suppliers were warned, three were blocked and one was disqualified.
- Establishment of **key performance indicators and service level agreements**.

Social responsibility monitoring

- In order to verify compliance with the Supplier Code of Conduct, during 2019, Red Eléctrica carried out **business audits** on 53 suppliers. As a result of the audits, 44 action plans have been agreed upon with 16 suppliers (who have a specific period of time to correct the non-conformities identified), allowing the development of the supplier and thus confirming the improvements have been implemented. The results of these audits and their corresponding findings are shared internally, with special emphasis on the detection of major non-conformities.

CSR SCORING MODEL

The Company has a CSR scoring model consisting of a **35-question** survey that enables suppliers to be assessed in terms of social responsibility, quantifying their relative position based on the management that the suppliers carry out in four dimensions and with the following weighting:

- Leadership [20%].
- Dialogue [15%].
- Management Systems [45%].
- Communication and transparency [20%].

Depending on the result obtained, the suppliers are classified as:

- A+: above average suppliers.
- A: suppliers that have a score within the average range.
- B: below average suppliers.

Of the 1,071 suppliers who carried out work for Red Eléctrica in 2019, 43% have CSR scoring of an A+ or A.

The assessment carried out gives an added value to the supplier, as it allows them to know the areas for improvement and prioritise their efforts in terms of social responsibility. Red Eléctrica's objective is that those suppliers with a B score can achieve an A+ scoring.



In addition, the **PRORED** space allows for the business, technical, legal and social responsibility monitoring of suppliers as well as the management of identified incidents and plans with defined improvement actions. It also communicates to the technical and purchasing areas all the pertinent information regarding the opening and closing of case files regarding their supplier status. Moreover, it allows the status and control of suppliers in financial difficulties to be communicated via the system [authorisation/disqualification of suppliers in this situation and any associated communications], and to change the qualification status of a supplier after the evaluation of the test purchase order.

In addition, Red Eléctrica has made available to all its suppliers a **Guide for the development of suppliers in terms of sustainability** on its **corporate website**, as a support tool to incorporate sustainable aspects in their business management such as:

- The drafting of a Code of Ethics.
- The drafting of a sustainability policy.
- The promotion of respect for human rights in their company and in their supply chain.
- The identification and management of their company's stakeholders.
- The drafting of a sustainability report.

Red Eléctrica works on **campaigns aimed at the continuous improvement of its suppliers**, continuously defining new actions [training for its suppliers, etc.] to favour the development of suppliers and the rolling out of these campaigns throughout the entire supply chain.

Increasing the scope of sustainability objectives

As part of the objective of extending its commitment to sustainability throughout the supply chain, Red Eléctrica focuses on the areas of



RED ELÉCTRICA WORKS ON CAMPAIGNS

GEARED TOWARDS THE CONTINUOUS IMPROVEMENT OF ITS SUPPLIERS, FAVOURING SUPPLIER DEVELOPMENT AND ROLLING OUT THESE CAMPAIGNS THROUGHOUT THE ENTIRE SUPPLY CHAIN



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The Company monitors the accident severity and frequency rates of its contractors and implements measures to ensure the safety of all persons carrying out activities in Red Eléctrica facilities.

occupational health and safety, the natural environment, diversity, ethical behaviour and working conditions.

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 the environment and the fight against climate change, in 2019, the Company launched a programme of collaboration with suppliers to **reduce emissions**, which is developed in the section on the Reduction of the Carbon Footprint in this report. The Company has also approved the **Red Eléctrica Group's 2030 Circular Economy Roadmap** which establishes and prioritises, in line with the agents in the value chain, measures to reduce the consumption of raw materials in the manufacturing process, to replace them with recycled, renewable or biodegradable materials and to make use of them at the end of their useful life. This information is developed in the Environmental Management section of this report.

In addition, within the framework of the 2019 Sustainability seminars in which the Red Eléctrica Group presented its eleven 2030 Sustainability Objectives, the Company held the session

'The supply chain, a key axis in sustainable development' in which it shared with suppliers the management and targets of the Company on the reduction of the carbon footprint, diversity and occupational health and safety in the supply chain. The session was attended by more than 80 people.

Lastly, in December 2019, the Red Eléctrica Group organised an awareness-raising session with suppliers on **occupational health and safety in forestry work and fire-fighting measures**. During this session, work was carried out on the objectives of reaching

IN 2019

The Company launched a programme of collaboration with suppliers to reduce emissions, as well as the implementation of measures included in the 2030 Circular Economy Roadmap.



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a 'zero accident' vision and improving the occupational health and safety levels of all the people who work in the Company's facilities. The session focused on preventing accidents in tree felling activities, disseminating the main incidents that have occurred in recent years and sharing the lessons learned from them. It also served to present the new key performance indicators for the forestry work activity, designed to encourage the implementation of new and better practices of action and prevention in this type of work, and will allow both the results of their application and their efficiency to be measured.

Supplier training

Red Eléctrica offers its suppliers free online training given by experts on different subjects, such as: ethics in the supply chain, the carbon footprint, risk management in the supply chain, cybersecurity, etc.

During 2019, suppliers participated in monographic sessions [webinars] through which the Company's processes have been disseminated. Furthermore, the focus has been placed on the importance of compliance in the management of the supply of given services, specifically in those areas regarding criminal compliance, cybersecurity, privacy and data protection. The sessions given provide greater knowledge on these disciplines and allow doubts to be resolved in real time.

Also noteworthy in 2019, was that in collaboration with the Spanish Network of the United Nations Global Compact, the Company launched a **training programme on the fight against corruption** (an initiative that will end in 2020) with the aim of promoting anti-corruption measures, as well as preventing and detecting activities such as fraud, money laundering or embezzlement and consolidating basic concepts and values in this area in the supply chain. This training was both well attended and well received, and during 2019, **240 users** and approximately **200 suppliers** benefited from this initiative which received an average overall satisfaction level of 9.2 points from those who participated in the training.



The Company has launched, in collaboration with the Spanish Network of the United Nations Global Compact, a training programme on the fight against corruption (an initiative that will end in 2020).



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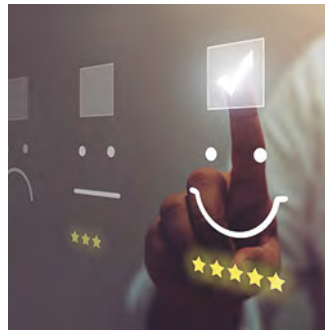


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The anti-corruption training received an average overall satisfaction level of 9.2 points.



SATISFACTION SURVEYS OF SUPPLIERS



7.8

THE OVERALL SATISFACTION INDEX OF THE LAST SURVEY CONDUCTED IN 2018

120 suppliers took part in this survey

As a result of the assessment and monitoring of its suppliers, the Company continuously identifies aspects in which they must improve, developing specific training that allows them, not only to increase their knowledge and maturity in certain matters, but also to be fully aware of the objectives that the Company has set itself in the medium and long term, to identify synergies and to favour collaborative work in the achievement of the established goals.

Supplier satisfaction survey

Every two years, the Company conducts a supplier satisfaction study 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.

The most recent results obtained from this survey, corresponding to 2018. The results again were positive, reaching an **overall satisfaction index of 7.8**. **120 suppliers** participated in the study, which was carried out in person with the 20 suppliers of Company that have the highest billing.

The suppliers highlight the following elements as strengths: the procurement management model, the definition of the processes and technology that support it, the level of confidence and ethics shown in the contractual relationships and the professionalism of the team.

The results of this study, as well as the corresponding improvement action plans, the expected benefits for each of them and the measures implemented in 2019, have been disclosed to all participating suppliers.

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Customer oriented



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CUSTOMER ORIENTED

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RED ELÉCTRICA DE ESPAÑA: TRANSPARENCY, NEUTRALITY AND PROACTIVITY IN THE MANAGEMENT OF CUSTOMERS

Customer profiles / EU3

The customers of Red Eléctrica de España are those organisations and companies to whom the services provided by the Company are targeted at and which are grouped into the following broad categories:

- **Regulatory bodies:** Ministry of the Ecological Transition and the Demographic Challenge (MITECO) and the National Commission on Markets and Competition (CNMC), responsible for regulating and evaluating the management, and establishing the remuneration of the regulated activities entrusted to the Company. 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.** 602 market subjects, who participate in organised markets on the Spanish peninsula, or that execute bilateral contracts with the physical delivery of energy, and all subjects who

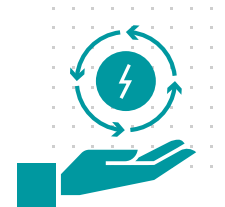
Red Eléctrica de España's customers are grouped into regulatory bodies, market agents and dispatching agents, operators and other groups.



CUSTOMERS

602

MARKET SUBJECTS



PARTICIPATING IN THE ELECTRICITY MARKET AND IN DISPATCHING
as at December 2019



KEY PERFORMANCE INDICATORS



LETTER FROM THE CHAIRWOMAN AND FROM THE CEO



A BENCHMARK REPORT AT THE FOREFRONT OF REPORTING STANDARDS



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Compliance with the System Operator's Code of Conduct guarantees the transparency, confidentiality and independence of the Electricity System Operator in the performance of its functions.

participate in the technical-economic dispatching agents in the non-peninsular territories.

These customers include generators, traders, direct consumers and representatives of these groups.

- **Operators of the interconnected electricity systems and of the electricity markets.** These include the following: operators of the interconnected electricity systems; 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 Joint Allocation Office (JAO, S.A.), the company 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.

➔ More information on the *System Operator's Code of Conduct*.

Transparency, neutrality and independence

Within its structure, Red Eléctrica de España has a specific organic unit that exclusively performs the function of System Operator and Manager of the Transmission Grid with the appropriate accounting and functional separation from the rest of Red Eléctrica de España's activities.

Red Eléctrica de España has a System Operator's Code of Conduct, the application of which guarantees compliance with the criteria of transparency, independence and confidentiality in its functions as System Operator, both with respect to the transmission activity carried out by Red Eléctrica de España, as well as with the other persons and/or entities with which it has relations.

In July 2019, a new version of the System Operator's Code of Conduct was approved, which is an update of the previous edition approved in February 2017.

The Company is obliged to publish information regarding the results of the energy markets, as well as information on processes associated with 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.



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BASIS FOR THE PUBLICATION OF INFORMATION REGARDING THE RESULTS OF THE MARKETS AND PROCESSES OF SYSTEM OPERATION

Legislation

- EU regulation 543/2013 on Transparency.
- EU regulation 1227/2011 on Wholesale Energy Market Integrity and Transparency (REMIT).
- Implementing EU regulation 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.
- Law 24/2013 of 26 December on the electricity sector.

Procedure guide for the exchange of data (ENTSO-E)

Operating procedure N° 9 'exchanges of information with the system operator' approved by the Ministerial Resolution of 18 December 2015.

Other guidelines

- EU regulation 2017/2195 of the European Commission establishing a guideline on electricity balancing.
- EU regulation 2015/1222 of the European Commission drafting a guideline on capacity allocation and congestion management.
- EU regulation 2017/1485 of the European Commission establishing a guideline on the electricity transmission system operation.
- EU regulation 2019/943 concerning the internal electricity market.

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 Web transparency

Since January 2015, Red Eléctrica has sent 100 % of the data on electricity markets to the ENTSO-E transparency platform www.transparency.entsoe.eu, in accordance with the Transparency Regulation.

IESOE Web

Red Eléctrica manages this regional information platform 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

This committee, organised every two months by the operators of the Spanish and Portuguese electricity systems (REE and REN, respectively), provides market agents and regulatory bodies with information on the operation of the electricity systems on the Iberian Peninsula, on the ancillary services market for the Spanish and Portuguese electricity systems, and on energy exchanges through the interconnections of 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 has been 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.



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RED ELÉCTRICA DE ESPAÑA

is going to undertake a new process of identifying possible integrative improvements to the e.sios website, with the aim of further strengthening its commitment to transparency.

Four years after the renewal of the e.sios public website with the commissioning of the ENTSO-E Transparency Platform, Red Eléctrica de España is going to undertake a new process for the identification of possible integrative improvements to this website, with the aim of continuing to strengthen its commitment to transparency with a view to the full implementation of the Internal Energy Market in Europe.

In relation to the ENTSO-E transparency platform, at the end of 2019, the necessary changes were implemented to incorporate the new information to be published in accordance with the European Directives on the Electricity Balancing Market and on the Management of the Electricity Transmission Grid, as well as the reporting of information required by the Agency for the Cooperation of Energy Regulators (ACER) to supervise the correct implementation of the Directive on capacity allocation and congestion management. In addition, the European cross-border intraday market (XBID) project implemented in June 2018, has begun to publish, every 15 minutes, the values of available capacity on the intraday horizon for those interconnections between bidding zones that participate in the Single Intraday Coupling Market. It should be noted that in 2020, ENTSO-E will have a new more graphical interface that will allow platform users



ENTSO-E

HAS BEGUN TO PUBLISH, EVERY 15 MINUTES, THE VALUES OF AVAILABLE CAPACITY ON THE INTRADAY HORIZON FOR THOSE INTERCONNECTIONS BETWEEN BIDDING ZONES THAT PARTICIPATE IN THE SINGLE INTRADAY COUPLING MARKET



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Red Eléctrica de España participates in and leads working and/or monitoring groups aimed at increasing communication and transparency, such as the Incident Analysis Group(GRAI), the Technical Committee for Monitoring the Operation of the Iberian Electricity System (CTSOSEI), the Market Agents Committee (CAM), the Power Measurement Monitoring Group and the Planning Monitoring Group, among others.

to compare data between countries. The platform will also support the FSkar project for the exchange of information on the financial settlement of deviations between systems.

In addition, Red Eléctrica de España participates in and leads working and/or monitoring groups aimed at increasing communication and transparency, such as the Incident Analysis Group(GRAI), the Technical Committee for Monitoring the Operation of the Iberian Electricity System (CTSOSEI), the Market Agents Committee (CAM), the Power Measurement Group and the Planning Monitoring Group, among others.

Lastly, in 2019, an external evaluation of the processes and results associated with the system operation activity under the SSAE-18 standard (Standards for Attestation Engagements), corresponding to 2018, was conducted. In all cases, the evaluators 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).

EXTERNAL EVALUATION

of processes and results of system operation activity under



SSAE-18

RED ELÉCTRICA MAINTAINS AN EFFECTIVE AND ONGOING INTERNAL CONTROL SYSTEM



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SERCLIENTE, hand in hand towards the energy transition

Red Eléctrica de España has set up a new framework of collaboration with its customers to tackle the challenge posed for the sector by the energy transition.

During 2019, under the **SERCLIENTE initiative**, Red Eléctrica de España has carried out actions aimed at strengthening interaction with clients

[generators, consumers, distributors, traders, promoters, associations, among others] in order to reinforce dialogue and maintain a strong customer focus on behalf of the Company, through a dynamic, flexible and digital approach, centred on **actively listening** to the needs and expectations of the stakeholders.

MAIN INITIATIVES IN 2019

PROACTIVE ROLE: FORUMS AND CONFERENCES

- **'Moving forward with our clients' Conference.** A session to find out the experience curve of customers in their relationship with Red Eléctrica de España, within the framework of the services provided by the System Operator. The conference was attended by more than 40 drivers of change, including generators, consumers, distributors and traders, as well as technical experts and Company executives. Through dynamics oriented towards active listening to the attendees, it was possible to identify relevant aspects, barriers and drivers, as well as the level of satisfaction with the main services provided by the System Operator, and to define initiatives to improve the customer orientation to be implemented, whose progress was reported to the group of participants.
- **Providing support in the commissioning of new generation facilities.** Holding of forums to strengthen dialogue with the promoters of generation facilities scheduled to be commissioned during 2019, in order to facilitate

the completion of the necessary permitting procedures and accompany them through the different stages of the process. In May and June, two sessions were held to provide more information about the commissioning process, which were attended by more than 230 promoters of solar photovoltaic and wind power generation facilities. Subsequently, in October, two additional sessions were held to provide more in-depth information on the different phases and requirements, as well as to resolve some doubts, questions and uncertainties posed by the attendees.

- **First settlement forum.** In February 2019, the Company organised the first forum on the subject of settlement processes of the System Operator, with the attendance of nearly 100 people from 52 different companies, with which the System Operator proposed 31 improvement actions with a 2019-2020 horizon. By the end of 2019, 54% of the targets set at the forum were achieved.

CENTRALISED COMMUNICATION: NEW CHANNELS

- **System Operator's customer mailbox.** The new framework for relations with the system operator's customers has led to an evolution in the way of communicating with them. To this end, the mailbox serclientes@ree.es was created, through which the Company has communicated the main advances made and new improvements in customer focus during 2019.
- **New web spaces.** In 2019, new spaces were defined on the corporate website regarding the access, connection and start-up service and the planning of the transmission grid, including updating the descriptive guides to procedures, the monthly publication of detailed information on the management of requests and available capacities in the nodes of the transmission grid for connecting new renewable generation, the

implementation of improvements in the remote access management platform MiAccesoREE and the information provided for a better understanding of the 2021-2026 planning process, which is currently in progress.

- **First steps towards the future customer portal.** Red Eléctrica de España has launched an initiative aimed at providing the system operation with a web portal that will enable the customer experience to be improved, to be digitalised, to simplify and speed up the main processes that the System Operator's customers request on a recurring basis, through a platform that allows communication via remote means and favours a faster and more direct dialogue with the Company through a customer-focused area.

MAIN INITIATIVES IN 2019

Continued

PROGRESS IN THE IMPLEMENTATION OF THE INTERNAL ENERGY MARKET

In order to adapt the implementation of European regulations to the Spanish electricity system and to advance towards the implementation of the Internal Energy Market, the System Operator is working together with other relevant actors in the electricity system. Among these actions, the following are noteworthy:

- **Roadmap for the adaptation of the balancing markets managed by the System Operator.** The roadmap, available for consultation on the e.sios public website, has been drawn up in a process of collaboration with stakeholders through various forums and after public consultation. Similarly, after the approval of the conditions for participating in the balancing markets by the CNMC, Red Eléctrica de España has set up several working groups with the main players of the electricity system on the management of the schedule and the updating of the roadmap, the implementation of the 15-minute deviation settlement period and the implementation of projects in relation to the systems, exchange messages and test planning.
- **Quarter hourly Programming Project [QH].** The change from the current hourly schedule to one divided into 15-minute periods has a relevant impact on both the information systems and the applications of the market subjects

INCORPORATION OF RENEWABLE POWER CAPACITY

- During 2019, Red Eléctrica de España faced the challenge of **successfully integrating a total amount of new renewable power capacity that has risen to 6.5 GW**, which has meant the integration of an all-time high volume, as never before has so much renewable power been incorporated into the system in a single year.
- To achieve this objective, the Company has made all the necessary resources available to this process. Among them, different initiatives have been developed to improve customer orientation, such as the publication of a specific section on the commissioning of facilities, improvements to the remote access management platform MiAccesoREE, the holding of various

INCORPORATION OF LARGE VOLUMES OF RENEWABLE GENERATION

- During 2019, dialogue was maintained with the agents through **monitoring groups** for the different activities regarding system operation (Planning Monitoring Group and the Power Measurement Monitoring Group), through which the main system innovations have been presented which has enabled

and the System Operator, and especially on the e.sios system. The launching of this project will count on the collaboration of all market agents in the design and specification of the new e-sios website for market agents.

- **Evolution of the system's operation in coordination with the managers of the distribution network.** Red Eléctrica de España has created two working groups to define a national, transparent and efficient framework to implement, at a national level, the requirements set out in the European regulations on system operation. These groups are: the working groups for the implementation of the requirements of the European regulations on the management of the electricity transmission grid and the network code on electricity emergency and restoration [EU 2017/1485 and EU 2017/2196] and the working group for the analysis of load frequency control in the system. Additionally, in 2019, two workshops were held in which the general lines of the proposals for the national implementation of the articles related to the information exchange of the European regulation on electricity transmission grid management were presented and discussed.

dissemination conferences with promoters and support for agents both electronically and by telephone.

- Among these actions, it is worth highlighting the **holding of conferences in the form of round tables** aimed at resolving doubts about the process, which were attended by some 120 promoters and more than 20 technical experts from the different areas of the Company involved in the process.

the expectations of the agents to be collated. Also, as part of the improvement of the commissioning process for new facilities, a training session was held with manufacturers of photovoltaic investors for their direct collaboration in the process of validating dynamic models.



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The System Operator's Code of Conduct guarantees compliance with the criteria of transparency, independence and confidentiality in the functions as TSO.

In addition, Red Eléctrica de España is working on drawing up an action plan to consolidate the SERCLIENTE initiative during 2020, focused on continuous improvement in customer orientation and a deep vocation for service, so that Red Eléctrica de España can continue to act as a facilitator to tackle, together with the rest of the agents in the sector, the new challenges of the energy transition.

Management of incidents, grievances and satisfaction surveys

Red Eléctrica de España 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 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.



GRIEVANCES SECTION

OF THE E.SIOS WEBSITE TO DIRECTLY PROCESS GRIEVANCES FROM THE SYSTEM'S ANCILLARY SERVICES MARKETS AND THE SCHEDULING OF INTERNATIONAL EXCHANGES

Key indicators

	2017	2018	2019
Number of estimated grievances relating to the ancillary service markets and scheduling of international exchanges	2	1	1
Estimated grievances for each of the types of energy managed in the system's ancillary services markets TWh	0.10	0.05	0.07
Percentage of grievances resolved	100	100	100



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Red Eléctrica de España also publishes on the e.sios website periodic reports on the incidents identified, the management of grievances received and the solutions adopted.

Red Eléctrica de España also publishes, on said website, periodic reports on incidents identified, the handling of grievances received, and the solutions adopted.

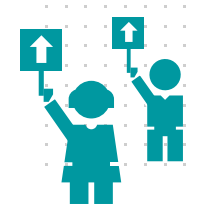
Additionally, every two years, Red Eléctrica de España conducts a satisfaction study aimed at its customers and business agents. The results of the latest survey carried out by the Company obtained an average global evaluation of 8.7 out of 10. Based on the results and the analysis of the requirements and expectations gathered, the 2019-2020 Improvement Plan has been drawn up, which contains 33 improvement actions. This plan, as well as the results obtained, are notified to the customers and business agents participating in the satisfaction study.

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 elements	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

SATISFACTION SURVEYS

The latest customer satisfaction study conducted in 2018 obtained an overall average rating of 8.7 out of 10.



IMPROVE- MENT PLAN 2019-2020

DRAWN UP FROM THE RESULTS AND THE ANALYSIS OF THE REQUIREMENTS AND EXPECTATIONS RECEIVED, IT CONTAINS

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IMPROVEMENT ACTIONS



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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.

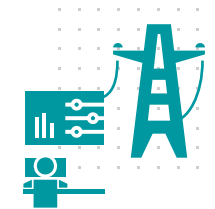
The combination of the singular characteristics of the communication networks associated with the electricity and railway environment, through their interconnection and management by REINTEL as if they were a single network, allows the customers to have access to a more extensive network with national coverage, redundant routes that are more secure, efficient and easier to operate.

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.

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

REINTEL's priority has always been excellence in the operations it offers in order to guarantee customers high levels of service quality and availability.



PERMANENT NETWORK OPERATIONS CENTRE

24 hours A DAY

7 DAYS A WEEK, CONTROLS AND MONITORS THE STATUS OF THE NETWORK



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REINTEL

Provides tailor-made solutions to its customers through its fibre-optic leasing plans associated with both the electricity transmission and the railway network, as well as technical spaces for housing telecommunications equipment.

customer's scheduled work, in order to offer a reliable service of the highest quality.

During 2019, REINTEL continued its growth path, through the commercialisation of dark fibre to both existing and new customers, managing to increase and strengthen the communications networks they offer to their end customers.

In this same year, REINTEL launched a pilot **relationship model** with one of its main customers, which will facilitate a more agile and efficient management of their daily operations and whose results will allow the convenience of extending it to other customers to be analysed.

HISPASAT: GUARANTEE OF CONNECTIVITY

With more than 30 years' experience, Hispasat maintains a strong presence in the Iberian Peninsula and Latin America, where it is already the fourth satellite operator. Hispasat has positioned itself solidly in high-growth markets and has a stable base of strategic customers. In 2019, the number of permanent customers was 108, of which 24 are classified as audio-visual, 52 as corporate and 32 as telecommunications operators. On the other hand, the number of customers who contracted the system for one-off purposes was 72. It is worth mentioning that some of these clients are also permanent service customers.



HISPASAT

MAINTAINS A STRONG PRESENCE IN THE IBERIAN PENINSULA AND LATIN AMERICA, WHERE IT IS ALREADY THE FOURTH LARGEST SATELLITE OPERATOR

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CUSTOMERS IN 2019

Hispasat's customer satisfaction survey for 2019 obtained an overall satisfaction level of 82.1%.



Through its powerful fleet of satellites, Hispasat distributes, more than 1,250 television and radio channels and is a key driver of the Spanish aerospace industry. The main services offered by the Company are direct-to-home (DTH) TV broadcasting, TV distribution/contribution, residential broadband, backhaul, remote control services and IoT (Internet of Things), corporate networks, cellular access networks, Wi-Fi access networks, mobility services (land, air and sea), security and emergencies services and defence.

The customer service process at Hispasat is governed by three procedures that guarantee that the Company's personnel have the appropriate tools and protocols to cover the needs of its customers: customer service, focusing on the treatment given to the customer throughout their commercial life cycle, with emphasis on the post-sales phase; incident management and evaluation of the perception of the external customer, which allows feedback to be obtained directly from the customers.

Hispasat offers the following customer relationship tools:

- Call centre [24/7] in three languages (Spanish, Portuguese and English), with high capacity to receive calls using local numbers in most of the countries where Hispasat provides service.
- Support centre. This is a web portal where Hispasat customers can open service incidents themselves or request information of any kind.
- Hispasat website, a space in which customers can find useful information and a channel thru which they can request that somebody contact them.
- Internal tool [CRM-Customer Relationship Management] to improve customer and contact management.

Hispasat maintains an ongoing dialogue with its customers. The main type of interaction Hispasat has with its clients is shown in the table below. It is worth noting that every two years, Hispasat carries out the customer satisfaction survey. In 2017, the overall net satisfaction rate was 83.6%. In 2019, the result was 82.1%.

Type of customer service

	2017	2018	2019
Incidents ^[1]	7,516	5,239	2,057
Complaints ^[2]	15	10	2
Suggestions	5	0	3
Enquiries ^[3]	2,607	1,057	1,306
Total	10,143	6,306	3,368

[1] Includes: operational incidents, general incidents, technical problems, terminal incidents, platform incidents, service provision issue alignment, service incident, scheduled work and changes. [2] Includes: complaints, grievances and claims. [3] Includes: operational issues, information requests, non-operational incidents and others.

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CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT

The social footprint of companies is one of the key elements of corporate discourse.



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CONTRIBUTION TO SOCIAL, ECONOMIC AND ENVIRONMENTAL DEVELOPMENT

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**. 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 mutual benefit which is perceived by society in general.



Contribution of the Company's activities



Relationship with the socio-economic environment



Conservation of natural capital



Socio-economic development of the territory





KEY PERFORMANCE INDICATORS



LETTER FROM THE
CHAIRWOMAN AND FROM
THE CEO



A BENCHMARK REPORT AT THE
FOREFRONT OF REPORTING STANDARDS



1
RED ELECTRICA
GROUP



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STRATEGY



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CORPORATE
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4
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5
ANTICIPATING
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*Contribution
of the
Company's
activities*



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CONTRIBUTION OF THE COMPANY'S ACTIVITIES

103-1 / 103-2 / 103-3 / 203-2

The Red Eléctrica Group 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.

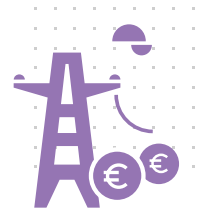
ECONOMIC AND SOCIAL CONTRIBUTION OF INVESTMENTS

The activities carried out by the Red Eléctrica Group have unquestionable benefits for society, the most well-known of which is maintaining the continuity and security of the electricity supply while offering the highest levels of quality.

Once again, **the investment effort made by Red Eléctrica de España in the transmission grid** has a beneficial impact on society given its stimulating effect on the country's economic activity as it encourages

The Group's actions and investments are aligned with its business objectives, generating shared value and having a positive impact on the quality of life of society in the territories where the Company assets are located.

THE INVESTMENT EFFORT MADE IN THE TRANSMISSION GRID



HAS A BENEFICIAL IMPACT ON SOCIETY DUE TO ITS STIMULATING EFFECT ON THE COUNTRY'S ECONOMIC ACTIVITY



KEY PERFORMANCE INDICATORS

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In 2019, Red Eléctrica de España made a total investment in the transmission grid of 396 million euros.

production and therefore generates 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 taking into account not only the direct investment made but also the increased activity that occurs as a result of the circular flows that originate in any economic activity

Since 2017, Red Eléctrica has followed a benchmark methodology based on the implicit activity multipliers obtained in the **Input-Output Tables**, which enables the level of overall activity generated from an initial investment to be estimated. The calculations are made taking into account three large areas of impact (shown in greater detail on the right).

In 2019, Red Eléctrica de España made a total investment in the transmission grid of 396 million euros, of which it is estimated that 71 million euros were dedicated to importing the goods necessary to carry out the activity. The rest, around 325 million euros, corresponds to direct investment in Spain whose effects, after applying the methodology adopted, are broken down in the following table:

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.

SINCE 2017

Red Eléctrica has followed the benchmark methodology based on the implicit activity multipliers obtained in the Input-Output Tables that allow the overall level of activity generated, stemming from an initial investment, to be estimated.

Overall impact of the investment in the transmission grid

	Direct	Indirect	Induced	Total
Production (m€)	325	286	29	641
Income - GDP (m€)	149	124	10	283
Employment (number of jobs)	2,214	2,208	305	4,727
Tax revenue (m€)	54	47	4	105

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.



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Since 2014, the Red Eléctrica Group has voluntarily published its total tax contribution, highlighting the relevant economic and social benefit that stems from the Group's tax contribution. In 2019, the Red Eléctrica Group published a [tax transparency report](#), promoting awareness of the Group's tax issues in an increasingly clear and accessible manner for its stakeholders.

The investment made has generated production in the sectors of activity involved totalling 641 million euros, which represents nearly twice the investment (325 m€) initially made in Spain. This has meant a contribution to the country's GDP of 283 million euros (around 14.1% of the revenue of the Red Eléctrica Group in 2019), which in turn led to the generation of activity for an equivalent of 4,727 job positions. Therefore, as a whole, it is estimated that it generated revenues for the state treasury of 105 million euros (which represents approximately 7.5% of the provisional revenues obtained from a special tax on electricity in 2019).

This same methodology is being applied to other specific investment projects, thus obtaining the socio-economic contribution in the region and in the country in terms of increased wealth, measured through GDP, increased production, promotion of employment and income for public administrations.

TAX CONTRIBUTION AND TRANSPARENCY

[Tax strategy / 207-1](#)

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.

The tax strategy is aligned with the **2030 Sustainability Commitment** of the Red Eléctrica Group, which defines, as one of its four priorities, the contribution to the development of the socio-economic environment and is consistent with the Group's Strategic Plan. The tax strategy is available for consultation on the corporate website.



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KEY DATA

732

M€
Total tax contribution

More than
3,400

M€
tax borne in the period 2015-2019

44

%
of the value generated earmarked for the payment of taxes

98

%
of the Total Tax Contribution paid in Spain

36

%
Tax Contribution compared to the revenue figure of the Company

TOTAL TAX CONTRIBUTION / 207-4

In order to calculate its Total Tax Contribution, Red Eléctrica has followed the Total Tax Contribution (TTC) methodology of PwC, whose characteristics are:

- Measure the **impact** of tax payments on companies.
- Consider 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.
- Include **all tax payments** made to Public Administrations
- Adapt to any tax regime in the world and be easy to use even for people who do not have tax knowledge.

TOTAL TAX CONTRIBUTION

732 M€



OF WHICH 251 MILLION REPRESENTS TAX BORNE AND 481 MILLION REPRESENTS TAX COLLECTED

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.



KEY PERFORMANCE INDICATORS



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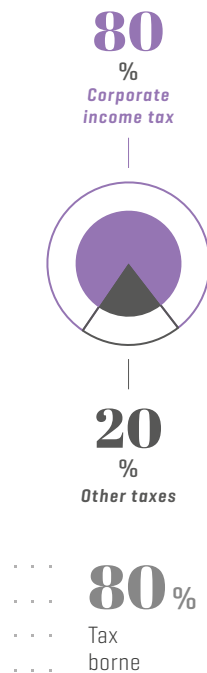


ANNEXES

The tax strategy is aligned with the 2030 Sustainability Commitment, which defines contribution to the development of the socio-economic environment as one of its four priorities and is aligned with the Strategic Plan.

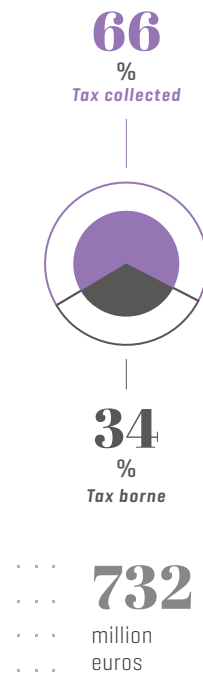
TAXES BORNE

Tax on profits, mainly Corporate Income Tax [1] represents 80% of total taxes borne that have been paid to the various tax authorities, mostly to the Spanish tax authority.



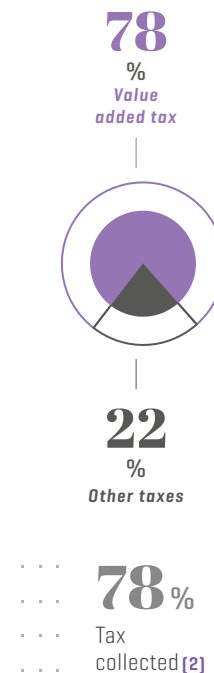
TOTAL TAX CONTRIBUTION

Red Eléctrica's Total Tax Contribution during 2019 amounted to 732 million euros, 250 million euros corresponding to taxes borne and 481 million euros to taxes collected.



TAXES COLLECTED

Of the total taxes collected during 2019, the taxes on goods and services are noteworthy, fundamentally Value Added Tax [2] which accounts for 78% of the total.



EFFECTIVE CORPORATE TAX RATE

The effective corporate tax rate in 2019 is 24.27%. 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 CORPORATE TAX RATE

24.27%

[1] The Consolidated Annual Accounts set out and explain the tax situation: effective tax rate 24.27%, accounting deductions, etc. [2] Understood as those indirect taxes equivalent to the Spanish VAT that are levied on consumption.



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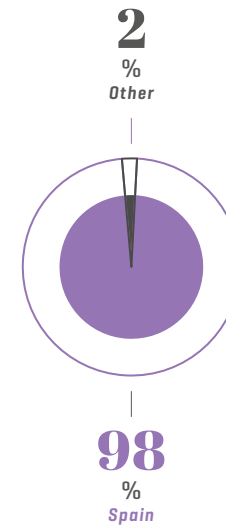
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The Total Tax Contribution of the Red Eléctrica Group to public administrations in all the countries in which it operates amounted to 732 million euros in 2019, with Spain being the legal tax authority with the highest tax contribution (98%).

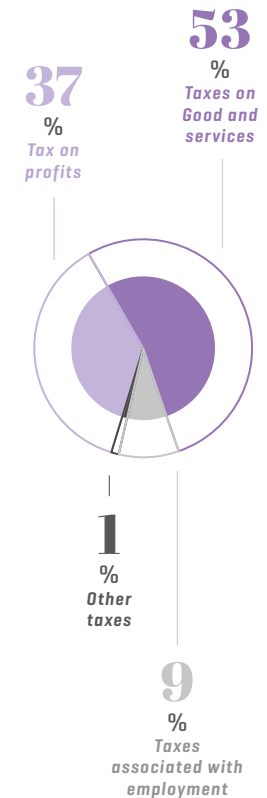
GEOGRAPHICAL DISTRIBUTION OF THE TOTAL TAX CONTRIBUTION



The revenue of the Red Eléctrica Group is mainly in Spain 96%.

TOTAL TAX CONTRIBUTION BY TAX CATEGORY

The Total Tax Contribution of the Red Eléctrica Group (732 M€) is distributed according to the following tax categories: taxes on profits (37%), taxes on goods and services (53%), taxes associated with employment (9%) and other taxes (1%).



Total Tax Contribution 2019

						M€
	Spain	Peru	Chile	Brazil	Other (1)	Total
Tax borne	243	4	2	2	-	251
Corporate tax	195	4	1	-	-	200
Other taxes	48	-	1	2	-	51
Tax collected	472	8	1	-	-	481
VAT	370	5	-	-	-	375
Other taxes	102	3	1	-	-	106
Total Tax Contribution	715	12	3	2	-	732

[1] Amounts under 1 M€.



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Of every 100 euros of value generated by the Red Eléctrica Group in 2019, 44 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 2019 stood at 1,664 million euros, a figure which is composed of the sum of the following elements:

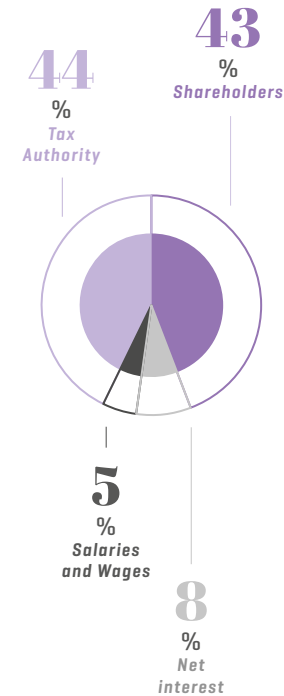
- Profit after taxes or shareholder value [718 million euros].
- Taxes [732 million euros]: borne [251 million euros] and collected [481 million euros].
- Net interest [133 million euros].
- Salaries and wages after taxes collected [81 million euros].

Tax Contribution compared to revenues

The comparison between Total Tax Contribution and total revenues is an indicator that shows the amount of the contribution made by the Red Eléctrica Group in relation to the size of its business.

The ratio of Total Tax Contribution to the revenue of the Red Eléctrica Group is 36%, of which 12% corresponds to taxes borne and 24% to taxes collected.

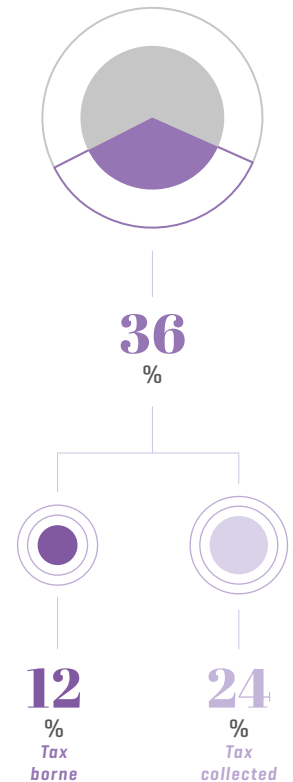
DISTRIBUTED VALUE



IN 2019

By applying the Total Tax Contribution (TTC) methodology, the distributed value of the Red Eléctrica Group would reach 1,664 million euros.

TAX CONTRIBUTION COMPARED TO REVENUES





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TAX RESPONSIBILITY / 207-1 / 207-2 / 207-3

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.



The Red Eléctrica Group leads the Tax Transparency Report ranking of IBEX 35 companies for the 2018 fiscal year prepared by the Fundación Compromiso y Transparencia (Commitment and Transparency Foundation).

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 aligned with the principles and actions of the **Base Erosion and Profit Shifting (BEPS)**.
- Since 2015, the Red Eléctrica Group has undertaken the **Code of Good Tax Practices** adopted by the Spanish Tax Authority (AEAT), which is in line with the principles and guidelines on tax matters established in the Group's **Tax Strategy**.
- Within the framework of strengthening good tax practices, since 2017, the Red Eléctrica Group has voluntarily submitted its **Tax Transparency Report** to the AEAT.
- The **Country by Country Reporting** tax statement was submitted to the AEAT.
- Approval by the Audit Committee of the tax policies applied in the annual corporate tax statement for 2018 prior to the annual presentation of the tax report and of the tax policies applied at the close of the 2019 accounting year.

- Publication of an **Annual Tax Transparency Report**, which facilitates access to all relevant information of the Red Eléctrica Group related to tax matters. This new publication contributes greatly to increasing tax transparency and disclosing information regarding tax issues in an increasingly clear and accessible manner for stakeholders.
- **Recognition** from the **Commitment and Transparency Foundation** by heading the ranking in the transparency report on the tax responsibility of IBEX 35 companies for 2018.
- Contribution to the financing of projects with social aims by marking an **'X' in the corporate tax box on the Company's corporate income tax return**. The Group earmarked 0.7% of the total amount of the 2018 corporate income tax (1.6 million euros) to the Third Sector, reinforcing the social commitment of the Red Eléctrica Group.



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CONTROL MECHANISMS

- The Red Eléctrica Group has a **Comprehensive Risk Management System** that includes any relevant tax risks. 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 an **Internal Control Over Financial Reporting (ICFR)**, which includes tax data and processes, as well as the controls associated thereto, based on the **COSO II methodology** [Committee of Sponsoring Organisations of the Treadway Commission]. 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 on the corporate website. Similarly, the Red Eléctrica Group continuously carries out awareness-raising and training activities to ensure all stakeholders are familiar with the aforementioned documents.
- Digitalisation of tax processes, in accordance with the digital transformation strategy of the Red Eléctrica Group, which reflects the need for transformation and the adoption of a cultural change.

The aspects of the control and management policy of tax risks of the Red Eléctrica Group, approved by the Board of Directors, are integrated into the Comprehensive Risk Management Policy.

TAX JURISDICTIONS (TAX HAVENS)

The Code of Ethics and the Tax Strategy of the Red Eléctrica Group include the commitment not to create companies in order to evade taxes in territories considered as tax havens. In this regard, the Red Eléctrica Group neither has a presence nor carries out any activity in those territories deemed 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.

- List of countries and territories drafted by the European Union of non-cooperative tax jurisdictions (tax havens).

- List of non-cooperative tax jurisdictions (tax havens) drafted by the OECD.

The Group's presence in the Netherlands and Luxembourg, territories considered by certain external observers as low tax rate territories, has been established to ensure better access to the financial markets and international reinsurance markets.



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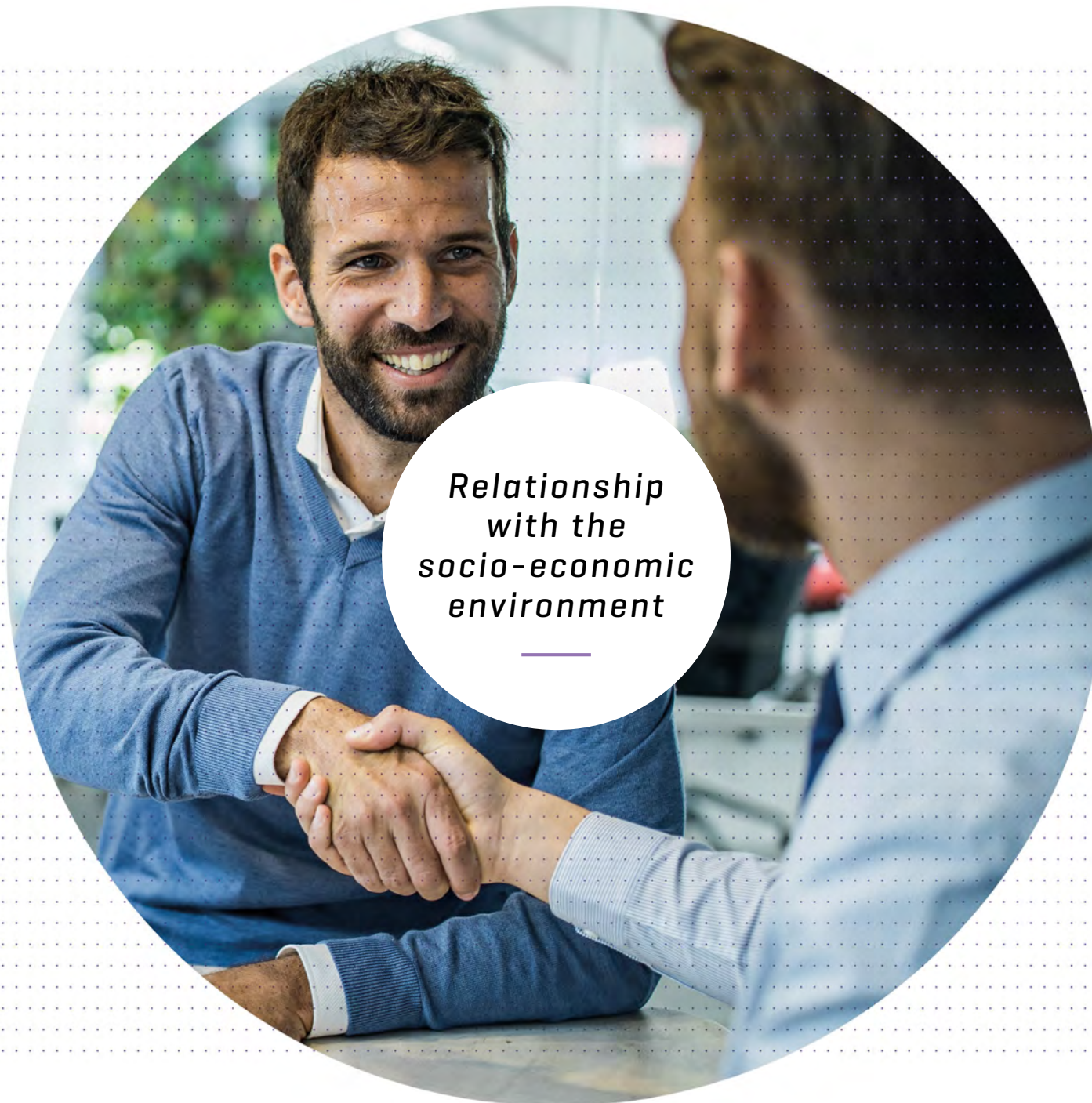
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Relationship with the socio-economic environment



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RELATIONSHIP WITH THE SOCIO-ECONOMIC ENVIRONMENT

RELATIONS WITH LOCAL COMMUNITIES

103-1 / 103-2 / 103-3 / 413-1

The Red Eléctrica Group 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.

In Spain, the Company has an organisational structure distributed nationwide that facilitates institutional communication and collaboration with public administrations as well as with public and private institutions.

In 2019, Red Eléctrica de España signed off 109 collaboration agreements with public and social entities associated mainly with the execution of socio-economic, environmental, educational and cultural development projects.

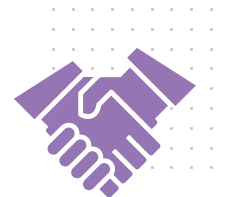
In the case of municipalities, the Company fosters engagement to provide information and raise awareness regarding the need for facilities and its role within the transmission grid, as well as to

The Company has an organisational structure distributed nationwide that facilitates institutional communication and collaboration with public administrations as well as with public and private institutions.

AMICABLE AGREEMENTS

In relation to the new investment projects completed in 2019 in Spain,

83% OF THE AGREEMENTS WITH THE LANDOWNERS WERE AMICABLE





KEY PERFORMANCE INDICATORS



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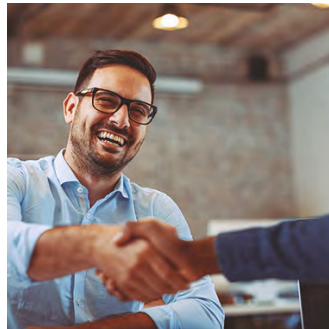


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The Company continues to carry out and improve a Community Relations Plan in Peru and Chile, structured into four key lines of action: communication, local employment, training and social support.



promote dialogue that facilitates the development of projects in a sustainable manner.

In this regard, and to maintain good relations with local communities in the area of influence of the activity of the Red Eléctrica Group in Peru and Chile, the Company continues to develop, strengthen and enhance a **Community Relations Plan** structured on four key courses of action [communication, local employment, training and social support], which aims to identify, understand and manage key social aspects for the adequate management and strengthening of the relationship with the communities in which projects are carried out.

In 2019, the Company signed amicable agreements with all the landowners affected by the new infrastructure construction project in Peru known as TESUR 3.

During 2019, a **social baseline** and stakeholder **mapping study** of the operations in Peru was carried out, with the goal of updating information and identifying the needs of local communities in order to implement sustainable local development programmes over time. Therefore, a collaboration agreement was signed with the NGO, Adra Peru.

The study identified specific needs of the territory such as deficiencies in access to basic services and drinking water, problems of anaemia, malnutrition and shortage of medicines, situations of violence and family



COLLABORATION AGREEMENTS

IN 2019,

109

COLLABORATION AGREEMENTS

WERE SIGNED WITH PUBLIC AND SOCIAL ENTITIES

Associated mainly with the execution of socio-economic, environmental, educational and cultural development projects



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Noteworthy in 2019 was the social baseline study in Peru to identify the needs of the local communities.

disintegration, problems of employability, economic precariousness and low technical knowledge, environmental or temperature-related questions, or deficiencies in means of communication and transport.

PARTICIPATION IN ORGANISATIONS AND ASSOCIATIONS 102-13

The Red Eléctrica Group is part of and actively participates in various organisations and associations in order to publicise and showcase their stance on fundamental aspects of their activity and their business management, as well as to strengthen the consolidation of alliances and maximise their contribution to the achievement of common objectives.

In 2019, Red Eléctrica de España participated in 66 organisations, associations and professional entities, with a total contribution of 2,380,418 euros. Among all these collaborations, the participation of Red Eléctrica de España in ENTSO-E, the European Network of Transmission System Operators for Electricity, whose activity is detailed below, is especially relevant.

For its part, Hispasat collaborated in 20 organisations, associations and professional entities, among which the International Telecommunications Union (ITU), the Inter-American Telecommunication Commission (CITEL) and the Inter-American Association of Telecommunications Companies (ASJET) are noteworthy.

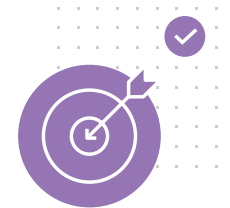


IN 2019
Hispasat collaborated in 20 organisations, associations and professional entities.

COMMON GOALS

IN 2019, RED ELÉCTRICA DE ESPAÑA PARTICIPATED IN

66 ORGANISATIONS



In order to enhance the consolidation of partnerships and maximise the Company's contribution to the achievement of common objectives



KEY PERFORMANCE INDICATORS



LETTER FROM THE CHAIRWOMAN AND FROM THE CEO



A BENCHMARK REPORT AT THE FOREFRONT OF REPORTING STANDARDS



1 RED ELÉCTRICA GROUP



2 STRATEGY



3 CORPORATE GOVERNANCE



4 COMMITMENT TO SUSTAINABILITY



5 ANTICIPATING CHANGE AND TAKING ACTION



6 DECARBONISATION OF THE ECONOMY



7 RESPONSIBLE VALUE CHAIN



8 CONTRIBUTION TO SOCIAL, ECONOMIC, AND ENVIRONMENTAL DEVELOPMENT



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Red Eléctrica participates in ENTSO-E, a key association for the coordination between European TSOs in the design and implementation of the Internal Energy Market and the deployment of European regulations.

Red Eléctrica Internacional also participated in four organisations through its involvement in ten committees, noteworthy being the Social Management Committee and the Mining and Energy Committee of the National Society of Mining, Petroleum and Energy [SNMPE] in Peru and the Association of Electricity Companies in Chile.

Active participation in ENTSO-E

ENTSO-E [European Network of Transmission System Operators for Electricity], an association comprised of 42 members, is a key tool for the coordination between European TSOs in the design, development and implementation of the Internal Energy Market as well as in the deployment of European regulations. Furthermore, it is a technical advisor of reference for the European institutions in the development of a sustainable, reliable and competitive electricity system.

Red Eléctrica de España participates in this entity, in order to:

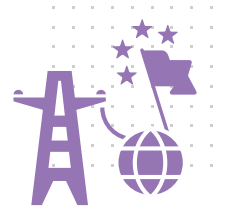
- Contribute to facing the challenges posed by the energy transition more sustainably and efficiently.
- Defend and promote the interests and good practices of the Spanish electricity system.
- Identify and analyse good practices being applied in other electricity systems.

IN 2019

Red Eléctrica Internacional participated in four organisations, both in Peru and Chile, through its involvement in ten committees.

ENTSO-E

IN 2019, A TOTAL OF 63 TECHNICAL EXPERTS FROM 21 BUSINESS UNITS DEDICATED A TOTAL OF



10,929 HOURS

to actively participating in this organisation



KEY PERFORMANCE INDICATORS



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In 2019, Red Eléctrica de España dedicated 63 technical experts from 21 units for a total of 10,929 hours and consolidated its representation and leadership in the association by being reappointed as Chair of the Legal and Regulatory Group, and by being represented in the meeting of the Assembly, the main governance body, the Board, the body that sets the orientation of the association at a technical level, and the Resources Committee, which conducts the financial monitoring of the association. The Company also participates in the five technical committees and has taken an active part in more than 60 working groups.

It should be noted that in March 2019, Red Eléctrica de España hosted a meeting for the members of the Board of ENTSO-E where the Company presented its Chira-Soria pumped-storage project.

Other organisations and associations

The Red Eléctrica Group also participates in numerous organisation and associations whose objective is to share and extend best practices, among which the following are noteworthy:

Best practices in corporate management

- International Corporate Governance Network (ICGN).
- Club de Excelencia en Sostenibilidad.
- Forética.
- The Spanish Compliance Association (ASCOM).

Best sectorial practices

- CIGRÉ
- Mediterranean Transmission System Operators (MED-TSO).
- European Association for the Storage of Energy (EASE).
- Renewable Grid Initiative (RGI).
- The Spanish Energy Club (ENERCLUB).
- Energy Cluster.

MAIN ACHIEVEMENTS OF ENTSO-E IN 2019

Implementation of European energy regulation

System development. Publication of the 2020-2040 electricity system scenarios and cost-benefit analyses

Red Eléctrica de España has promoted the consideration of external factors in the cost-benefit analyses of Projects of Common Interest through the monetised calculation of savings in emissions other than CO₂, the security of supply in terms of flexibility and the socio-economic contribution of investments. In parallel, the Company is proactively collaborating in the development of the methodologies foreseen in the legal framework of the Internal Energy Market.

Operation of the electricity system. Regional cooperation

Red Eléctrica has been a leading TSO in defining regional collaboration. The participation of the Company's corresponding area responsible for system operation has been key in determining the European regions of operation, which is fundamental for gathering the particularities of each territory without losing sight of the overall picture.

Activities resulting from cooperation between various TSOs

Development of digital platforms to facilitate the energy transition

In 2019, Red Eléctrica de España continued to participate in the development of the CGM (Common Grid Model), which facilitates the coordination of the operation of the European electricity system.

Collaboration in the field of data management to facilitate the energy transition

In November 2019, Red Eléctrica de España signed a Letter of Intent together with seven European transmission system operators (TSOs) and distributor system operators (DSOs) to analyse the future launching of an energy data access alliance connecting and collating energy data from all the European electricity systems.

Development of the European electricity system vision for 2030

Red Eléctrica de España has actively contributed to the development of the ENTSO-E reports: view on Market Design and System Operation towards 2030, which propose a coordinated vision to integrating the markets and system operation in the supranational sphere, and in the Cyber-Physical System for the Energy Transition, which identifies digitalisation as an opportunity to improve the efficiency and sustainable development of the grid.

Cooperation of electricity transmission agents and distributors for an active management of the system

During 2019, Red Eléctrica de España has collaborated on the development of the TSO-DSO report. An integrated approach to active system management, which includes strategies and tools for cooperation with distributors and which places the consumer at the epicentre of the energy system.



KEY PERFORMANCE INDICATORS



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Conservation of natural capital



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CONSERVATION OF NATURAL CAPITAL

304-3

One of the challenges assumed by the Red Eléctrica Group in accordance with its commitment to biodiversity 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 the chapter on responsible environmental management in 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 its activity. In addition, Red Eléctrica carries out projects that promote social and environmental development.

RED ELÉCTRICA FOREST

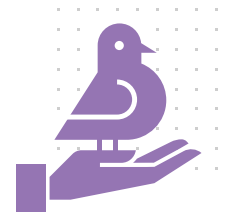
Red Eléctrica Forest is an ongoing project, started in 2009, which aims to offset part of the Company's emissions through the planting of trees and the recovery of degraded natural spaces on publicly owned land, thus contributing to the conservation of biodiversity.

Red Eléctrica Forest is a project, started in 2009, to offset part of the Company's emissions through the planting of trees.



The Company is involved in various projects, mainly related to

BIRDLIFE CONSERVATION





KEY PERFORMANCE INDICATORS



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In 2019, a new agreement was signed with Regional Government of Castilla y León for the restoration of 75 hectares of public utility land.



In addition, this initiative supports the development of local economies by contracting work to companies or groups in the area, as well as raising awareness regarding the importance of forests in addition to involving the local population and employees of the Company in this initiative.

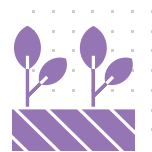
In 2019, a new agreement was signed with the Regional Ministry of Public Works and the Environment of the Government of Castilla y León for the restoration of 75 hectares of public utility land in the municipality of Agallas [Salamanca].

RED · ELÉCTRICA · FOREST · IN · FIGURES 2009-2019



TREES and shrubs planted

682,093



SURFACE area recovered

842.75 ha



INVESTMENT

2,126,327 €



EMISSIONS offset

194,791 tCO₂ eq.



THE 'RED ELÉCTRICA MARINE FOREST'

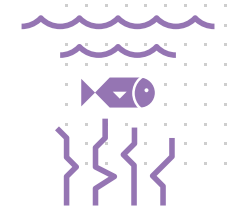
Posidonia oceanica is a marine plant endemic to the Mediterranean that forms a habitat of priority interest and is an essential ecosystem for numerous organisms to complete their life cycle. Similarly, *Posidonia* seagrass contributes to the control of water quality and the protection of the coastline, as well as being one of the main CO₂ sinks in the sea.

Posidonia seagrass meadows can be affected for various reasons, including the construction of submarine electricity cables. For this reason, Red Eléctrica promotes different actions aimed at their conservation.

Between 2012 and 2016, in collaboration with the Mediterranean Institute of Advanced Studies (CSIC-IMEDEA), the Company developed an R&D+i project on the use of seeds or fragments of *Posidonia oceanica* in the restoration of degraded areas of its natural habitat. Following this, in 2017 an agreement was signed with CSIC-IMEDEA and the Balearic Islands Government for the restoration of 2 ha of *Posidonia* seagrass meadows in Bay of Pollensa, where work has already been completed on 1.5 ha.

THE 'RED ELÉCTRICA MARINE FOREST'

This project received an award at the 12th edition of the Cinco Días Business Innovation Awards in the category of the most innovative business initiative in corporate social responsibility.



PROTECTION OF POSIDONIA OCEANICA

IN 2017 AN AGREEMENT WAS SIGNED WITH CSIC-IMEDEA AND THE BALEARIC ISLANDS GOVERNMENT FOR THE RESTORATION OF

2 ha

OF POSIDONIA IN THE BAY OF POLLENSA

where work has already been completed on 1.5 ha



KEY PERFORMANCE INDICATORS



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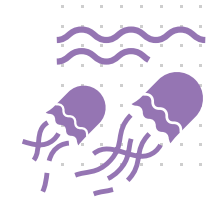


Red Eléctrica participates in educational programmes to increase awareness regarding the conservation of marine environments.

In 2019, the 'Red Eléctrica Marine Forest' received an award at the 12th edition of the *Cinco Días Business Innovation Awards* in the category of the most innovative business initiative in corporate social responsibility.

In 2019, within the framework of the *Collaboration Agreement on good anchoring practices to avoid affecting submarine links and Posidonia oceanica*, signed with the Balearic Islands Government, Red Eléctrica has provided 14 remotely operated underwater vehicles for monitoring the seabed and in particular the state of the *Posidonia oceanica* seagrass meadows. To further raise awareness of the conservation of marine environments and specifically that of *Posidonia oceanica*, Red Eléctrica participates in the promotion of various educational programmes:

- 'Bringing Posidonia into the classroom' in collaboration with the teaching community of the Balearic Islands and IMEDEA [Mediterranean Institute for Advanced Studies]. Within the framework of this programme, informative sessions and field visits are carried out for students from the region. In the 2019-2020 academic year, a total of 10 schools will participate and will be provided with aquariums and magnifying glasses.



MARINE CONSERVATION

RED ELÉCTRICA HAS SUPPLIED THE BALEARIC ISLANDS GOVERNMENT WITH

14

REMOTELY OPERATED UNDERWATER VEHICLES

for monitoring the seabed and in particular the state of the Posidonia oceanica seagrass meadows



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Red Eléctrica collaborates with public administrations, signing collaboration agreements, to carry out actions aimed at preventing and fighting forest fires.



- Collaboration with the Marine Interpretation Centre 'Aula de la Mar' in Majorca in a programme of workshops for schoolchildren. In the 2017/18 and 2018/19 academic years, 255 workshops were given and 120 more are scheduled for 2019/2020. Also, throughout the next year, the centre will host a thematic exhibition on Posidonia and the Red Eléctrica marine forest.

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 require the carrying out of various actions aimed at the prevention and fight against forest fires.

RELATED ACTIONS

NOTEWORTHY ACTIVITIES IN 2019 LINKED TO COLLABORATION AGREEMENTS FOR THE FIGHT AGAINST FOREST FIRES

Measures for the prevention of forest fires

- Selective clearing of scrubland for the recovery of pastureland in various highland areas in Asturias (41.82 ha).
- Preventive clearing of scrubland in areas at risk of forest fires in highland areas of Vizcaya. Removal of scrubland ground cover, mainly gorse (*Ulex* spp.) and to a lesser extent dry heather (*Erica* spp.).

Training for fire-fighting professionals

- Training programme for State Security Forces in Spain with 12 fire prevention training days in 14 provinces of 4 autonomous communities, with the participation of 622 attendees.
- Training for environmental and forestry agents in Aragón.
- Refresher course (integrated into the general programme of professional training and certification in forest fire fighting) for 50 environmental agents in Castilla y León.
- Training sessions on forest fires and electricity lines for environmental agents (Castilla y León). These sessions began to be held in 2018 and it is expected that in 2020 they will have been given to all the agents in this autonomous community.
- Training in safety, investigation, firefighting, and development of professional skills in forest fires in La Palma (126 participants) and Vizcaya (134 participants).

Awareness

- Informative campaign entitled 'Andalusia without fires' aimed at the general public and deployed through communication channels.
- Citizen awareness campaign 'I am plugged in to prevention' in Castilla y León, which includes a training programme for schoolchildren in which 2,000 children from 30 educational centres have participated.
- Design, planning, preparation, provision and supply of resources and awareness-raising activities in the field of prevention and the fight against forest fires in Wildland-Urban Interface (WUI) areas in Extremadura.
- Preparation of audio-visual materials for the 'Videoclips to Save the World' project launched by the Regional Government of Valencia, aimed at school children, and based on comic book characters created by the students.



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7
RESPONSIBLE
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*Socio-economic
development
of the territory*



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SOCIO-ECONOMIC DEVELOPMENT OF THE TERRITORY

103-1 / 103-2 / 103-3

The Red Eléctrica Group's model for contributing to the development of the environment is aimed at **creating sustainable value in the territories** in which its facilities are located, and with which it maintains constant communication in order to identify stakeholder needs and, as a result, participate in improving their quality of life.

In this regard, the Company fosters actions and investments aligned with its business objectives that promote local development, biodiversity conservation and the promotion of education, culture and heritage.

INVESTMENT IN THE COMMUNITY

Within the framework of the business development strategy, the Red Eléctrica Group considers and promotes social action as an essential element of its Corporate Responsibility commitment, which is carried out through activities defined in cooperation with various institutions and public and private entities to respond to the demands for collaboration put forth by stakeholders.

Red Eléctrica promotes actions and investments aligned with its business objectives that foster local development, biodiversity conservation and the promotion of education, culture and heritage.

SOCIAL ACTION



AN ESSENTIAL ELEMENT OF THE GROUP'S COMMITMENT TO SUSTAINABILITY, THROUGH MEASURES DEFINED IN COLLABORATION WITH INSTITUTIONS AND PUBLIC AND PRIVATE ENTITIES

In order to respond to the demands for collaboration posed by stakeholders



KEY PERFORMANCE INDICATORS



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Red Eléctrica has carried out 545 social initiatives in 2019 (25% more than the previous year), mainly focused on the socio-economic development of the territory.

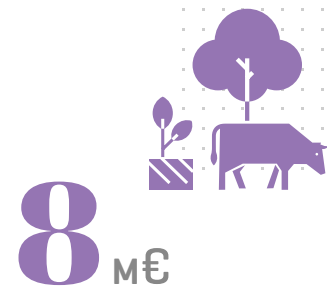
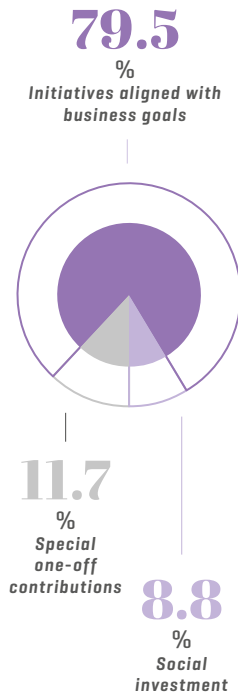
In 2019, the Company contributed 8,040,264 euros [1.1% of its net profit] to the development or promotion of social initiative, in accordance with [LBG methodology \(Landon Benchmarking Group\)](#).

Of the 545 social initiatives carried out, which represents an increase of 25% on the number identified last year, more than half are focused on the socio-economic development of the territories with activities that generate wealth in the area, intending to favour rural repopulation.

Social innovation / 103-1 / 103-2 / 103-3

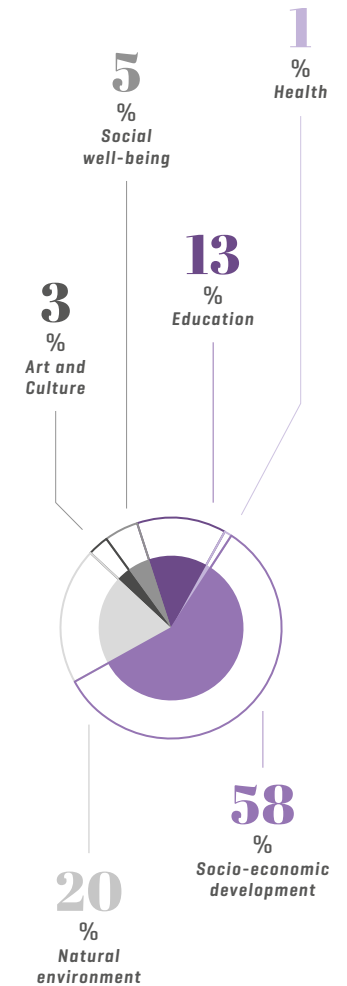
Governments, businesses and society are striving to find innovative solutions to the social, environmental and economic challenges of the 21st century. The quest for answers has given rise to a complex and multidimensional phenomenon known as **social innovation**, which the European Commission defines as: 'new ideas that meet social needs that are not adequately met by the market or the public sector, which produce the behavioural changes required to solve major societal challenges, empowering citizens and generating new models of collaboration. It is, therefore, a question of implementing innovative social initiatives in themselves that are useful in terms of giving society the capacity to innovate.'

TYPE OF ACTION



COMPANY'S CONTRIBUTION TO SOCIAL INITIATIVES IN 2019

AREAS OF ACTION





KEY PERFORMANCE INDICATORS



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The Red Eléctrica Group takes on the task of making social innovation the cross-cutting axis for the acceptance of new investment projects in the transmission grid and takes on the goal of fighting against the depopulation of rural areas.



In order to strengthen the commitment of the Red Eléctrica Group with the territories in which its facilities are located and to continue to promote the creation of shared value, in 2018, the Company created the social innovation area, which has defined the Group's social innovation plan. This plan, aligned with the Company's strategic framework and the 2030 Sustainability Commitment, establishes an open and collaborative model with external players, with the aim of responding to the needs and challenges of society through innovative solutions that have a positive long-term social impact.

SOCIAL INNOVATION PRINCIPLES OF THE GROUP RED ELÉCTRICA

- Integrate social innovation into the business culture.
- Incorporate social agents to increase the acceptance of the Company's actions in the territory.
- Contribute to the social and economic improvement of the territories.
- Promote alliances and new formulas for collaboration with other companies, the public sector, academic entities and local entrepreneurs.
- Promote the participation of society, both in identifying and solving society's needs.
- Define, carry out and support sustainable, long-lasting and replicable actions and projects.
- Identify and promote the development of innovation ecosystems through collective strategies and objectives.
- Transparently raise awareness regarding social innovation.



SOCIAL INNOVATION PLAN

ESTABLISHES AN OPEN AND COLLABORATIVE MODEL WITH EXTERNAL ACTORS TO RESPOND TO THE NEEDS AND CHALLENGES OF SOCIETY

through innovative solutions that have a positive long-term social impact



KEY PERFORMANCE INDICATORS



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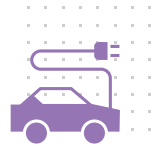
8 CONTRIBUTION TO SOCIAL, ECONOMIC, AND ENVIRONMENTAL DEVELOPMENT



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COURSES OF ACTION AND VECTORS OF SOCIAL INNOVATION

After a detailed analysis of possible measures to maximise the contribution of the Red Eléctrica Group in the territory, the Company has defined two courses of action [local development and education, culture and heritage], focusing the Group's efforts on combating the depopulation of rural areas as a priority. These two major courses of action are deployed through four vectors:



BOOSTING sustainable mobility



REDUCING the digital divide



SUPPORT for social innovation in local communities



RAISING AWARENESS on the energy transition

Expanding sustainable mobility

The Red Eléctrica Group believes that electric mobility is the key element for the new sustainable mobility model and represents an opportunity to improve the efficiency of the energy system as a whole, as it allows electricity to be incorporated as an energy vector in the transport sector; it facilitates greater integration of renewable generation, as indicated by the European Union's energy policy targets; and it strengthens the energy transition model in Spain established in its National Energy and Climate Plan.

In this regard, the Company maintains contact with those in the municipalities and public entities responsible for providing solutions to the needs associated with this transformation and who offer their citizens with the infrastructure required for the deployment of electric mobility, making charging points for electric vehicles accessible for public use.

NOTEWORTHY PROJECTS

OBJECTIVE

ACTIONS IN 2019

Electric Mobility Guide for local authorities

Promote sustainable development in municipalities by expanding electric mobility, through actions that promote the exchange of experiences, encourage the training of professionals from the public administration and provide technical assistance to achieve the smart management of charging points, with the aim of advancing the energy transition and improving air quality.

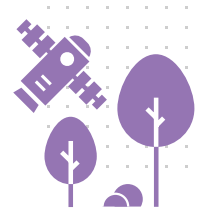
- Signing of a collaboration agreement with the Spanish Federation of Municipalities and Provinces (FEMP) that enables the development of joint actions aimed at improving energy efficiency, developing renewable energy and promoting sustainable mobility.
- Drafting of the Electric Mobility Guide for local authorities in collaboration with FEMP and IDEA (Institute for the Diversification and Saving of Energy), a useful instrument for electric mobility planning in all municipalities in Spain.
- Campaign to present the Guide in 10 locations in Spain: Bilbao, Oviedo, Valencia, Seville, Palma, Ibiza, Aranjuez, Zaragoza, Las Palmas de Gran Canaria and Santa Cruz de Tenerife.

Bridging the digital divide

Connectivity is essential for the future of small municipalities that are becoming increasingly depopulated. The Internet represents an opportunity for the future and a tool to establish and attract population.

In this regard, the Company commits to completely eliminate the digital divide by 2030, achieving 100% of people connected in the vicinity of the Group's facilities. To this end, the Company collaborates on reducing the digital divide in rural areas, extending broadband by means of REINTEL's optical fibre network and Hispasat satellites, so that everyone in the surrounding area of the Group's facilities can access information and communication technologies.

DIGITAL DIVIDE REDUCTION TARGET FOR 2030



REACHING

100%

OF PEOPLE CONNECTED IN THE VICINITY OF THE GROUP'S FACILITIES

Especially in rural areas

NOTEWORTHY PROJECTS

OBJECTIVE

ACTIONS IN 2019

Improving connectivity in rural areas

Collaborate with the appropriate agents to seek conditions to reduce the digital divide in rural municipalities in the vicinity of the transmission grid and launch a pilot project to improve rural connectivity, bringing REINTEL's fibre optic network closer to rural areas.

- Collaboration with the Nordesnet collective (municipalities in the northeast of the province of Segovia) to facilitate access to REINTEL's fibre optic network, in order to provide quality connectivity to the residents of that territory.
- Kick-off of the collaboration with the Huesca Provincial Council to participate in its project for the deployment of broadband in all the municipalities of the province that have more than 20 inhabitants.
- Handling requests for access to REINTEL's fibre optic network to extend its connectivity services to new rural areas (Fundación Wifi-Net and Grupo Tragsa).

Driving Agriculture 4.0

Launching pilot projects aimed at boosting the digital transformation of the agri-food sector in the rural environment (Agriculture 4.0), taking advantage of the potential of technologies such as satellite, facilitating farmers' communications, improving the management of their farms and crops or sending information and photographs in real time. These projects are carried out in collaboration with Eureka, a Spanish multinational telecommunications company that provides broadband access services where others cannot.

- Development of a project that facilitates real-time information about the state of 130 cattle through the use of sensors, thanks to a satellite uplink.
- Development of a project that, taking advantage of the WiFi hotspot technology via satellite, allows the personnel of a farm to know in real time the management data of their products accessed via their mobile devices.

Supporting local innovation

The Red Eléctrica Group deals with and promotes new innovative solutions that social entrepreneurs come up with to deal with the problems and needs of their communities. This enables the design of a new approach to join forces through the power of co-creation and collective impact, favouring the repopulation of sparsely populated areas.

Based on active listening that allows a common objective to be defined, the Company promotes and collaborates on agreements and alliances with other entities, and maintains contact with the various public administrations and social agents that promote the values of the local community, and which are materialised through innovative projects that arise from local entrepreneurs, which will increase the Company's reputational capital.

NOTEWORTHY PROJECTS

OBJECTIVE

ACTIONS IN 2019

2019 PERSURA Tour: 3rd National Fair for the Repopulation of Rural/Empty Spain

Establish a network of close collaboration between village entrepreneurs, united in the fight against depopulation, identifying innovative projects that can be replicated in other rural territories and making society aware of the Red Eléctrica Group's commitment to fight against rural depopulation and to promote local development.

- Signing an agreement with the Development NGO *Cives Mundi*, that drives the ecosystem for the promotion of entrepreneurship and social innovation called *El Hueco*, for the collaboration in the National Fair for the Repopulation of Rural/Empty Spain, and on the publication of the PERSURA magazine.

- Sponsoring the PERSURA 2019 Tour bus, that has travelled over 7,000 km and made 26 stops in villages of depopulated Spain publicising the National Fair for the Repopulation of Rural/Empty Spain, under the slogan 'Rural Pride'.
- Presentation of the PERSURA 2019 3rd National Fair at the Reina Sofía Museum in Madrid and the celebration of said Fair, in Soria.

Creation of an ecosystem to promote local entrepreneurship and social innovation in Paredes de Nava (Palencia)

Stimulate entrepreneurial talent in the area to generate projects that reverse its depopulation by promoting innovative ideas, financially sustainable and that have a social impact.

- Signing an agreement with the Development NGO *Cives Mundi* to promote the creation of an ecosystem of local entrepreneurship and social innovation in Paredes de Nava (Palencia), with the support of the City Council and the Regional Council of Palencia.

- Open Space that promotes dynamic exchanges between entrepreneurs from the Region that helps generate a significant number of ideas on topics of interest regarding the development of the rural environment and the fight against depopulation.

Holapueblo

Provide support for at least 20 entrepreneurial projects, with viable business ideas, and also advise those entrepreneurs that have the true intention of going to live in a village, so that they develop social, sustainable and innovative projects in at least 50 villages where residents are willing to receive new inhabitants.

Works towards getting at least 5 entrepreneurs and their families to settle in a village and start their project.

- Signing of an agreement with *AlmaNatura*, a social enterprise concerned with rural depopulation, which is focused on developing transformative learning experiences aim at establishing rural populations and enriching country life.

- Selection of 50 municipalities with high depopulation in seven provinces of Spain (Burgos, Palencia, Soria, Guadalajara, Cuenca, Huesca and Teruel), involving entities that are the backbone of territories and local councils.
- Design and development of an online platform [www.holapueblo.com] for the management of the project.

In 2019, the Red Eléctrica Group maintained contact with Vidar Soluciones Agroambientales, for the design of a pilot project that uses livestock to help control the vegetation growing underneath the electricity lines belonging to the Company, which will be implemented in the municipality of Calahorra [La Rioja] during 2020. To this end, a collaboration agreement was signed and the pilot project has been drawn up and presented to the Government of La Rioja and the Calahorra local council, obtaining their support for the project.

Dissemination of the energy transition

The Red Eléctrica Group plays an active role in developing activities to promote the operation of the Spanish electricity system and the role of the Company in the new energy transition model, as it is aware that an informed society has a greater capacity to develop and maintain a sustainable energy model that effectively meets the energy needs of citizens.

NOTEWORTHY PROJECTS

'Cuadernos en Red'- Information booklets explaining the 2030 Agenda and the Energy Transition

Given the current context marked by the challenge posed by the climate emergency, Red Eléctrica has produced a series of six information booklets/monographs under the title 'Cuadernos en Red' which, in addition to promoting and disseminating information on the energy transition in our country, also seeks to raise awareness by explaining the paradigm of the new energy model, that is key to the fight against climate change, and to prompt readers to take action.

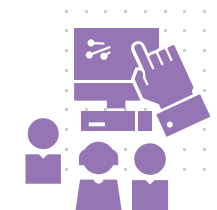
With a view to fulfilling the European energy targets and those set out in the 2030 Agenda, the first steps of which have been defined in the draft of the Integrated National Energy and Climate Plan, the

electricity system is moving towards a more decarbonised and decentralised electricity model based on five pillars: renewables, technological innovation, demand-side management, smart grids and the central role played by the consumer.

Therefore, this set of booklets addresses the energy transition through the following themes:

- Decarbonisation of the Economy
- How electricity reaches your home?
- Active consumer
- Electric vehicle
- Household self-consumption
- Electricity interconnections

The Company has maintained contact with the various public administrations and social agents with the intention of understanding the degree of innovation in the energy transition of local entrepreneurs. In this regard, in 2019, a collaboration agreement was signed with the *Megara Energía* Cooperative for the development in 2020 of an innovative project that aims to create a local energy community in Castilfrío de la Sierra [Soria] based on the self-consumption of electricity generated within community itself that will be able to count on the support of the electricity grid when needed.



Red Eléctrica promotes

AWARENESS-RAISING ACTIONS

REGARDING THE FUNCTIONING OF THE SPANISH ELECTRICITY SYSTEM AND THE COMPANY'S ROLE IN THE NEW ENERGY TRANSITION MODEL



KEY PERFORMANCE INDICATORS



LETTER FROM THE CHAIRWOMAN AND FROM THE CEO



A BENCHMARK REPORT AT THE FOREFRONT OF REPORTING STANDARDS



1 RED ELÉCTRICA GROUP



2 STRATEGY



3 CORPORATE GOVERNANCE



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5 ANTICIPATING CHANGE AND TAKING ACTION



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7 RESPONSIBLE VALUE CHAIN



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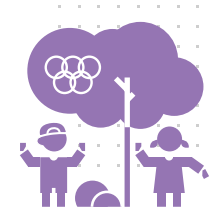
ANNEXES

In 2019, the Company received more than 2,000 people who visited the transmission grid facilities and control centres (CECOEL, CECRE and control centres on the island), exceeding the number of 200 visits per year (39% more than in 2018).



Along with the previous project highlighted in 2019, other initiatives include:

- **entreREDes.** This educational game aims to teach children to be efficient and environmentally friendly consumers of the future. In 2019, more than 8,250 schoolchildren from eight autonomous communities took part in the game and also the 1st *entreREDes* Olympics was held.
- **Visits to Company facilities.** In line with its institutional commitment, in 2019 the Company received more than 2,000 people who visited the transmission grid facilities and control centres (CECOEL, CECRE and control centres on the islands), exceeding the number of 200 visits per year (39% more than in 2018).
- **Educational agreements.** The Company has 24 collaboration agreements with universities and training institutions and collaborates with them in giving conferences and lectures at universities to disseminate information on different aspects of the business model and specific aspects of the electricity business and activity.
- **A highway behind the wall socket.** The objective of this travelling exhibition is to explain the electricity supply process, showcasing the activities of Red Eléctrica de España as transmission agent



entre
REDes

AN EDUCATIONAL GAME WHOSE AIM IS TO TEACH CHILDREN TO BE EFFICIENT AND ENVIRONMENTALLY FRIENDLY CONSUMERS OF THE FUTURE

In 2019, more than 8,250 schoolchildren from eight autonomous communities took part in the game and also the 1st entreREDes Olympics was held.



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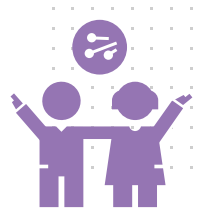


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Since 2017 Red Eléctrica has had a corporate volunteering model that highlights the social action of the Company.



VOLUNTEERING ACTIONS



33.6

%

PARTICIPATION RATE OF INDIVIDUAL VOLUNTEERS IN THE ACTIONS CARRIED OUT IN 2019

exceeding by far the 20% target set at the beginning of the year.

and operator of the Spanish electricity system, as well as raising awareness among citizens of the need to consume electricity efficiently and responsibly. At the same time, the exhibition serves as a communication vehicle to improve the understanding of citizens of the need to develop electricity infrastructure, thus facilitating its implementation in the territory. This exhibition, which began its journey in 2010, has already visited eleven Spanish cities with a grand total of more than 1,000,000 visitors.

CORPORATE VOLUNTEERING

The Healthy Workplace Model of the Red Eléctrica Group includes the promotion of the welfare 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 respond to needs, problems and social interests that are defined in its main 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 2019 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.

The volunteering actions carried out in 2019 have reached a participation rate of 33.6% for individual volunteers, which exceeds by far the 20% target set at the beginning of the year.



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Other corporate volunteering actions that are worth mentioning are the following: the solidarity action for the collection of bottle caps that were sent to the CEPRI association, an entity that provides educational and rehabilitative care for people with autism; the solidarity auction

of donated corporate gifts, the proceeds of which were donated to the Apsuria Foundation for people with intellectual disabilities, and participation in solidarity races in Barcelona and Zaragoza.

MAIN ACTIONS REGARDING CORPORATE VOLUNTEERING IN 2019

Social volunteering

Give and Gain

Participation in the International Week of Volunteers in Forética in initiatives carried out in Madrid, Barcelona, Seville, Granada and Zaragoza. Each territory chose the most relevant action for them.

- 89 volunteers participated

Adecco Employment School

Support sessions to improve the employability of people with disabilities and women at risk of exclusion in Madrid, Majorca, Zaragoza, Valencia and Barcelona.

- 41 volunteers participated

Mentoring ON A PAR - One to One mentoring

Support provided by the Company's management team in Madrid to young people with intellectual disabilities to improve their personal development and employability.

- 9 volunteers participated

Christmas activity with the Red Cross

Collection of a total of 438 new books for children aged 0-9 years of age in all territories.

- 438 volunteers participated

Social and health volunteering

Heroes at Home Project, with the Freno al Ictus Association (Stroke prevention)00

Raising awareness among approximately 300 school children about strokes. The volunteers were trained beforehand to inform the schools about the disease and how to act in the event of a stroke.

- 10 volunteers participated

International Children's Day with the Red Cross

Preparation of 500 child hygiene kits to celebrate International Children's Day.

- 500 volunteers participated

Environmental volunteering

Red Natura 2000 project

Cleaning up of protected natural areas in Zaragoza in collaboration with SEO/BirdLife (Spanish Ornithological Society).

- 13 volunteers participated

LIBERA Project

Cleaning up rubbish from natural areas in Madrid and Seville in collaboration with SEO/BirdLife.

- 67 volunteers participated

Limne Foundation

Planting of helophytes (marsh plants) in the Turia River (Valencia). These are crucial plants to favour the filtering of pollutants and the oxygenation of the water.

- 20 volunteers participated

World Oceans Day

Cleaning of Las Caletillas beach, in collaboration with the local city council, the Island Council of Tenerife and various associations on the island, and the holding of environmental workshops, an exhibition and the release of sea turtles.

- 11 volunteers participated

Acteo, Archaeology and Heritage

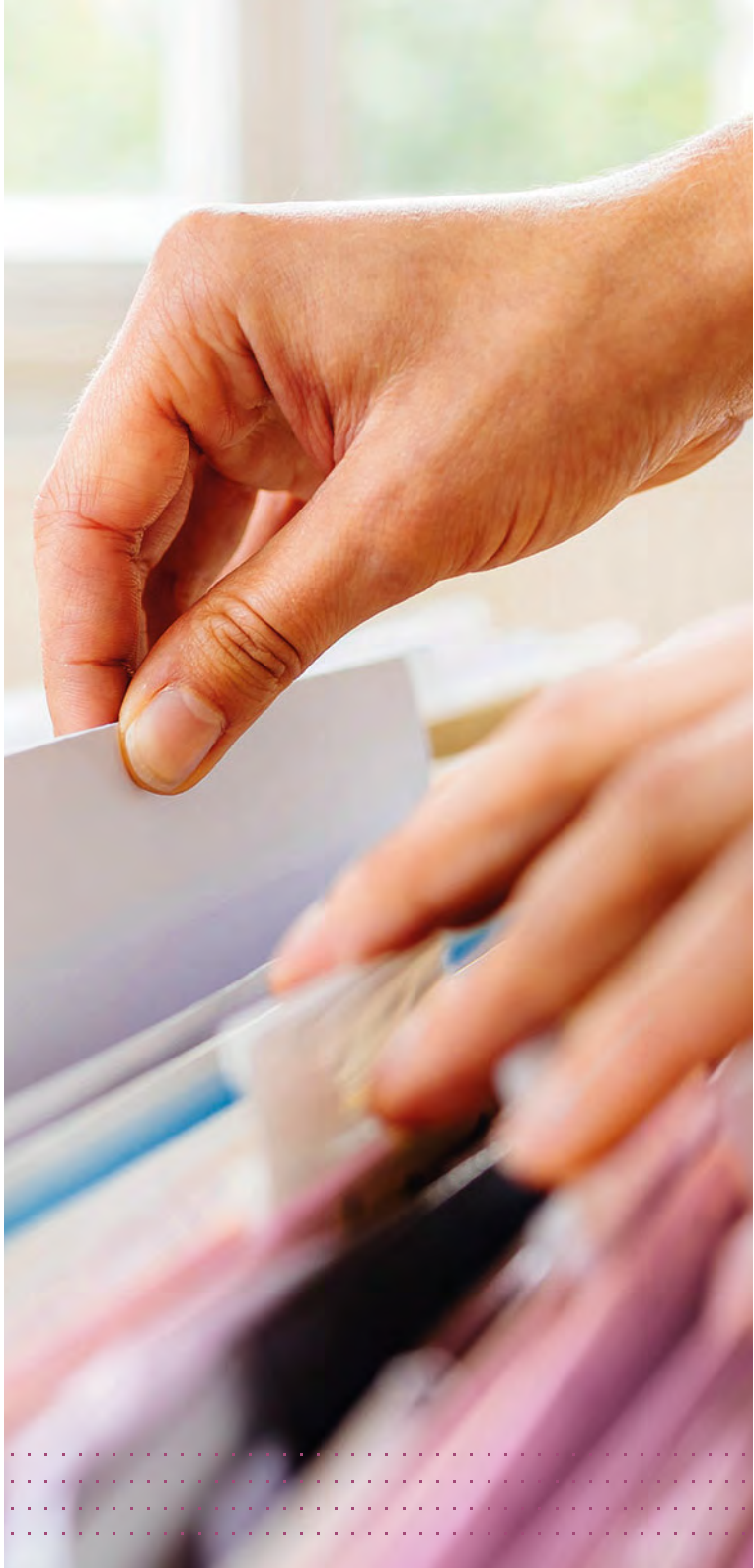
Day of cleaning and superficial pruning of weeds in Galapagar, Madrid.

- 21 volunteers participated

Release of Scopoli's shearwater birds

Release of 9 Scopoli's shearwater, a nesting bird in the Canary Islands, which breeds in colonies on islets and coastal cliffs.

- 27 volunteers participated



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EXECUTIVE REPORT ON THE MANAGEMENT OF THE CODE OF ETHICS IN 2019

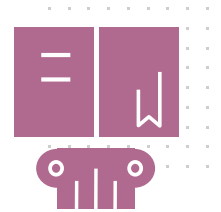
The Annual Report on the Management of the Code of Ethics sets out the circumstances arising in relation to the corporate system for the management of ethics of the Red Eléctrica Group in 2019.

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 and 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,

The Code of Ethics seeks to provide an ethical guide for all the people of the companies of 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 IN MAY 2013 AND TOOK ON THE REQUIREMENTS DEMANDED BY STAKEHOLDERS AND IN THE RECOMMENDATIONS OF ORGANISATIONS OF REPUTE WITH INFLUENCE IN THIS FIELD



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The Ethics Manager is responsible for ensuring the understanding, implementation and enforcement of the Code of Ethics of the Red Eléctrica Group, resolving enquiries, advising stakeholders and instituting proceedings regarding grievances submitted.

and in those countries where they are either permanently or temporarily performing activities, providing professional services or any other activity related to the Group.

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.
- Develop action plans to resolve the grievances reported and submit them for approval by the Chairperson 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 stakeholders).

WHISTLE-BLOWING CHANNEL

The Group's whistle-blowing channel is available through the Corporate Website and can be used to submit enquiries, grievances or suggestions to the Ethics Manager.

- Keep claimants abreast of the status and resolution of enquiries or grievances reported, as and when deemed necessary.
- Draft a periodic report on the review of the system and propose actions aimed at improving the management system associated with the Code of Ethics.
- Maintain at all times the confidentiality of the claimant, unless legally required to disclose such 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 whistle-blowing channel, available on the **corporate website**, through which enquiries, grievances or suggestions can be submitted



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In 2019, the Ethics Manager received no grievance on non-compliance related to criminal risk, and none of the companies of the Group have been investigated or convicted by any law court for infringements related to criminal risks.

and conveyed to the Ethics Manager. Additionally, the Red Eléctrica Group has another channel, the DÍGAME service [the Company's Stakeholder Attention Centre] that can be used for reporting non-compliances, grievances, 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 2019, 21 enquiries were made to the Ethics Manager, all with a maximum resolution time of 10 days. / 406-1

The enquiries made have referred to the following patterns of business behaviour:

- Integrity, accountability and transparency.
- Respect, dignity and non-discrimination.
- Responsible monitoring of the management of suppliers.
- Limitation on the acceptance of gifts, loans or invitations.
- Adequate safeguarding of the Group's IT information systems.

In 2019, three [3] grievances were received regarding compliance with the Code of Ethics. The details of each grievance are shown below:

- Grievance regarding the corporate value 'Respect', filed by an employee of Red Eléctrica, in relation to an alleged situation of employment discrimination. The grievance was archived due to the fact that the claimant requested, based on the nature of the grievance, the application of the 'Action Guide on the Prevention of Moral, Sexual and Gender-based Harassment', which establishes that the intervention of the Ethics Manager is not necessary in procedures that are regulated in said Guide.
- Grievance filed by an employee of a Red Eléctrica supplier, regarding an alleged incident that occurred in a Red Eléctrica project. The claimant informed the Ethics Manager of the start of possible legal actions. The Ethics Manager proceeded to close the grievance because he could not intervene in the clarification of a series of facts that are the subject to a legal proceeding.
- Grievance regarding the corporate value 'environmental awareness', filed by a private individual, motivated by the emission of noise by a facility of the Company. At the close of 2019, said grievance was in the processing stage.



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GUIDE FOR THE PREVENTION OF CORRUPTION

The company has available a specific guide for the prevention of corruption approved by the Board of Directors that represents an essential element of the integrity model of the Red Eléctrica Group.

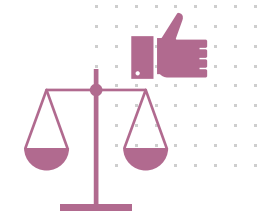
Among the functions undertaken by the Ethics Manager is the obligation to communicate and convey to the appropriate bodies the grievances that could lead to a criminal risk for the companies of the Red Eléctrica Group, in order for the Criminal Compliance Committee of the Group, of which the Ethics Manager 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 2019, as occurred in previous years, the Ethics Manager received no grievance on non-compliance related to criminal risk, and none of the companies of the Red Eléctrica Group have been investigated or convicted by any law court 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. All governing bodies, senior management and employees of the Red Eléctrica Group must adapt to the business conduct principles and guidelines set out in the Code of Ethics. Suppliers shall also adapt their business conduct to undertake and to respect the principles and guidelines set out in 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 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



ETHICS MANAGER

IN 2019

21 ENQUIRIES

WERE SUBMITTED TO THE ETHICS MANAGER AND WHICH WERE RESOLVED IN A MAXIMUM PERIOD OF 10 DAYS



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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

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 sustainability 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 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 for the promotion of business ethics, noteworthy is its status as a *premium* member of the **Foro de integridad corporativa** [‘Corporate integrity forum’] of the non-governmental organisation ‘Transparency International’ Spain. The Forum brings together large companies committed to promoting and developing a business culture of compliance, integrity and transparency. It is a space for reflection, analysis and debate, in which points of view, knowledge and experiences are exchanged in areas related to regulatory

The Group has reached the leadership position within its sector in the Ethical behaviour criterion in the Euronext Vigeo-Eiris sustainability index.



compliance, the prevention of corruption, corporate transparency and best practices, with the aim of collaborating in the ongoing improvement of the integrity models of its members.

Similarly, Red Eléctrica forms part of 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, whose purpose it to serve as a business meeting point in leadership, knowledge, exchange and dialogue in this area.



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GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX / 102-55

GRI STANDARD DISCLOSURE	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER/REASON FOR OMISSION
GRI 101: Foundation 2016			
GRI 102: General disclosures 2016			
Organisational profile 2016			
102-1	Name of the organisation.	23	
102-2	Activities, brands, products, and services.	23	
102-3	Location of headquarters.	-	Red Eléctrica Paseo Conde de los Gaitanes, 177. Alcobendas (Madrid) - España.
102-4	Location of operations.	18	
102-5	Ownerships and legal form.	23	
102-6	Markets served.	18	
102-7	Scale of the organisation.	2	
102-8	Information on employees and other workers.	2, 265	
102-9	Supply chain.	311	
102-10	Significant changes to the organisation and its supply chain.	9, 23	
102-11	Precautionary Principle or approach.	103, 271	
102-12	External initiatives.	91	
102-13	Membership of associations.	353	
EU1	Installed capacity, broken down by primary energy source and by regulatory regime.	-	Not applicable. 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.	-	Not applicable. 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.	326	
EU4	Length of above and underground transmission and distribution lines by regulatory regime.	159	
EU5	Allocation CO ₂ emissions allowances or equivalent, broken down by carbon trading framework.	-	Not applicable. The rights regarding CO ₂ Equivalent Emission Allowances do not apply to power transmission activities.

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GRI STANDARD DISCLOSURE	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER/REASON FOR OMISSION
Strategy 2016			
102-14	Statement from senior decision-maker	3, 5	
102-15	Key impacts, risks, and opportunities.	95, 106, 114	
Ethics and Integrity 2016			
102-16	Values, principles, standards, and norms of behaviour.	202	
102-17	Mechanisms for advice and concerns about ethics.	205	
Governance 2016			
102-18	Governance structure.	41, 50	
102-19	Delegating authority.	58	
102-20	Executive-level responsibility for economic, environmental and social topics.	58	
102-21	Consulting stakeholders on economic, environmental, and social topics.	60	
102-22	Composition of the highest governance body and its committees.	50	
102-23	Chair of the highest governance body.	53	
102-24	Nominating and selecting the highest governance body.	62	
102-25	Conflicts of interest.	65	
102-26	Role of the highest governance body in setting purpose, values, and strategy.	50	
102-27	Collective knowledge of highest governance body.	65	
102-28	Evaluating the highest governance body's performance.	65	
102-29	Identifying and managing economic, environmental, and social impacts.	114	
102-30	Effectiveness of risk management processes.	104	
102-31	Review of economic, environmental, and social topics.	104	

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GRI STANDARD DISCLOSURE	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER/REASON FOR OMISSION
102-32	Highest governance body's role in sustainability reporting.		The Sustainability Committee of the Board has, among other duties and responsibilities, the oversight and coordination function of the reporting procedure regarding data/information on sustainability matters.
102-33	Communicating critical concerns.	60	
102-34	Nature and total number of critical concerns.	60	
102-35	Remuneration policies.	66	
102-36	Process for determining remuneration.	66	
102-37	Stakeholders' involvement in remuneration.	66	
102-38	Annual total compensation ratio.		The ratio between the total remuneration of the highest-paid individual of the organisation (1) and the average total remuneration of the entire workforce (2) [excluding the highest-paid individual] was 13 times.
102-39	Percentage increase in annual total 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 negative in 2019 because the CEO's compensation was reduced and the average salary of the workforce increased compared to the previous year.

Stakeholder engagement 2016

102-40	List of stakeholder groups.	81	
102-41	Collective bargaining agreements.	253, 268	
102-42	Identifying and selecting stakeholders.	81	
102-43	Approach to stakeholder engagement.	10, 85, 86	
102-44	Key topics and concerns raised.	10, 85, 86	

(1) Total remuneration accrued of the highest-paid individual (CEO): 931,000 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 25 of the Annual Consolidated Accounts of 'Red Eléctrica Corporación S.A. and Dependent Companies' and in the Annual Corporate Governance Report.

(2) The average total remuneration of the workforce, excluding the highest-paid individual: 70,865 euros [personnel cost excluding social security costs]. Information available in note 23rd of the Annual Consolidated Accounts of 'Red Eléctrica Corporación S.A. and Dependent Companies'.

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Reporting practice 2016

102-45	Entities included in the consolidated financial statements.	9, 23	
102-46	Defining report content and topic Boundaries.	10	
102-47	List of material topics.	10	
102-48	Restatements of information.	9	
102-49	Changes in reporting.	10	
102-50	Reporting period.	7	
102-51	Date of most recent report.	8	
102-52	Reporting cycle.	8	
102-53	Contact point for questions regarding the report.	9	
102-54	Claims of reporting in accordance with the GRI Standards.	8	
102-55	GRI content index.	379	
102-56	External assurance.	9, 393	

GRI 201: Economic performance 2016

103-1	Explanation of the material topic and its boundary.	222	
103-2	The management approach and its components.	222	
103-3	The evaluation of the management approach.	222	
201-1	Direct economic value generated and distributed.	222	
201-2	Financial implications and other risks and opportunities for the organisation due to climate change.	99, 119	
201-3	Obligations of the organisation for employee benefit programmes and other pension plans.	-	2019 Consolidated Annual Accounts Report
201-4	Financial assistance received from governments.	-	2019 Consolidated Annual Accounts Report

GRI 203: Indirect economic impacts 2016

203-1	Infrastructure investments and services supported.	156	
203-2	Significant indirect economic impacts.	341	

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GRI 204: Procurement practices 2016

103-1	Explanation of the material topic and its boundary.	306	
103-2	The management approach and its components.	306	
103-3	The evaluation of the management approach.	306	
204-1	Proportion of spending on local suppliers.	311	

GRI 205: Anti-corruption 2016

103-1	Explanation of the material topic and its boundary.	202	
103-2	The management approach and its components.	202	
103-3	The evaluation of the management approach.	202	
205-1	Operations assessed for risks related to corruption.	211	
205-2	Communication and training about anti-corruption policies and procedures.	211	
205-3	Confirmed incidents of corruption and actions taken.	210	

GRI 206: Anti-competitive behaviour 2016

206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices.	-	There is no evidence that formal third-party claims were filed in 2019 in the civil, administrative or criminal field in matters regarding anti-competitive behaviour, monopoly practices or anti-trust, in accordance with previously established parameters for GRI 419-1.
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GRI 207. Tax 2018

103-1	Explanation of the material topic and its boundary.	341	
103-2	The management approach and its components.	341	
103-3	The evaluation of the management approach.	341	
207-1	Approach to tax.	343, 348	
207-2	Tax governance, control and risk management.	348	
207-3	Stakeholder engagement and management concerns related to tax.	348	
207-4	Country-by-country reporting.	344	

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GRI STANDARD DISCLOSURE	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER/REASON FOR OMISSION
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Availability and reliability 2016

EU10	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime.	156	
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System efficiency 2016

EU11	Average generation efficiency of thermal plants by energy source and by regulatory regime.	-	Not applicable. 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.	193	

GRI 302: Energy 2016

103-1	Explanation of the material topic and its boundary.	184	
103-2	The management approach and its components.	184	
103-3	The evaluation of the management approach.	184	
302-1	Energy consumption within the organisation.	196	
302-2	Energy consumption outside of the organisation.	197	
302-3	Energy intensity.	197	
302-4	Reduction of energy consumption.	197	
302-5	Reductions in energy requirements of products and services.	-	Not applicable. 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. However, it does not produce or market products or services, whereby it is not possible to quantify the energy reductions that may result from them.

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GRI STANDARD DISCLOSURE	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER/REASON FOR OMISSION
GRI 303. Water and effluents 2018			
303-1	Interactions with water as a shared resource.	-	Although water has not been a material issue in the materiality study conducted by the Company, Red Eléctrica has decided to include and verify it, as it is an aspect demanded by some sustainability indexes.
303-2	Management of water discharge related impacts.	-	Not applicable. The activities of the Company do not lead to water discharges. In the case of substations, only rainwater discharges occur.
303-3	Water withdrawal	-	
303-4	Water discharge.	-	Not applicable. The activities of the Company do not lead to water discharges. In the case of substations, only rainwater discharges occur.
303-5	Water consumption.	300	
GRI 304. Biodiversity 2016			
103-1	Explanation of the material topic and its boundary.	294	
103-2	The management approach and its components.	294	
103-3	The evaluation of the management approach.	294	
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	300	
304-2	Significant impacts of activities, products, and services on biodiversity.	289, 291, 301	
304-3	Habitats protected or restored.	289, 293, 357	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations.	293, 301, 302	
EU13	Biodiversity of offset habitats compared to the biodiversity of the affected areas.	-	The comparison of the offset habitat with the affected area is not applicable, as the impacts 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 habitats. The impacts generated are one-off situations, having established, in given cases, very specific offsetting measures such as planting forested areas or the restoration of habitats.

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GRI STANDARD DISCLOSURE	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER/REASON FOR OMISSION
GRI 305. Emissions 2016			
103-1	Explanation of the material topic and its boundary.	184	
103-2	The management approach and its components.	184	
103-3	The evaluation of the management approach.	184	
305-1	Direct GHG emissions [Scope 1].	197	
305-2	Energy indirect GHG emissions [Scope 2].	198	
305-3	Other indirect GHG emissions [Scope 3].	198	
305-4	GHG emissions intensity.	198	
305-5	Reduction of GHG emissions.	198	
305-6	Emissions of ozone-depleting substances [ODS].	-	Not applicable. 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 a total of 57.5 kg of R22 gas left in operating and out-of-service equipment and which will be progressively replaced or eliminated.
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions.	-	Not applicable. The activities of the Company do not give rise to these types of emissions as its activities do not involve the burning of fossil fuels – the Company does not generate electricity. However, the Company uses fossil fuel in vehicles and diesel generator sets, although the associated emissions are not considered relevant under this aspect.
GRI 306. Water and effluents 2016			
306-1	Water discharge by quality and destination.	-	Not applicable. The activities of the Company do not give rise to discharges. In the case of substations, only rainwater discharges occur.
306-2	Waste by type and disposal method.	303	
306-3	Significant spills.	303	
306-4	Transport of hazardous waste.	303	
306-5	Water bodies affected by water discharges and/or runoff.	-	Not applicable. Rainwater discharges from substations (which is the only water discharge associated with the activities of Red Eléctrica de España that takes place) do not affect water resources nor the associated habitats.

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GRI STANDARD DISCLOSURE	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER/REASON FOR OMISSION
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GRI 307. Environmental compliance 2016

307-1	Non-compliance with environmental laws and regulations.	304	
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GRI 308. Supplier environmental assessment 2016

103-1	Explanation of the material topic and its boundary.	306	
103-2	The management approach and its components.	306	
103-3	The evaluation of the management approach.	306	
308-1	New suppliers that were screened using environmental criteria.	273, 317	
308-2	Negative environmental impacts in the supply chain and actions taken.	273, 312	

GRI 401. Employment 2016

401-1	New employees hires and employee turnover.	231, 266	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees.	263	
401-3	Parental leave.	267	
EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region.	267	
EU17	Days worked by contractor and subcontractor employees involved in construction, operation and maintenance activities.	269	
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training.	263	

GRI 402. Labour/Management Relations 2016

402-1	Minimum notice periods regarding operational changes.	253	
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GRI STANDARD DISCLOSURE	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER/REASON FOR OMISSION
GRI 403. Occupational Health and Safety 2016			
103-1	Explanation of the material topic and its boundary.	255	
103-2	The management approach and its components.	255	
103-3	The evaluation of the management approach.	255	
403-1	Workers representation in health and safety committees.	256	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.	260, 269	
403-3	Workers with high incidence of high risk of diseases related to their occupation.	260	
403-4	Health and safety topics covered in formal agreements with trade unions.	256	
GRI 404. Training and education 2016			
103-1	Explanation of the material topic and its boundary.	240	
103-2	The management approach and its components.	240	
103-3	The evaluation of the management approach.	240	
404-1	Average hours of training per year per employee.	245, 246, 268	
404-2	Programs for upgrading employee skills and transition assistance programs.	240, 250	
404-3	Percentage of employees receiving regular performance and career development reviews.	248, 268	
GRI 405. Diversity and equal opportunity 2016			
103-1	Explanation of the material topic and its boundary.	234	
103-2	The management approach and its components.	234	
103-3	The evaluation of the management approach.	234	
405-1	Diversity of governance bodies and employees.	52, 265, 266	
405-2	Ratio of basic salary and remuneration of women to men.	267	

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GRI STANDARD DISCLOSURE	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER/REASON FOR OMISSION
GRI 406. Non-discrimination 2016			
103-1	Explanation of the material topic and its boundary.	202	
103-2	The management approach and its components.	202	
103-3	The evaluation of the management approach.	202	
406-1	Incidents of discrimination and corrective actions taken.	206, 376	
GRI 407. Freedom of association and collective bargaining 2016			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk.	216	
GRI 408. Child labour 2016			
408-1	Operations and suppliers at significant risk for incidents of child labour.	216	
GRI 409. Forced or compulsory labour 2016			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour.	216	
GRI 410. Security practices 2016			
410-1	Security personnel trained in human rights policies or procedures.	220	
GRI 411. Rights of indigenous peoples 2016			
411-1	Incidents of violations involving rights of indigenous peoples.	217	

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GRI 412. Human rights assessment 2016

412-1	Operations that have been subject to human rights reviews or impact assessments.	217	
412-2	Employee training on human rights policies or procedures.	220	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	217	

GRI 413. Local communities 2016

103-1	Explanation of the material topic and its boundary.	351	
103-2	The management approach and its components.	351	
103-3	The evaluation of the management approach.	351	
413-1	Operations with local community engagement, impact assessments, and development programs.	351	
413-2	Operations with significant actual and potential negative impacts on local communities.	277	

GRI 414. Supplier social assessment 2016

103-1	Explanation of the material topic and its boundary.	306	
103-2	The management approach and its components.	306	
103-3	The evaluation of the management approach.	306	
414-1	New suppliers that were screened using social criteria.	317	
414-2	Negative social impacts in the supply chain and actions taken.	312	

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GRI STANDARD DISCLOSURE	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER/REASON FOR OMISSION
GRI 416. Customer Health and Safety 2016			
416-1	Assessment of the health and safety impacts of product and service categories.	281	
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 (regarding health and safety impacts of products and services) arising from disciplinary proceedings that have resulted in significant fines or penalties in accordance with the parameters set for indicator 419-1.
EU25	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases.	-	There is no record that any third party has formally filed new claims/legal cases (whether civil, administrative or criminal) in 2019 related to injuries, fatalities or diseases among citizens involving company assets, in accordance with parameters set for indicator 419-1.
Energy access 2016			
EU28	Power outage frequency.	164	
EU29	Average power outage duration.	164	
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 2019 concerning breaches to customer privacy and losses of customer data.
GRI 419. Socioeconomic Compliance 2016			
419-1	Non-compliance with laws and regulations in the social and economic area.	-	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. Compensation payments, fines or sanctions of a substantial nature are considered those whose economic value exceeds 500,000 euros or those that by their nature have a special impact for the company due to its connection with the electricity sector. Similarly, it has been taken as a criterion of reference that the sanction be firm, at least via administrative procedure.



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The Sustainability Accounting Standard Boards' reporting framework provides companies with standardised activity metrics to report on sustainability performance at the industry level. Therefore, the adoption of these standards helps ensure that the disclosure of non-financial information is standardised and therefore relevant, comparable and auditable. This makes it a framework especially valued by investors as it is useful in their decision-making.

The SASB standards are comprised of a disclosure guide and standards on sustainability issues for use by US and foreign public companies in their annual filings (Form 10-K or 20-F) with the United States Securities and Exchange Commission. SASB has developed a complete set of 77 industries standards, providing a comprehensive set of globally applicable industry-specific standards which identify the minimal set of financially material sustainability issues and their associated metrics for

the typical company in an industry. Each company is ultimately responsible for determining what information is material, depending on its operating context.

The activity of the Red Eléctrica Group is encompassed within the following industries:

- Electric Utilities and Power Generators, made up of those companies that generate electricity, build and operate power transmission and distribution lines and sell electricity, including companies that operate in both regulated and unregulated businesses, and that, in any case, are challenged by the complex mission to ensure supply and access to energy.
- Telecommunications Services, made up of wired and wireless telecommunications companies, as well as companies that provide cable and satellite services.

Sustainability issues and activity metrics

ISSUE	ASSOCIATED METRIC	PAGE NUMBER
Infrastructure Sector: Electric Utilities and Power Generators		
Greenhouse Gas Emissions & Energy Resource Planning	- Gross global Scope 1 emissions.	197, 198
Workforce Health and Safety	- Fatality rate, - Total recordable incident rate.	260, 263, 269
Activity metric	- Length of transmission and distribution lines.	162
Technology and Telecommunications Sector: Telecommunications services		
Environmental Footprint of Operations	- Total energy consumed. - Percentage grid electricity. - Percentage renewable.	196, 197
Data privacy	- Description of policies and practices relating to behavioral advertising and customer privacy. - Total amount of monetary losses as a result of legal proceedings associated with customer privacy.	212 a 215 y 391
Data security	- Number of data breaches and percentage involving personally identifiable information and number of customers affected. - Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards.	212 a 215 y 391
Competitive behaviour	- Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations.	383

Note. Only the matters considered material issues according to the SASB reporting framework and/or that apply to the Red Eléctrica Group, based on its real activity are included.



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3 CORPORATE GOVERNANCE



4 COMMITMENT TO SUSTAINABILITY



5 ANTICIPATING CHANGE AND TAKING ACTION



6 DECARBONISATION OF THE ECONOMY



7 RESPONSIBLE VALUE CHAIN



8 CONTRIBUTION TO SOCIAL, ECONOMIC, AND ENVIRONMENTAL DEVELOPMENT



ANNEXES

EXTERNAL ASSURANCE REPORT / 102-56



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INDEPENDENT REVIEW REPORT OF THE SUSTAINABILITY INDICATORS OF CORPORATE RESPONSIBILITY OF RED ELECTRICA CORPORACION, S.A.

To the Management of Red Electrica Corporación, S.A.

Scope

As commissioned by the Management of Red Electrica Corporación, S.A. (hereinafter REC), we have carried out the review of the sustainability indicators in the Annex to the Sustainability Report 2019 of REC "Index of Contents Global Reporting Initiative (GRI)". 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 "A benchmark and cutting-edge report" of the chapter "About this report".

The scope considered by REC for the preparation of the Report is defined in the section "Red Electrica Group".

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 "Index of Contents Global Reporting Initiative (GRI)" 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 2019 of REC "Index of Contents Global Reporting Initiative (GRI)", 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 (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 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 2019 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 Electrica 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 15th April 2020. In case of any discrepancy, the Spanish version always prevails.)

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KEY PERFORMANCE INDICATORS

LETTER FROM THE CHAIRWOMAN AND FROM THE CEO

A BENCHMARK REPORT AT THE FOREFRONT OF REPORTING STANDARDS

1 RED ELECTRICA GROUP

2 STRATEGY

3 CORPORATE GOVERNANCE

4 COMMITMENT TO SUSTAINABILITY

5 ANTICIPATING CHANGE AND TAKING ACTION

6 DECARBONISATION OF THE ECONOMY

7 RESPONSIBLE VALUE CHAIN

8 CONTRIBUTION TO SOCIAL, ECONOMIC, AND ENVIRONMENTAL DEVELOPMENT

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INDEPENDENT ASSURANCE REPORT OF GREENHOUSE GAS EMISSIONS INVENTORY



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REPORT ON INDEPENDENT LIMITED ASSURANCE OF GREENHOUSE GAS EMISSIONS INVENTORY 2019 OF RED ELECTRICA DE ESPAÑA

To the Management of Red Electrica 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 Electrica Group in Spain, which includes the GHG emissions associated to the main company, Red Electrica Corporación, and the subsidiaries: Red Electrica de España S.A.U., Red Electrica Infraestructuras de Telecomunicación S.A.U. (REINTEL), Red electrica Infraestructuras en Canarias, S.A.U. (REINCAN), Red Electrica Internacional, S.A.U. (REI) and Red Electrica y de Telecomunicaciones, Innovación y Tecnología, S.A. (REIT), (hereinafter referred to as Red Electrica) for the financial year ended in 31st December 2019, 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

Red Electrica's management is responsible for preparation and update of the 2019 GHG Inventory in accordance with their internal procedure. "Methodology for the Calculation of the Greenhouse Gas Emissions (GHG) Inventory of Red Electrica Group in Spain" 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 2019 GHG Inventory based on the procedures we have performed and de 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 Red Electrica's 2019 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 Red Electrica'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 Red Electrica's various departments who have been involved in the preparation of the GHG Inventory, obtained an understanding of Red Electrica'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 Red Electrica'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 Red Electrica's estimates.

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- 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 Red Electrica's 2019 GHG Inventory with the internal procedure. We have also verified the correct compilation of information based on the data provided by Red Electrica'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 Red Electrica's 2019 GHG Inventory for the financial year ended in 31st December 2019 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 Electrica Group in Spain".

Use and distribution

Our report is only issued to the Management of Red Electrica 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 Red Electrica de España, S.A.U.'s Management.

ERNST & YOUNG, S.L.

(Free translation from the Original Report on Independent Review in Spanish dated 15th April 2020. In case of any discrepancy, the Spanish version always prevails.)

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KEY PERFORMANCE INDICATORS

LETTER FROM THE
CHAIRWOMAN AND FROM
THE CEOA BENCHMARK REPORT AT THE
FOREFRONT OF REPORTING STANDARDS1
RED ELÉCTRICA
GROUP2
STRATEGY3
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COMMITMENT
TO
SUSTAINABILITY5
ANTICIPATING
CHANGE AND TAKING
ACTION6
DECARBONISATION
OF THE
ECONOMY7
RESPONSIBLE
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CONTRIBUTION TO SOCIAL,
ECONOMIC, AND ENVIRONMENTAL
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ANEXO

GREENHOUSE GAS (GHG) INVENTORY OF RED ELÉCTRICA GROUP

GHG Inventory 2019	tCO _{2eq}
Scope 1	23 613.55
SF ₆	21 289.27
Air conditioning	448.73
Fleet vehicles	1 645.66
Diesel generating sets	228.89
Scope 2	781 451.74
Electricity consumption	586.46
Transmission grid losses	780 865.28
Scope 3	575 036.01
Purchase of goods and services	246 916.86
Capital goods	319 485.37
Energy production (not included in scope 1 and 2)	462.27
Waste	62.30
Transport and distribution	2 090.07
Business travel	1 441.06
Commuting	4 545.36
Leased assets	32.72

Organizational boundaries

The inventory only applies to the activities that take place in Spain: **Red Eléctrica Corporación, S.A.**; **Red Eléctrica de España, S.A.U.**; **Red Eléctrica Infraestructuras en Canarias, S.A.U. (REINCAN)**; **Red Eléctrica Sistemas de Telecomunicaciones, S.A.U. (REINTEL)**; **Red Eléctrica Internacional, S.A.U.(REI)** and **Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A. (RETIT)**. Hereinafter we will refer to them as Red Eléctrica. The emission calculation is performed under operational control criteria.

Operational scope

Emissions associated to Company's activities and facilities are quantified, taking into consideration the following scopes:

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Scope 1: Direct GHG emissions

Emissions resulting from the Company's controlled or owned sources:

- Fugitive Emissions: SF₆ 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.

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