



Sustainability Report

2020






*For a renewed future,
a renewable present*

GRUPO RED
ELÉCTRICA



Interactive PDF

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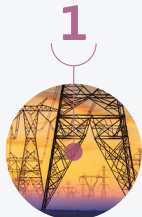
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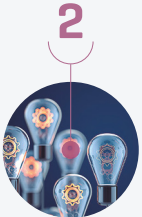
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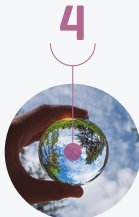
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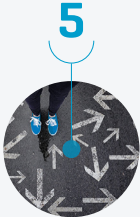
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Customer
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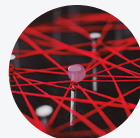
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Value Creation of the Red Eléctrica Group Business Model

OUR RESOURCES

Corporate governance

61.5%
Attendance at the General
Shareholders' Meeting

12
Board
Members

58.3%
Independent
Board Members

50%
Women
on the Board

Financial resources

1,985.8 M€
revenue

1,292
suppliers

895.0 M€
investment

Human resources

2,051
employees
in the Group

67 hours
of training
per employee

3,042 €
in training
per employee

Innovation

16.91 M€
investment
in innovation

124
innovation
projects

Environment

23.3 M€
expenditure on the protection of
biodiversity and other concepts

37 initiatives
for the protection and
conservation of biodiversity

Society

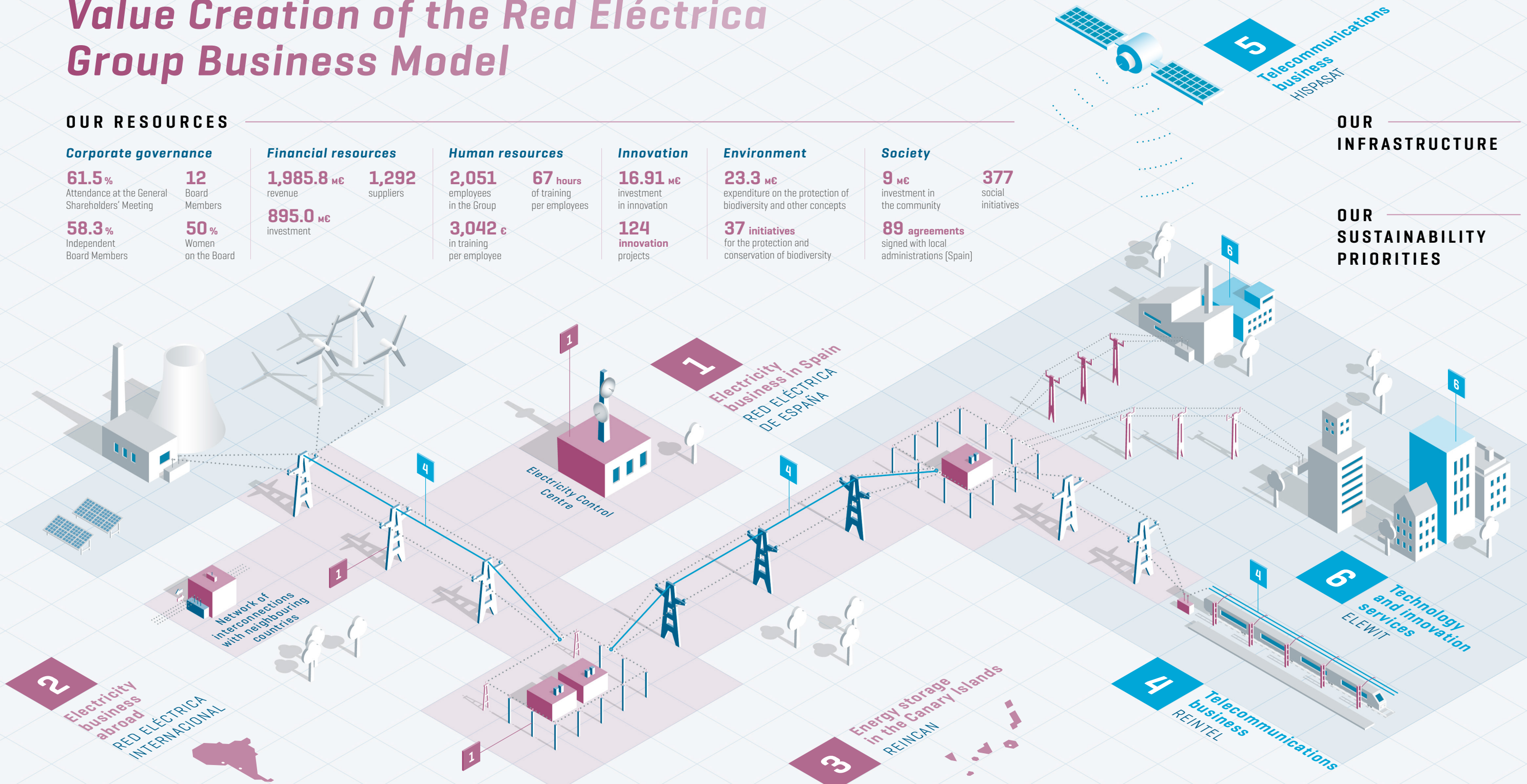
9 M€
investment in
the community

377
social
initiatives

89 agreements
signed with local
administrations (Spain)

OUR INFRASTRUCTURE

OUR SUSTAINABILITY PRIORITIES



VALUE CREATED

Shareholders and investors

566.8 M€
distribution of dividends

9,077 M€
capitalisation

Employees

175.9 M€
personnel costs

32.67%
women in the
management team

55%
women on the
executive committee

2.87
Occupational
accident frequency rate

98%
fixed contracts

Customers

98.56%
availability rate of the electricity
grid on the Spanish mainland

99.83%
availability rate of the transmission
system managed in Peru

99.95%
availability rate of the transmission
system managed in Chile (TEN)

100%
availability of the payload of the
satellite fleet

Suppliers

599.6 M€
in purchases of goods and
services

88.7%
purchases from
suppliers within the European
Union

Environment

28,065,584 t
of CO₂ avoided

44%
integration of renewables

66.5%
of electricity line in critical priority
zones marked with bird-saving devices

Society

265 M€
GDP contribution as a result of
investments made in Spain

39 MUSD & 10 MUSD
GDP contribution as a result of
investments made in Chile and Peru

743 M€
total tax contribution for the year



Letter from the Chairwoman and from the Chief Executive Officer 102-14

This year, 2020, has been a year marked by the pandemic in which, at the Red Eléctrica Group, we focused all our efforts on protecting the health of our employees and guaranteeing the essential services that our activity offers society: the proper functioning of the Spanish electricity system as well as the electricity and telecommunications, fibre optic and satellite infrastructures in all the countries in which we operate.

At this decisive time for everyone's health, for the economy and for the fight against climate change, we are committed to a **green recovery, as it represents an essential pillar for economic reconstruction** and brings with it an enormous potential to stimulate business activity and create jobs. In fact, if the pandemic has taught us anything, it is that we need to accelerate the pace of both the ecological

transition and the digital transformation in order to take huge steps along the road towards the decarbonisation of the economy. In this transition, we, as the sole operator and transmission agent of the Spanish electricity system, have an essential role to play in achieving the objectives set out in the European Green Deal and those included in the Integrated National Energy and Climate Plan (NECP).

In the Red Eléctrica Group, we are responding to this new reality through the **2021-2025 Strategic Plan**, which focuses on making the ecological transition possible in order to continue taking steps to progress efficiently towards a decarbonised economy, while at the same time consolidating our position in important growth vectors such as our business activity abroad and the promotion of connectivity through telecommunication services. We make all this a reality while prioritising a corporate culture that encompasses innovation, talent and a commitment to sustainability as levers that guarantee the long-term continuity and success of the Group.

Significant progress has been made in 2020, a year in which the following should be highlighted:

- The actions we have carried out have enabled renewable technologies to be responsible for generating 44% of all the electricity produced in Spain during the year, making it the highest level ever recorded in our national electricity system since records began.



Beatriz Corredor Sierra
Chairwoman of the Red Eléctrica Group



Roberto García Merino
Chief Executive Officer



- We have positioned ourselves as the only IBEX 35 company with gender parity on the Board of Directors, as well as being one of only two companies listed on the Spanish IBEX that is chaired by a woman.
- We have completed Red Eléctrica's first green bond issue for a total of 700 million euros and also closed a new financial transaction in Peru, totalling 30 million dollars, that also incorporates sustainability criteria.

We are fully committed to a green recovery, accelerating the pace of both the ecological transition and digital transformation in order to take huge steps along the road towards the decarbonisation of the economy. This will be achieved by driving innovation and promoting the talent of our people while strictly adhering to sustainability criteria.

- We have updated our Code of Ethics and Professional Conduct, adapting it to the highest standards of ethics and best-in-class compliance practices while meeting the evermore demanding expectations of our stakeholders.
- We have successfully completed the integration of the electricity subsystems of the Balearic Islands into that of the Spanish mainland, following the commissioning of the new Menorca-Majorca link, which will play an essential role in the energy transition process of the unified Balearic Islands electricity system.
- We have met the global emissions reduction targets of our Climate Change Action Plan, and in 2021, we will define new, more ambitious challenges aligned with the goal of not exceeding a 1.5 °C increase in global temperatures.
- We have strengthened the presence of the Red Eléctrica Group in the innovation ecosystem through the activity of Elewit, developing and deploying innovative solutions to drive the energy transition and promote connectivity, with the aim of building a more sustainable future.
- We have spearheaded various social innovation projects to promote actions that stimulate the repopulation of rural areas and have helped reduce the digital divide by facilitating connectivity via our telecommunication services.

We would also like to highlight that in 2020, Red Eléctrica celebrated **35 years in its role as the company that guarantees the proper functioning of the Spanish electricity system**, as it is the engine of our daily life and our future development. Reaching this important milestone would not have been possible without the talent and human qualities of the people of the Group who, throughout this 35-year period, have been able to address and tackle challenges of immense proportions. Therefore, together we will continue to strengthen our vocation, of serving society, as a business group that is fully committed to sustainability and, specifically, to the development of the socio-economic environment and the generation of opportunities in those territories where we operate.

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Our response to COVID-19

The Red Eléctrica Group provides essential services for the safety and well-being of all citizens. Therefore, preserving the health and safety of employees and guaranteeing the correct operation of the Spanish electricity system as well as the electricity, telecommunications and

satellite infrastructure in all the countries where it operates have been the main concerns of the Red Eléctrica Group during the pandemic.

The situation derived from COVID-19 **did not have a significant impact on the execution of the Group's activities**. However, from the first few days of February, the Company set up a steering committee that made it possible to implement a comprehensive contingency plan.

Areas of action in response to COVID-19

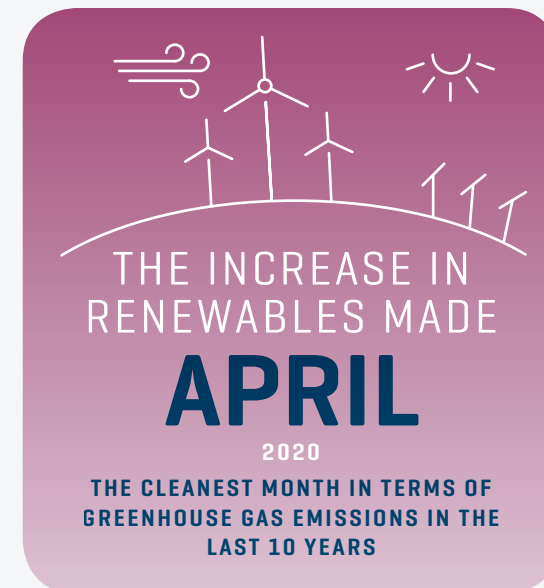




1. Guaranteeing the security of supply and the proper functioning of our infrastructure

The Group and more specifically Red Eléctrica de España, as the company that owns the electricity transmission infrastructure and is responsible for the management of the system, has been fully committed to the objectives of the Spanish authorities, and therefore has implemented a set of extraordinary measures, with the aim of complying with its obligations established in Law 24/2013, to ensure the continuity and security of the electricity supply, such measures that were made compatible with the priority of guaranteeing the health and safety of its workers and compliance with the authorities' health policy to curb the spread of the virus.

Electricity demand fell by 8% in the first six months of the year compared to the previous year, having fallen by 13.3% during the period of the state of emergency, between 15 March and 21 June. Despite the anomalous situation, Red Eléctrica de España guaranteed the electricity supply to all homes and essential services in Spain at all times. Nevertheless, the scenario associated with COVID-19 has not slowed down the progress of the energy transition. Furthermore, the number of GWh produced by renewables increased by 10.3% in the first four months of 2020 compared to the same period in 2019. In fact, April closed with renewables representing 47.3% of the generation mix. The boom in renewables, together with the 11.8% drop in electricity generation compared to the



During the state of emergency, the Red Eléctrica Group guaranteed the electricity supply to all households and essential services in Spain at all times.



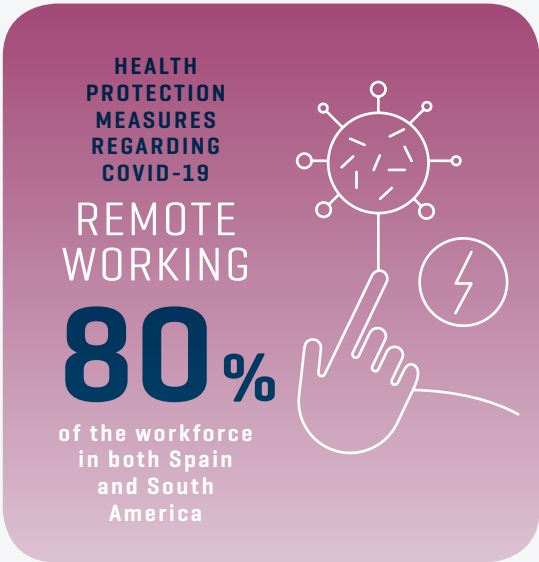
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same month in 2019, made April the cleanest month in terms of greenhouse gas emissions with 2,154,465.2 t CO₂ equivalent, almost half that of ten years ago.

To further ensure the guarantee of the electricity supply, the Company set up a third control centre which, like the other two, operates with full autonomy manned by independent teams working 24/7.

Similarly, additional health and safety prevention measures were taken regarding the teams that operate the Telecommunications Supervision Centre and the Facilities Maintenance Centre, as well as with the professionals that form part of the on-call response crews who deal with possible incidents in the transmission grid.

The development of new infrastructure for both electricity transmission and telecommunications suffered temporary delays due to the total or partial stoppage of economic activity imposed by the authorities, which was partly recovered in the last months of the year. The financial impact on the Red Eléctrica Group as a whole was 5% of the investment volume initially planned. This impact was mainly concentrated in the development of the transmission grid in Spain, although there were also some delays in Chile and in the development of the new Amazonas Nexus satellite of HISPASAT.



Regarding business abroad, despite the drop in electricity demand in Peru and Chile, operations continued through the following activities:

- Contingency plan for COVID-19 with four phases of implementation. This contingency plan had to be adapted to the country's regulatory changes.
- ManTop project to cover on-site maintenance activities in substations, made up of a mix of personnel in local operation and maintenance areas.

- COVID-19 essential activities' programme, which defined minimum and crucial activities at the outset of the pandemic.

- Modification of the working timetables of personnel carrying out work at Minera's facilities from 8-hour shifts to 12-hour shifts in addition to changes in the means of transport in order to reduce the number of trips to and from work.

2. Caring for and protecting the health of our professionals

From the outset of the pandemic, the Red Eléctrica Group has deployed measures to safeguard the health and safety of all its professionals, applying tailor-made action protocols in each case.

- The Company implemented online working for all those Group employees whose activity could be done remotely. This represents 80% of the workforce in both Spain and Latin America. The remaining 20% of the workforce provides its services on-site, both in the electricity and telecommunications control centres managed and operated by the Group as well as in those work centres that deal with the different needs of the electricity grid and the telecommunications networks.

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- The remote working situation is maintained for all those people who belong to the risk group. These are people who are vulnerable to COVID-19, people over 60 years of age, people who live with pregnant women or family members who work in the health sector, and people who commute to work on public transport.
- The return to the offices was carried out in Spain in September and in Peru and Chile in November, working in the morning only and with the following measures:
 - Serological analytical tests for all staff.
 - Mandatory use of face masks throughout the working day, even if the 2-metre safety distance is observed.
 - Shift and rotation system to guarantee the 2-metre safety distance between those going to the office.
 - Provision of healthcare equipment for all employees, including surgical masks, hydroalcoholic gel and gloves.
 - Maintenance of virtual meetings despite being physically present in the workplace.



The Company has ensured that all employees have the necessary means to enable them to work remotely and has paid special attention on ensuring cybersecurity.

- Suspension of the canteen service, closure of the vending machine area, stoppage of physiotherapy, sports and volunteer activities that require a physical presence.
- Restriction of international travel to those trips that are deemed strictly necessary and always with the prior approval of the director of the area concerned.

3. Strengthening our commitment to digitalisation

In anticipation of the shift to digital transformation, the Company had already been planning the transition to a remote working/teleworking environment. In this regard, the Company has implemented the necessary measures to enable remote working for those employees who required it, and furthermore, cyber security has been guaranteed by bolstering the security measures implemented to protect the equipment and the deployment of remote access. All of this has made the following possible:

- More than 2,100 users connected (employees and collaborators) at some point to the VPN [Virtual Private Network].
- More than 3,125 active channels on collaborative work platforms.
- More than 40,000 meetings held remotely.

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- More than 10,000 incidents, requests and queries solved remotely.

4. Actively collaborating with the groups most affected by the situation

The Red Eléctrica Group has collaborated on different actions focusing on the groups most affected by the health crisis and its economic and social side-effects.

- Joining and participating in the 'Red Cross Responds' project to help meet the basic needs of 25,000 families at risk of poverty and exclusion, and more specifically to meet their food and support needs.

- Support for the rural environment through the promotion of the following initiatives: #Alimentos_Solidarios (Food Solidarity), a collaborative project with the Federation of Rural Women's Associations (FADEMUR), for the purchase of foodstuff from 70 local livestock producers and market gardeners in rural areas and its distribution to social organisations in order to cover the basic needs of families at risk of exclusion. In total, 135,300 rations of staple food have been donated.

- Company's support and help regarding the online and direct sale of the products of more than 300 livestock, dairy producers and market gardeners throughout Spain through the 'Huerta Próxima' ['A vegetable farmer near you'] project.

- Financial aid for the manufacturing of medical supplies:

- 'Open Ventilator' pilot project for the design of an artificial ventilator approved by the Ministry of Health and promoted by the Celera Foundation.

- Donation of protective equipment for 19 health centres in the regions of Cajamarca, Amazonas and San Martín, areas in which the Group's activities in Peru are carried out.

- Purchase of 36 oxygen cylinders and flow meters for the Moquegua Hospital and the health centres of the Salinas and Aguada Blanca National Reserve in Peru.

- Awareness-raising activities and the provision of protective equipment for six districts in the city of Puno in Peru.

- Short-term loan of a 3D printer to the MakerSpace of the Library Service of the University of Las Palmas de Gran Canaria for the manufacture of more than 800 pieces of health protection equipment.

- Donation of Bluetooth headphones so that hospitalised people, especially the elderly, can keep in touch with their families.

The Red Eléctrica Group has collaborated on different actions focusing on the groups most affected by the health crisis and its economic and social side-effects both in Spain and Latin America.

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From a financial perspective, the Group has been in a solid financial position to face these difficult times, having taken measures to strengthen liquidity.



- Active participation in the Positive Energy+ initiative and support for startups in the development of projects that could materialise in the short term to help alleviate the economic and social impact of the crisis.
- Involvement of the Company's employees in the 'Cartas Solidarias' (Letters to show Solidarity) corporate volunteering project based on the writing of letters for hospitalised people.
- Signing up and support for the campaign run by the Ministry of Equality and the Institute

for Women and for Equal Opportunities to help victims of gender-based violence during confinement.

5. Assessing the impact on the Group's P&L

From a financial perspective, the Group has been in a solid financial position to face these difficult times, having taken measures to strengthen liquidity. The Group has carried out two bond issues for a total of 1.1 billion euros in 2020, 700 million euros in January and 400 million euros in April and has also entered into loan and credit operations for a total of 475 million euros. After carrying out these operations, and after meeting both debt maturities

and payments as a result of the acquisition of Argo Energía in Brazil, the liquidity position at the end of 2020 stands at 2.412 billion euros, 482 million euros of available cash and 1.93 billion euros of available credit facilities, and ensures that the Group can meet operating cash flow needs, debt maturities in the coming years, as well as adverse situations in the financial markets that may arise in the coming months as a result of the evolution of the current crisis. The Group will have to face debt maturities of 1.206 billion euros in the next two years, 164 million euros in 2021 and 1.042 billion euros in 2022.



6. Supporting our suppliers

The Red Eléctrica Group has taken into account the complicated circumstances faced by its suppliers. To this end, it has taken the following measures:

- Ongoing communication with suppliers that account for 80% of current contracted expenditure, identifying the health status of their employees, their capacity to restart temporarily suspended work and the suppliers overall financial situation.
- Adaptation of the monitoring of the financial status of suppliers, considering the sector to which they belong, their capacity to meet their obligations and the detection of non-payments.
- Identification of alternative solutions to facilitate the continuity of suppliers that could fall into financial difficulties due to the crisis, taking into account the sector to which they belong, their financial difficulties due to the crisis, and thereby facilitating the temporary extension of those contracts where the personnel authorised by the suppliers to provide these services are on furlough in addition to the identification of potential actions linked to providing greater liquidity to suppliers whose businesses could be affected by the COVID-19 crisis.
- Execution of actions in the event of the shutdown of non-critical activity during the emergency period, with only essential services operating:

- Processing of written documentation that authorises the travel needs of supplier and their staff to move to and from worksites thus allowing them to carry out their contracted work.
- Continuity of contracting, as it is considered essential to give visibility to the market in order for it to make decisions on the future viability of the Company's business activities.
- Relaxation of the criteria for restricting suppliers suffering financial difficulties, allowing them to be awarded bigger contracts.
- Analysis of the stock inventory and taking action to guarantee minimum stock levels to deal with breakdowns/system faults.
- Analysis of the requirements for materials on a 3-month horizon and the degree of coverage of the minimum stock level established by the Group.
- Ensuring the activities performed by logistics operators, guaranteeing that storage and logistics distribution services were performed without incident.

Additional information is provided in the Materialised risks subsection in the [Risk Management](#) section of this report.

Committed to a Green Recovery

*The Red Eléctrica Group is committed to a **green recovery** as the only way out of the economic crisis caused by the COVID-19 pandemic. For the Company, the focus of this model is the promotion of an inclusive and just energy transition. In this regard, it has joined initiatives both in Spain and internationally that are committed to **sustainability as a lever for economic recovery** after the crisis, such as the Manifesto 'For a sustainable recovery' promoted by representatives from the fields of politics, business, trade unions, science and the third sector in Spain, in line with the European Green Recovery Alliance. We have also joined the declaration 'Uniting Businesses and Governments to Recover Better', promoted by the prestigious Science Based Targets initiative and supported by the United Nations, which in both cases seek to encourage a way out of the COVID-19 crisis based on a people-centric solution, the achievement of the 2030 Agenda and an ambitious climate-based action plan.*



A benchmark report at the forefront of reporting standards

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 **thorough, reliable and balanced information** on the Company's management and performance in terms of sustainability during 2020, focusing on those aspects identified as material issues for the Red Eléctrica Group and its stakeholders. / 102-50

This focus on quality, rigour and transparency in the Company's yearly communication with stakeholders regarding the progress made in the implementation of the 10 Principles of the United Nations Global Compact in the areas of human rights, labour standards, the natural environment and the fight against corruption and in support of the Sustainable Development Goals (SDGs), has enabled the Company to reach the **'Advanced-level'** reporting status, the highest qualification awarded by the United Nations Global Compact.



Furthermore, the Sustainability Report was ranked **in the fourth position of the 2020 Reporta Report**, a study that, since 2010, analyses the quality of the information 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 **quality, rigour and transparency** of the Sustainability Report of the Red Eléctrica Group is recognised by its stakeholders, who consider it **a leading report in Spain.**

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The Report integrates the recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD)** for the reporting of climate-related risks and opportunities and the requirements of the **Climate Disclosure Standards Board (CDSB)** framework on environmental and climate change reporting.

Reporting frameworks


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 2020 Sustainability Report has been prepared following the GRI standards: **Comprehensive option.** / 102-51 / 102-52 / 102-54.

Noteworthy has been the **early adoption of the new GRI standards**, the reporting of which will not be mandatory until 2021. Specifically, the GRI 207 standard on Tax matters and GRI 303 standard on Water and effluents were adopted in 2019, and the GRI 403 standard on Occupational Health and Safety was adopted in 2020.

As a major new feature, in 2020 the Report integrates the recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD)**, created by the **Financial Stability Board (FSB)**. These recommendations provide a reporting framework for climate-related risks and opportunities to improve investors' understanding of the impact these risks and opportunities. This edition of the Report also responds to the requirements of the **Climate Disclosure Standards Board (CDSB)** framework on environmental and climate change reporting, which provides clear, concise and comparable information that connects environmental risks and opportunities to the business strategy and value creation model. This is one of the reporting frameworks mentioned by the TCFD in its recommendations.

Since 2019, and in order to continue making progress in offering stakeholders more complete

and appropriate information on the Company's ability to create value, the Red Eléctrica Group has incorporated information in accordance with the **Sustainability Accounting Standards Board** reporting standard for the application aspects of the **Electric Utilities and Power Generators and Telecommunications Services** sectors. The incorporation of this reporting framework, a benchmark for the investment markets, makes the **Company the first in the IBEX 35** to follow this standard in its annual Sustainability Report.

The **Annexes**  section of this Report includes a table of contents in relation to GRI, SASB, TCFD and CDSB reporting standards.

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



In 2019, the Red Eléctrica
Group became the

FIRST COMPANY
IN THE IBEX 35

TO INCORPORATE THE SUSTAINABILITY
ACCOUNTING STANDARDS BOARD (SASB)
REPORTING STANDARD IN ITS ANNUAL
SUSTAINABILITY REPORT

defined by the **International Integrated Reporting Council (IIRC)** for the drafting of comprehensive reports.

Scope, content and assurance

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 Group's governance structure is described in the '[Red Eléctrica Group](#)' ↪ section of this report. In this regard, it should be noted that on 22 November

2020, Red Eléctrica Internacional, S.A.U. (REI) and the Colombian company Grupo Energía Bogotá S.A. ESP (GEB) reached an agreement to, jointly and equally, acquire 100% of the ordinary shares of Argo Energía [Argo Energia Empreendimentos e Participações S.A.] / 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

Also, in this edition, noteworthy is the inclusion, for the first year, of the **Green Bond Report** in the [Annexes](#) ↪ section of this report.

To verify and guarantee the reliability of information to be presented to the various stakeholders, the Company has submitted this report to **external**

verification by Ernst & Young, who conducted a **limited assurance review**. As a result of the verification process, Independent Assurance Reports are prepared, which include the objectives and scope of the process as well as the verification procedures used, and the conclusions reached. Such reports are included in the [Annexes](#) ↪ section of this document. / 102-56

To our readers

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 its non-financial information, and which responds to the requirements of Law 11/2018, of 28 December, on disclosure of non-financial and diversity information.

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



Corporate websites

www.ree.es/en
www.reinternacional.com/en
www.reintel.es/en
www.hispasat.com/en/inicio
www.elewit.ventures/en

Dígame Service

www.ree.es/en/
digame-attention-
centre
digame@ree.es
+34 917 286 215

Whistle-blowing channel

https://www.ree.es/en/corporate-
governance/ethics-and-
compliance

Investor channel

relacionconinversores@ree.es
+34 91 650 20 12

Shareholder channel

accionistas@ree.es
+34 900 100 182

ASA channel

(Procurement Support
and Helpdesk Service)
asa@ree.es
+34 91 659 99 83

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Materiality

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


In 2019, to advance 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.

The materiality study stems from an analysis of the Group’s sustainability context that enables the Company to have a global vision of the environment in which the organisation operates to review the planning in sustainability matters for the corresponding period. The context is prepared taking into account all the business activities and geographical areas in which the Group operates.

The impact of the COVID-19 pandemic on the business model of the Red Eléctrica Group has not required a review of the results of the Materiality Study. However, it is evident that the management of the issues, especially those of ‘Health and safety and well-being’ and ‘Digital transformation’, now include new aspects.

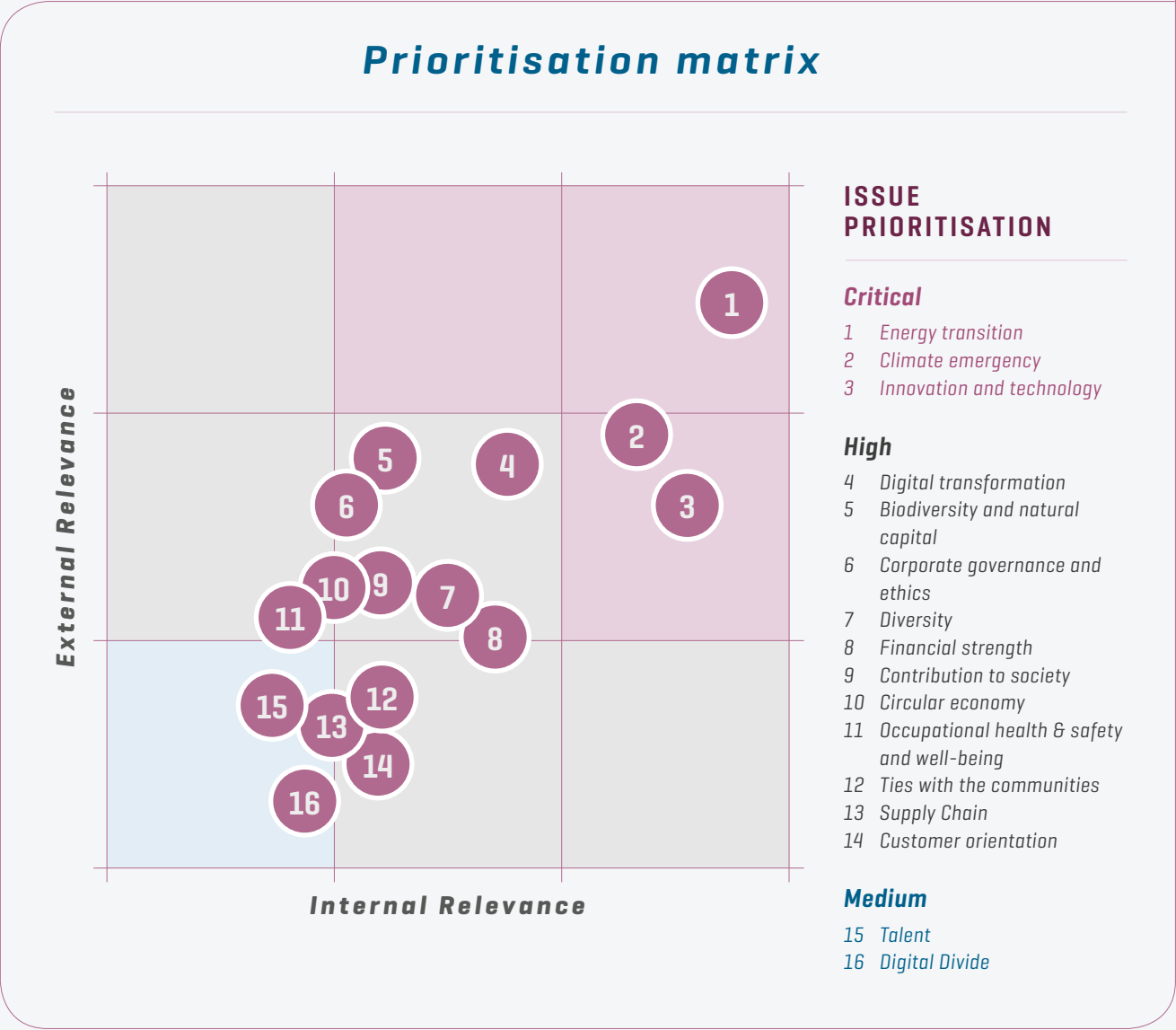
Drafting process

Issue identification	Objective	Development
	Analyse the sustainability context to identify the significant impacts, risks and opportunities that affect or may affect the Group’s sustainability. The process is carried out with the active participation of stakeholders.	The Company identified a total of 16 relevant issues in the review of the sustainability context, and that includes the following analyses: <ul style="list-style-type: none">• 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 achieving the Company’s long-term objectives and maximising its contribution to fulfilling 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 reputation, based on the value given by the external stakeholders who were consulted.
Issue evaluation and validation	Cross-cutting analysis within the organisation 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 assessed, 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.

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Relevant issue prioritisation matrix

The materiality analysis determined **16 material issues** for the Red Eléctrica Group and its stakeholders, which define the Company’s Sustainability Plan.











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Materiality issues: description and impact / 103-1

Issues	Materiality consideration	Section in this report	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.	<ul style="list-style-type: none">Climate change and the Energy transition ↻Sustainable development of the transmission grid ↻Integration of renewables ↻Flexibility of the system ↻	201-2 EU10	  	•	•
Climate emergency	Meeting the target of limiting the temperature increase to 1.5°C is only possible by adopting and developing ambitious efficiency and emission reduction strategies. It is essential that the business sector assesses 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.	<ul style="list-style-type: none">Trends and opportunities ↻Risk Management ↻Climate change and the Energy transition ↻Reduction of the carbon footprint ↻	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.	<ul style="list-style-type: none">Transformation: digital, cultural and technological innovation ↻	102-31 / 203-1	   	•	•




VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	OUR RESPONSE TO THE COVID-19	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	ANNEXES
												

Materiality issues: description and impact / 103-1 *Continued*

Issues	Materiality consideration	Section in this report	GRI Indicators	Sustainable Development Goals (SDGs)	Impact INT EXT
Digital transformation	Advanced data analytics (Big Data, predictive analysis, etc.) will provide flexibility to the management of data and 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.	<ul style="list-style-type: none">Transformation: digital, cultural and technological innovation ↻Comprehensive Corporate Security ↻	The current GRI Standards do not include indicators linked to this issue	 	•
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.	<ul style="list-style-type: none">Responsible Environmental Management ↻Conservation of natural capital ↻	102-15 / 102-29 / 102-31 / 303 / 304 / 306-1 / 306-3 / 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.	<ul style="list-style-type: none">Corporate Governance ↻Ethics and Compliance ↻	102-16 / 102-17 / 102-18 to 102-39 / 205-1 to 205-3	 	• •


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Materiality issues: description and impact / 103-1 *Continued*

Issues	Materiality consideration	Section in this report	GRI Indicators	Sustainable Development Goals (SDGs)	Impact INT EXT
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.	· Employees ↗	102-8 / 102-22 / 102-24 / 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.	· Economic results and financial strength ↗	201-1 / 201-2 / 201-4		•
Contribution to society	Society increasingly demands that companies develop their operations to ensure the provision of a service and ensuring that this is done responsibly and generating value for society, 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.	· Contribution of the Company's activities ↗ · Socio-economic development of the territory ↗	102-12 / 102-13 / 201-1 / 204-1 / 401-1	    	•

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Materiality issues: description and impact / 103-1 *Continued*

Issues	Materiality consideration	Section in this report	GRI Indicators	Sustainable Development Goals (SDGs)	Impact	
					INT	EXT
Circular economy	<i>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.</i>	· <i>Responsible Environmental Management</i> ↻	306-2 / 306-3 / 306-4	  	•	•
Occupational health & safety and well-being	<i>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 employees' mental health to prevent accidents arising from situations of emotional stress.</i>	· <i>Employees</i> ↻	403 / 409-1 / EU18		•	•
Ties with the community	<i>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.</i>	· <i>Relationship with the socio-economic environment</i> ↻	102-21 / 102-43 / 413-1 / 413-2			•





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Materiality issues: description and impact / 103-1 Continued

Issues	Materiality consideration	Section in this report	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. 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 raise awareness on the relevant know-how.	· Supply Chain ↗	102-9 / 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.	· Customer orientation ↗	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.	· Employees ↗	401-1 / 404-1 / 404-2 / 404-3 / 412-2	 	•

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Materiality issues: description and impact / 103-1 Continued

Issues	Materiality consideration	Section in this report	GRI Indicators	Sustainable Development Goals (SDGs)	Impact INT EXT
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.	· Socio-economic development of the territory ↻	The current GRI Standards do not include indicators linked to this issue	   	• •

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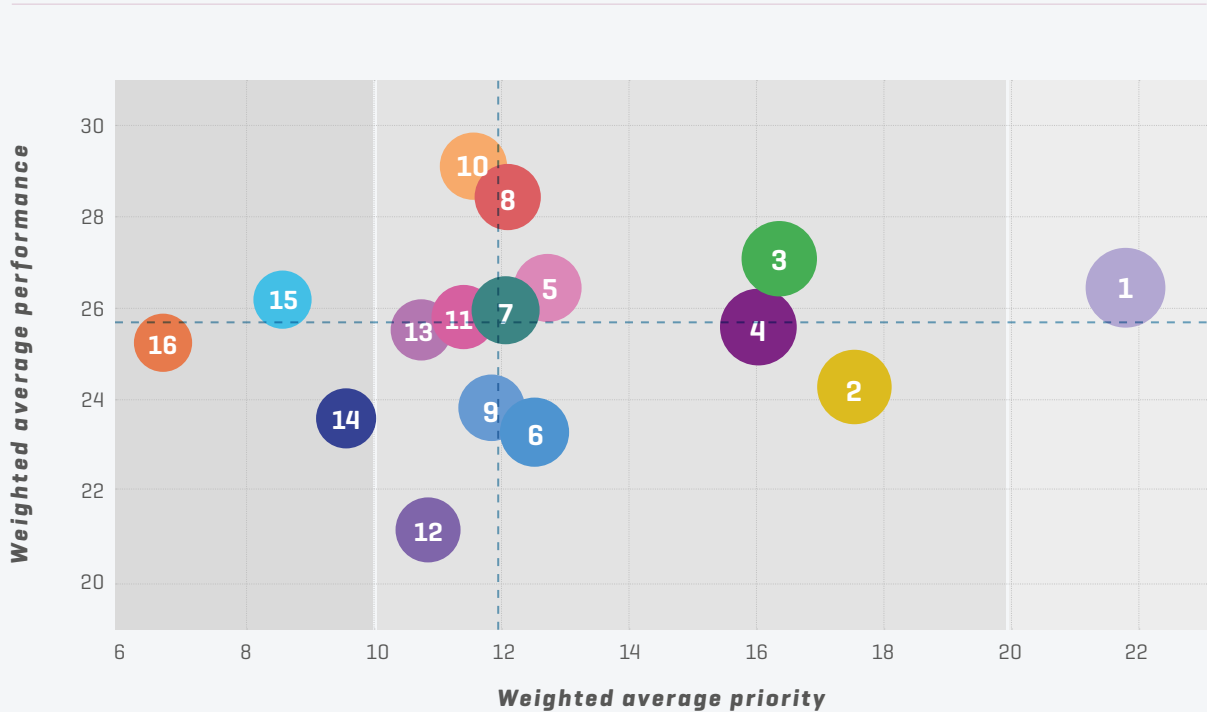
Stakeholder materiality

In 2019, as part of the initiative to update the perception studies, a materiality section was included in which the representatives of each stakeholder group included in the study assess the relevance and priority of the issues in terms of sustainability, and evaluate the performance that they perceive the Company is achieving for each of them.

With the information gathered in the 2019 and 2020 studies, a matrix is obtained, which enables the priority of the issues to be analysed in relation to the Group’s performance, in accordance with the average assessment received from the averages of each of the stakeholder groups surveyed. The average relevance can also be seen depicted by the size of the coloured circles (in the graphic on the right).

It is clearly evident that the **Energy transition** issue is the most relevant aspect (identified by the majority as one of the most pertinent aspects), and the one with the highest priority, being ranked as a critical issue. Innovation and technology, Climate emergency and Contribution to society are also considered highly relevant for all stakeholders. In terms of weighted average performance, the performance regarding these three aspects is ranked as adequate.

Stakeholder materiality matrix



- 1 Energy transition

2 Climate emergency

3 Innovation and technology

4 Contribution to society

5 Digital transformation

6 Biodiversity and natural capital

7 Corporate governance and ethics

8 Financial strength
- 9 Ties with the communities

10 Occupational health & safety and well-being

11 Diversity

12 Circular economy

13 Talent

14 Digital divide

15 Customer orientation

16 Supply Chain

Priority		Performance	
P >= 20	Critical	D = 40	Differentiating level
10 < P < 20	Very relevant	30 < D < 40	Advanced level
0 < P <= 10	Relevant	20 <= D < 30	Adequate level
		D < 20	Opportunity for improvement

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The assessment of the priority of the 16 issues, according to the perception of each of the stakeholders included in the 2019 and 2020 studies, is detailed below:

Priority of issues by stakeholder group

STAKEHOLDER CATEGORY	STAKEHOLDER GROUP	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Business Sector and Professional Associations	Business and Professional Associations	critical	very relevant	critical	very relevant	very relevant	very relevant	very relevant	very relevant	very relevant	very relevant	critical	very relevant	very relevant	critical	very relevant	very relevant
Suppliers	Suppliers	very relevant	very relevant	very relevant	very relevant	very relevant	critical	very relevant	very relevant	critical	very relevant	critical	critical	very relevant	critical	very relevant	very relevant
Investors, Shareholders and Partners	Financial institutions	critical	very relevant	very relevant	very relevant	very relevant	very relevant	very relevant	critical	very relevant	very relevant	critical	critical	critical	critical	critical	critical
Opinion Generators	Financial analysts	critical	very relevant	very relevant	critical	critical	critical	very relevant	critical	critical	critical	critical	critical	critical	critical	critical	critical
	The Media	critical	critical	critical	critical	very relevant	critical	very relevant	very relevant	critical	very relevant	critical	very relevant	critical	critical	critical	critical
Social Environment	Social agents and associations	critical	very relevant	very relevant	very relevant	very relevant	critical	critical	critical	very relevant	critical	very relevant	very relevant	critical	critical	critical	critical
	Educational institutions	very relevant	very relevant	very relevant	critical	very relevant	critical	very relevant	very relevant	very relevant	very relevant	critical	critical	critical	critical	critical	critical
	Environmental groups	critical	critical	very relevant	very relevant	critical	critical	critical	critical	very relevant	very relevant	very relevant	very relevant	critical	critical	critical	critical
	NGOs and foundations	very relevant	critical	very relevant	critical	critical	very relevant	very relevant	critical	critical	very relevant	very relevant	very relevant	very relevant	critical	critical	critical

critical

 >= 20 critical

very relevant

 Between 10 and 20 very relevant

critical

 <= 10 Relevant



1

Red Eléctrica Group

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

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The Company

The Red Eléctrica Group is a **global operator of essential infrastructure**, managing electricity transmission grids in Spain, Peru, Chile and Brazil, and telecommunications networks (dark fibre and satellites), with the incorporation of a significant level of innovation and technological development.

Our CORE STRENGTHS



Electricity



Talent



Telecommunications

Our MISSION

Guarantee the electricity supply and connectivity

The mission of the Company is to guarantee the electricity supply and ensure connectivity in the field of telecommunications, promoting a just ecological transition based on sustainability criteria, whilst showcasing our neutrality and contributing to social cohesion.

Our ETHICAL VALUES



Respect



Integrity



Sustainability

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REE's 35th Anniversary: A Success Story

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 an electricity system.**

During the 35 years the Company has existed, we have assumed the responsibility of developing a business model capable of converting challenges into opportunities, based on excellence, innovation, integrity and transparency and making our activity

compatible with environmental care and the generation of shared value for society.

Today, as it was three decades ago, the objective of the Red Eléctrica Group remains clear: **maximising our position as a global operator of critical infrastructure to be useful to society.**

The Group keeps its sights set on the future, on its relevant role in the energy transition, through

electricity and telecommunications and with a greater commitment than ever to sustainability while maintaining its **clear focus** intact: **its people**. The success story of Red Eléctrica over these 35 years is only as a consequence of the professionalism, talent, and desire of a team of committed people who have made enormous challenges possible while constantly seeking to innovate.



Today, as it was three decades ago, the objective of the Red Eléctrica Group remains clear: maximising our position as a global operator of critical infrastructure to generate value and be useful to society.



Company Milestones [35 years]

1985 - 1988

- Red Eléctrica was set up as the first TSO in the world.

1988 - 1997

- Years of significant progress in the expansion of the transmission grid.
- Design and construction of the first electricity interconnection between two continents [Spain-Morocco link].
- Company begins its own fibre optic development within the national electricity grid in Spain.

1997 - 2004

- Privatisation of the Company through an IPO.
- Creation of Red Eléctrica Internacional (REI) for investment in projects abroad [Peru].
- Design and undergrounding of the power cable for the Barajas Airport [first 400 kV underground line in Spain].
- Process for the acquisition of assets from electric utility companies begun.



2018 - 2020

- Acquisition of HISPASAT.
- Creation of Elewit; the Group's technology company.
- Investment in electricity transmission networks in Brazil [Argo Energía].
- Commissioning of the Majorca-Menorca link.

2012 - 2018

- Commissioning of the Spanish mainland-Balearic Islands link.
- Acquisition of rights to use and manage ADIFs dark fibre optic network.
- REINTEL created to promote telecommunications and REINCAN for the development of energy storage projects in the Canary Islands.
- Design and laying of the Majorca-Ibiza link.
- Commissioning of the Spain-France cross-border connection.
- Investment in electricity transmission networks in Chile [TEN and REDENOR].

2004 - 2012

- Red Eléctrica listed in the IBEX 35.
- Commissioning of the second Spain-Morocco link.
- Creation of the Control Centre of Renewable Energy [CECRE].
- Creation of INELFE, jointly owned in equal shares with RTE, to carry out interconnection projects with France.
- Red Eléctrica assumes the operation and management of the non-peninsular grid systems [acquisition of electricity grid assets on the islands].

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Today the Red Eléctrica Group is a business group that is ...

Diversified
IN THE KEY SECTORS
OF THE ECONOMY



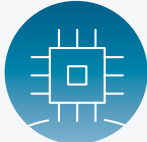
**Electricity
business**
[Spain and Latin
America]



**Satellite
business**

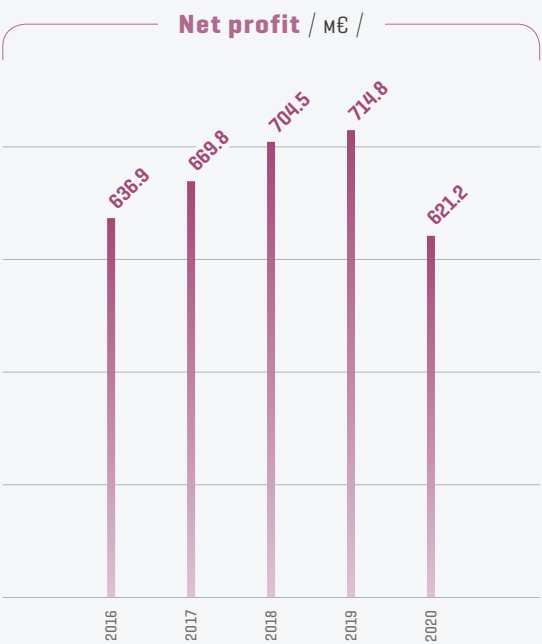


**Fibre optic
business**



**Technology
innovation
business**

Stable
MORE FINANCIALLY SOUND
AND WITH BETTER
CAPITALISED BUSINESSES



Necessary
TO MAKE THE
ENERGY TRANSITION
POSSIBLE



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Today the Red Eléctrica Group is a business group that is ... / continued

Beneficial for society
FROM A SOCIAL STANDPOINT

98.56 %

availability
of the electricity
grid in Spain

99.83 %

availability rate
of the transmission
system in Peru

99.95 %

availability rate
of the transmission
system in Chile
(TEN)

100 %

availability
of the payload
capacity of the
satellite fleet

Committed
TO SUSTAINABLE DEVELOPMENT

Member of the most prestigious sustainability
indexes worldwide

Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA



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Business activities

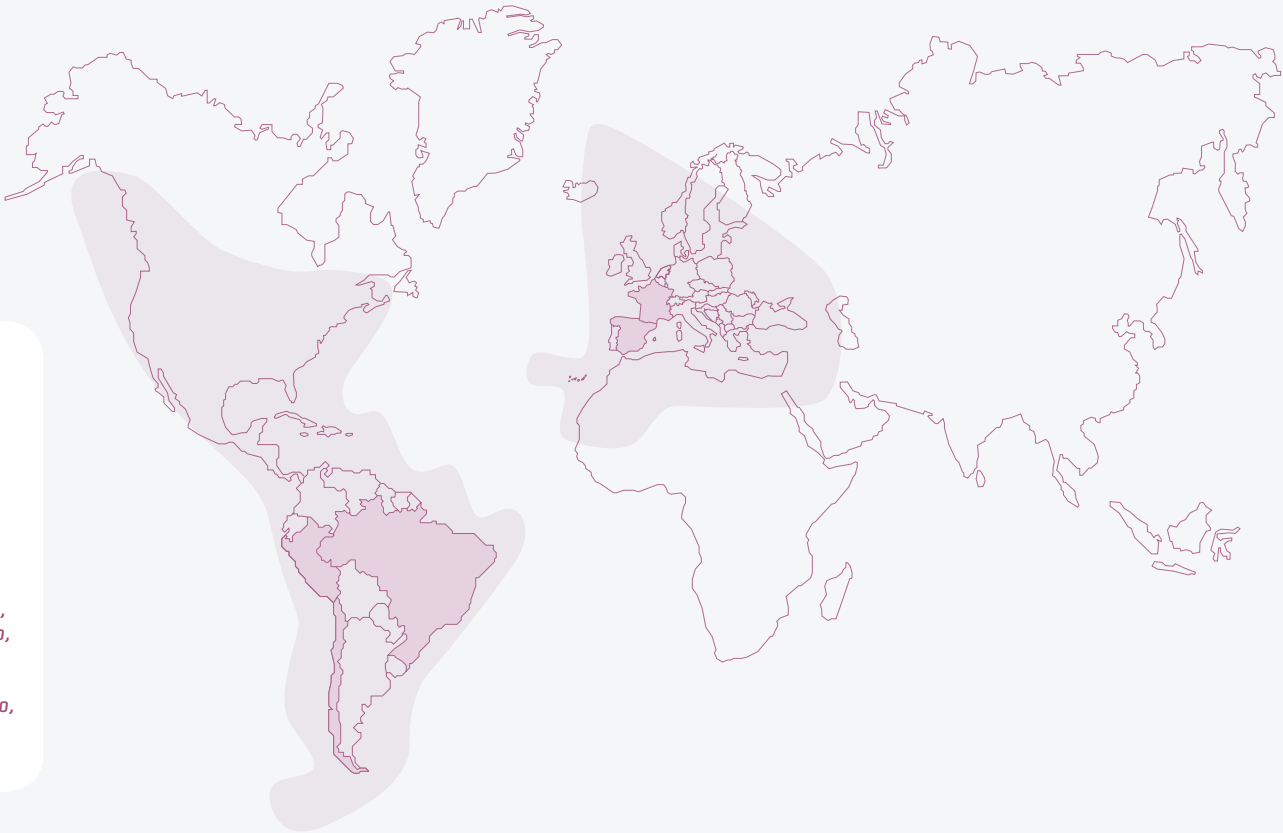
102-2 / 102-4 / 102-6

Presence of the Red Eléctrica Group in the world

- Satellite coverage area
- Countries in which the Red Eléctrica Group is present

Countries where HISPASAT services have been contracted in 2020

Germany, Algeria, Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Ecuador, Slovakia, Spain, United States, Israel, Italy, Morocco, Mexico, Norway, Paraguay, Peru, Portugal, Puerto Rico, The Czech Republic and Turkey.



**ELECTRICITY BUSINESS
IN SPAIN:
RED ELÉCTRICA DE ESPAÑA
(REE) + RED ELÉCTRICA
INFRAESTRUCTURAS EN
CANARIAS (REINCAN)**

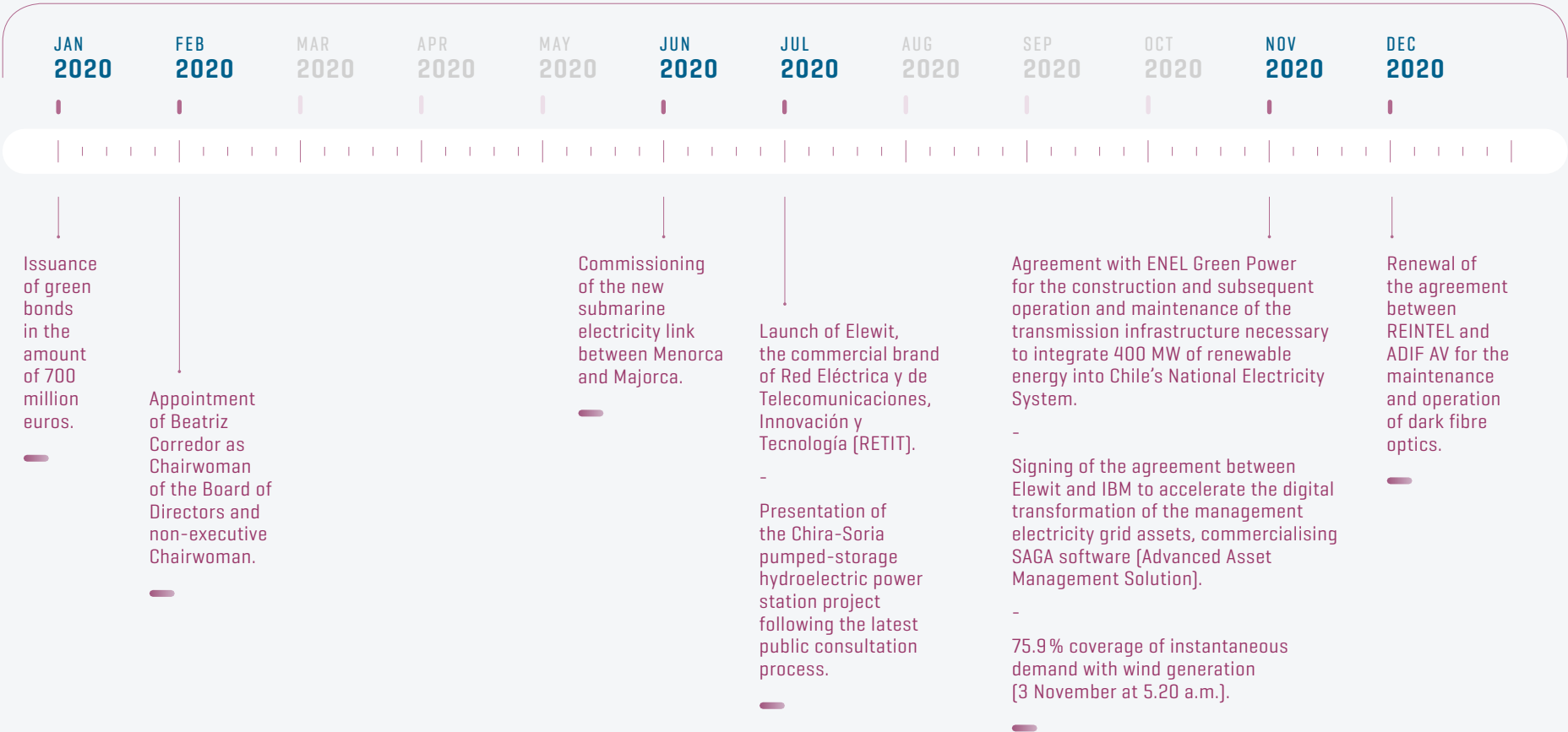
**ELECTRICITY
BUSINESS ABROAD:
RED ELÉCTRICA
INTERNACIONAL (REI)**

TELECOMMUNICATIONS

**TECHNOLOGICAL
INNOVATION**

-	VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	-	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	-	OUR RESPONSE TO THE COVID-19	-	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	-	ANNEXES
																									

Significant events during the year

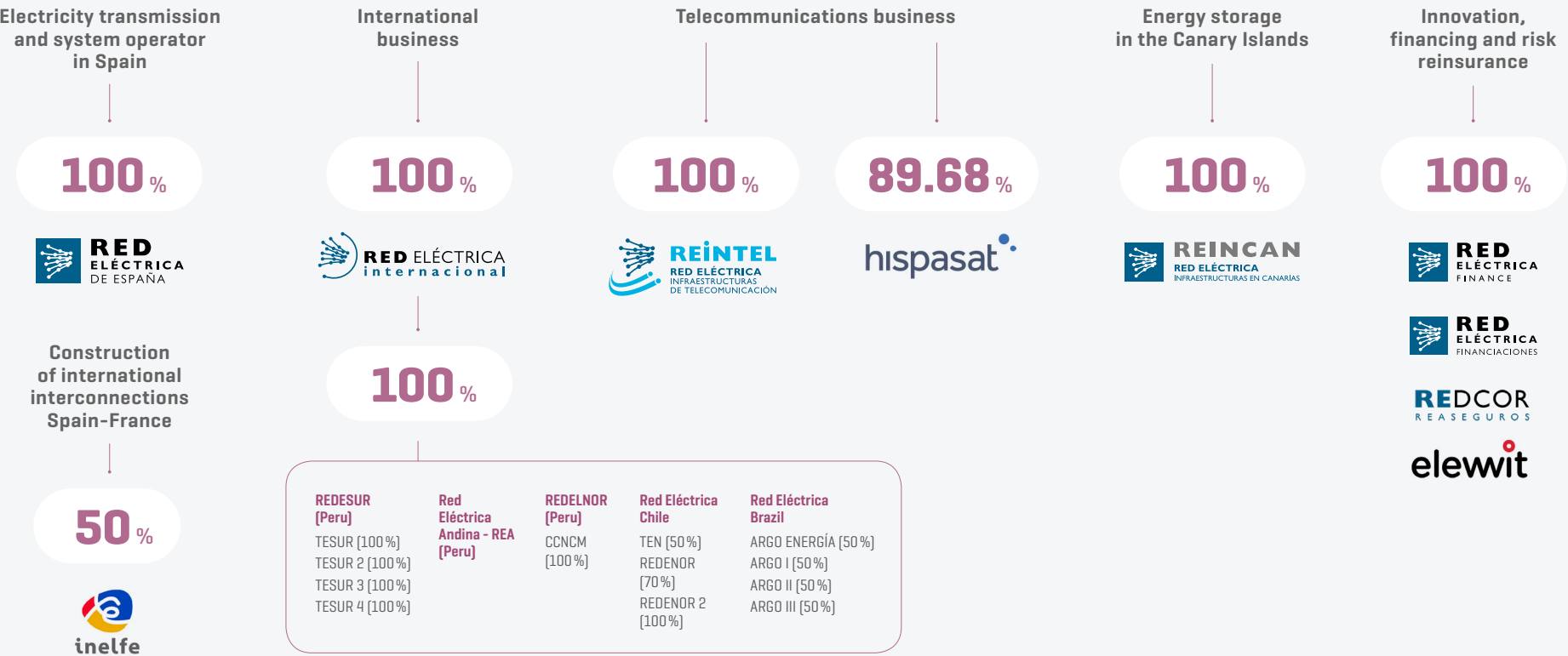


- VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	- LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	- OUR RESPONSE TO THE COVID-19	- A BENCHMARK REPORT AT THE FOREFRONT OF REPORTING STANDARDS	1 RED ELÉCTRICA GROUP	2 STRATEGY	3 CORPORATE GOVERNANCE	4 COMMITMENT TO SUSTAINABILITY	5 ANTICIPATING CHANGE AND TAKING ACTION	6 DECARBONISATION OF THE ECONOMY	7 RESPONSIBLE VALUE CHAIN	8 CONTRIBUTION TO SOCIAL, ECONOMIC, AND ENVIRONMENTAL DEVELOPMENT	- ANNEXES
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Structure of the Red Eléctrica Group

102-1 / 102-2 / 102-5 / 102-10 / 102-45

Red Eléctrica Corporación / Structure of the Group as at 31 December 2020

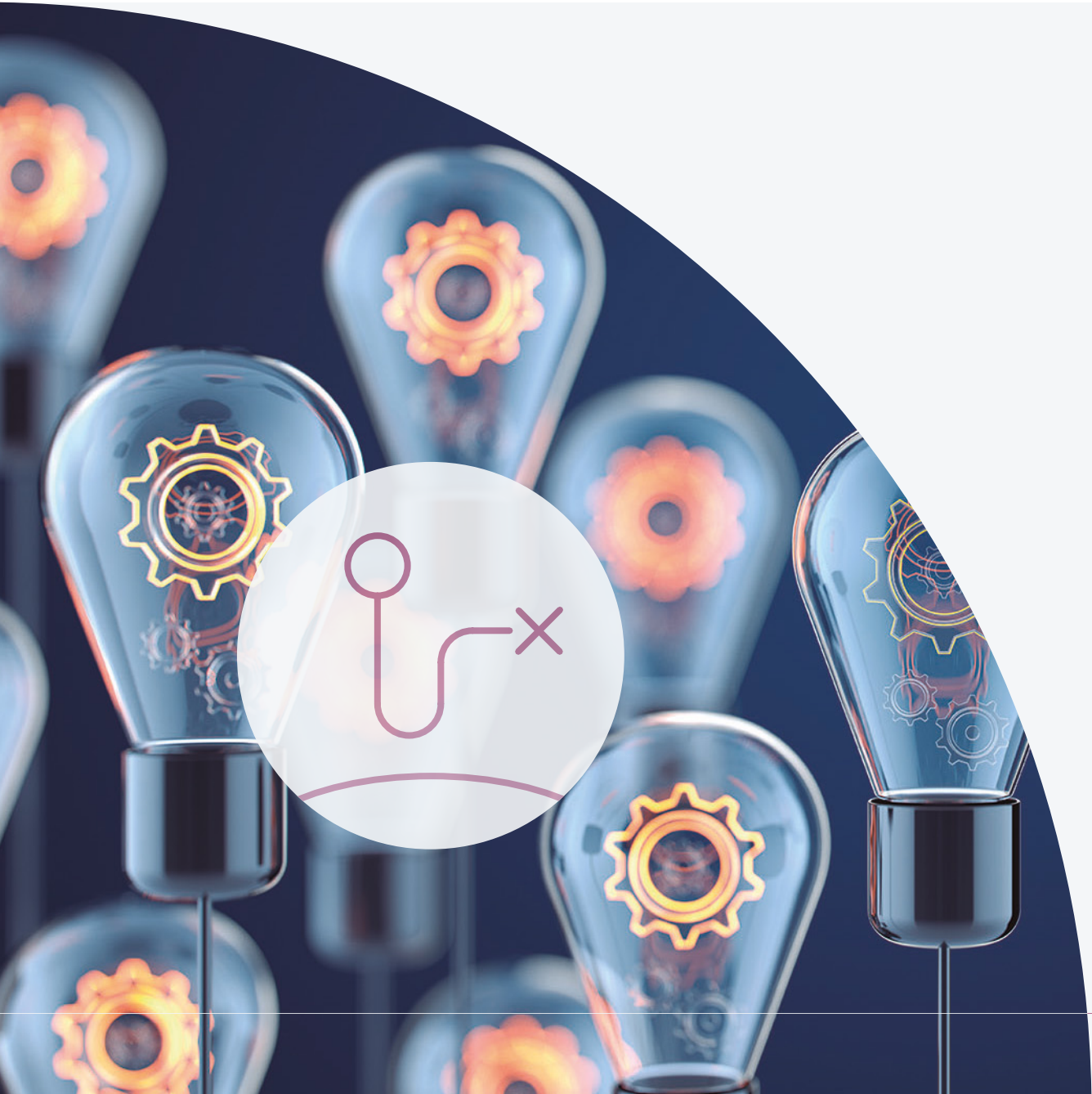




2

Strategy

Our mission is focused on guaranteeing the electricity supply and connectivity incorporating criteria based on sustainability and neutrality.

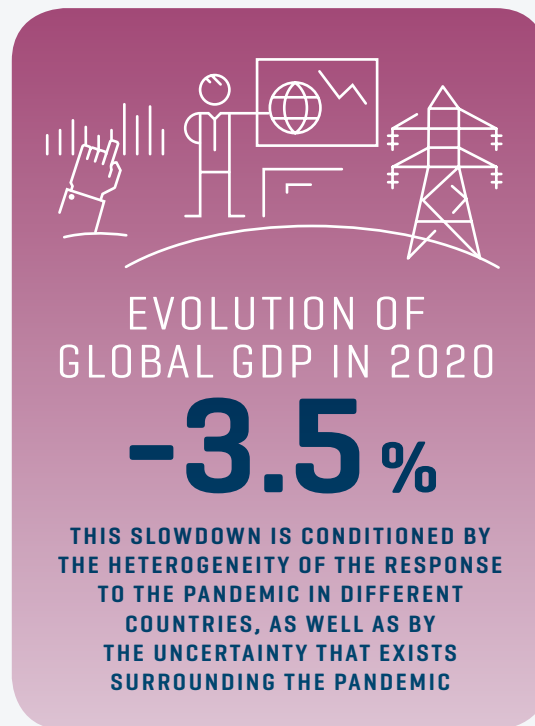


Socio-economic and regulatory environment

Macroeconomic environment

- The global economy rebounded in the third quarter, following the sharp slowdown observed with the implementation of pandemic containment measures and positive news about the development of several vaccines against COVID-19, partly improving the **estimate of global GDP growth in 2020** compared to previous estimates to around **-3.5%**. This slowdown is conditioned by the heterogeneity of the response to the pandemic in different countries, as well as uncertainty about the time needed to vaccinate the general population and should therefore be treated with caution.
- The fall in oil demand as a result of the health crisis coupled with the price war between Saudi Arabia and Russia caused a **historic plunge in the price of oil**, bringing the average price of Brent crude oil to **USD 42.73/barrel** in 2020, 33.6% lower than in 2019. However, what should have been a positive boost for net oil-importing economies has not been reflected due to the devastating effects of the pandemic.

- **Monetary policy action on a massive scale** has played a significant role in containing the impact



of the deep contraction in economic activity. These policies have been complemented by the measures adopted by governments, including, most notably, the granting of public guarantees for corporate financing and the promotion of temporary furlough schemes to reduce costs at times when it has not been possible for them to operate, which, to a certain extent, has made it possible to offset the conditioning factors mentioned in the previous point.

- In addition, most governments at an international level have approved **economic stimulus plans** to reactivate the economy, focusing a significant part of the investments on the development of the energy transition and digitalisation. In this regard, the European Union agreed on an exceptional temporary recovery instrument known as **Next Generation EU** for an amount of **750 billion euros**. The funds can be used to grant repayable loans of up to 360 billion euros and non-repayable transfers of up to 390 billion euros. The two largest instruments of

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the **Next Generation EU** are the **Recovery and Resilience Facility (RRF)** (672.5 billion euros) and the **REACT EU Fund** (47.5 billion euros).

- The latest forecasts project an improvement in **global growth rates for 2021**, which is expected to increase to **5.5%**, under the assumption that the epidemiological situation will not worsen in the coming quarters. However, these forecasts stress that uncertainty is high.

Spain


- 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). The ability to govern has not been easy due to complicated parliamentary arithmetic, however, it has been possible to approve the General State Budget Law for 2021, which incorporates a first tranche of recovery funds from the European Union, from which it is expected to receive approximately 72 billion euros in direct subsidies for Spain for the period 2021-2023,

of which 60 billion euros comes from the Recovery and Resilience Facility (RRF) and 12 billion euros from the REACT-EU fund. In addition, it will have access to 80 billion euros in loans from the RRF.

- The outlook for the Spanish economy is highly uncertain, mainly linked to the course of the pandemic. The National Statistics Institute's latest forecast on Gross Domestic Product (GDP) estimates a **decrease in the Spanish economy of -11.0% in 2020**.
- The **growth forecast for Spain** stands at **5.9% in 2021 and 4.7% in 2022**.

The outlook for the Spanish economy is highly uncertain, mainly linked to the course of the pandemic, which has resulted in a decrease in the Spanish economy (GDP) of -11.0% in 2020.



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Energy environment

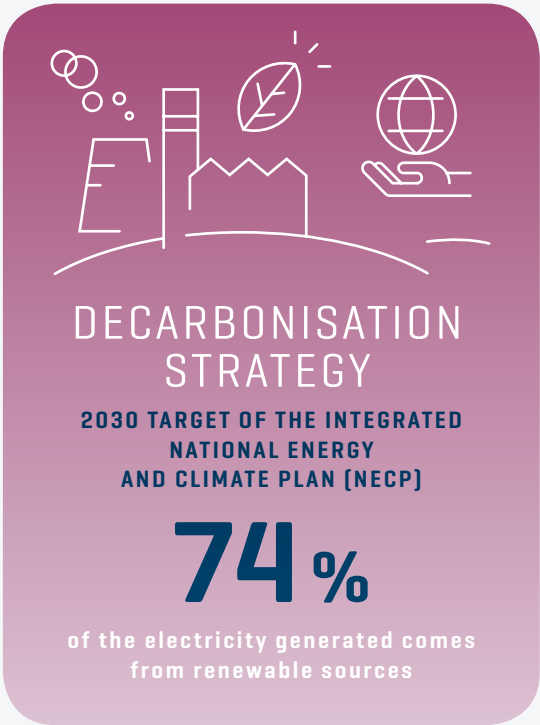
Spain

- The energy environment in Spain has been marked by the COVID-19 epidemic. Firstly, the variation in the annual demand of the national electricity system for 2020 registered a **fall of 5.6%** compared to the previous year.
- On the other hand, the seriousness of the economic and health crisis has made it necessary for the Government to urgently legislate on the different sectors affected. Thus, for the electricity sector, various Royal Decree-Laws have been approved that have sought to alleviate the effects of the pandemic on said sector, such as Royal Decree-Law 11/2020, of 31 March, adopting additional urgent measures in the social and economic sphere to deal with the COVID-19 crisis. It establishes a series of actions in the electricity sector for the protection of consumers, the self-employed and SMEs, which have had an impact on the billing of electricity connection charges.
- For its part, Royal Decree-Law 30/2020, of 29 September, on social measures in defence of employment, redefines a new category of consumer considered vulnerable for the purposes of receiving the discount electricity rate [*bono social*].

- The main regulation regarding the electricity sector was **Royal Decree-Law 23/2020**, of 24 June, which approved **measures in the field of energy and in other areas for economic recovery**, the objective of which is to create a regulatory framework that favours the development of sustainable investments to carry out the energy transition. **This regulation also partially transposes Directive 2019/944** on common rules for the internal electricity market, incorporating legal entities into our regulatory framework that it did not previously include, such as the owners of energy storage facilities or independent aggregators, and has accelerated the creation of a **new remuneration framework for renewables**, based on energy price auctions, expanded on in **Royal Decree-Law 960/2020**, of 4 November regulating the economic regime of renewable energy for electricity generation facilities.
- In relation to the foregoing, Order TED/1161/2020, of 4 December, was published, approving certain aspects of the auction mechanism and an indicative calendar of the expected capacity by technology to be auctioned in the 2020-2025 horizon.
- As one of the requirements to access the EU funds indicated above, the Government presented the Recovery, **Transformation and Resilience Plan**, in October 2020, which consists of four cross-cutting axes, one of them being the



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ecological transition and another the digital transformation. This plan includes, among its measures, the deployment and technological updating of transmission grids, the development of demand-side management and energy storage, the promotion of renewable hydrogen and its sectoral integration.

- In addition to the aforementioned regulations derived from the crisis caused by COVID-19, at a national level and in order to comply with the provisions of the Regulation 2018/1999 on the Governance of the Energy Union and Climate Action, Spain has proposed its contribution to the energy and climate targets set for the EU as a whole for 2030 in the **Integrated National Energy and Climate Plan (NECP)** presented in March. In October, the NECP was evaluated by the European Commission, which considered the targets set for 2030 to be sufficient: 23 % reduction in CO₂ emissions, 42 % of renewables in the final generation mix and 39.5 % in terms of efficiency.
- On the other hand, on 19 May, the Council of Ministers of the Spanish Government approved the **draft Climate Change and Energy Transition Law**, passing it to Parliament for processing as a law that seeks to set climate targets in Spanish legislation that make it possible to meet the commitments agreed to in the Paris Agreement, as well as **the targets of climate neutrality in 2050**.
- In line with the climate neutrality targets, the Government approved the Long-Term Decarbonisation Strategy, which sets out the path to achieve climate neutrality, which will enable a 90 % reduction in greenhouse gas (GHG) emissions by 2050 compared to 1990, with the remaining 10 % to be absorbed by carbon sinks.

- For its part, the National Commission on Markets and Competition (CNMC) approved **Circular 3/2020** of 15 January, which establishes the methodology for calculating electricity transmission and distribution network tolls, the application of which has been delayed to April 2021. This circular is relevant as it is the first time that the CNMC has set the structure and amount of access tariffs, once this responsibility, which previously belonged to the Ministry of Ecological Transition and Demographic Challenge, has been transferred.
- In 2020, it is also worth highlighting, due to its relevance for Red Eléctrica de España, the progress in the approval process of the **2021-2026 Transmission Grid Planning**, which has already successfully passed the Study and Proposal phases.
- In addition, **Law 9/2020 has been approved, which regulates the regime for trading greenhouse gas emission allowances**, to introduce the new features for the 2021-2030 period foreseen in Directive 2018/410 and adapt it to the new emission reduction targets that the EU has set itself as a contribution towards the Paris Agreement.

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- On the other hand, at a national level, it is worth mentioning the publication of the **Hydrogen Roadmap**, which establishes targets of 4 GW of installed electrolysis power capacity by 2030 [between 300 and 600 MW by 2024], and 25% of industrial hydrogen consumption from renewable sources.
- Lastly, within a national context, it is worth noting the publication on 27 October of the **National Green Infrastructure Planning and Ecosystem Restoration Strategy**, one of the aims of which is to promote the creation of transport, energy and telecommunications infrastructure networks that do not contribute to the fragmentation of habitats, and which can be compatible and integrated into the Green Infrastructure of the territory, taking it into consideration in the design, construction, operation and elimination phases of infrastructure, especially in those areas linking transport infrastructure.

Europe

- Despite the pandemic, at a European level, EU entities have continued with the processing of the various proposals contained in the **European Green Deal**, which was formally presented on 11 December 2019. Among the main regulatory proposals submitted by the European Commission, the following should be highlighted:



- The **proposal for a European Climate Law** submitted by the European Commission, which sets the EU's 2050 target regarding carbon neutrality. This draft legislation also initially envisaged increasing the target for reducing greenhouse gas (GHG) emissions from the current goal of reducing the levels registered in 1990 by 40% to a new target of at least a 55% reduction. For its part, the European Parliament has proposed a more ambitious target of at least 60%. In this regard, the European Council, at its meeting on 11 December 2020, agreed to set a binding emission reduction target of 55%, urging the co-legislators (Parliament and Council) to reach an agreement reflecting this 55% target in the new European Climate Law.
- The revision of **Regulation 347/2013 (TEN-E) on Trans-European Electricity Networks** directives in order to ensure an adequate regulatory framework on key infrastructure to achieve the EU's 2030 and 2050 decarbonisation targets, while contributing to sector and market integration, security of supply and competition.
- In addition to these regulatory proposals as part of the European Green Deal, a number of strategies have also been put forward that influence the roadmap for EU energy policy in fundamental sectors such as:
 - The **EU Hydrogen Strategy**, which aims to explore how clean hydrogen can contribute to reducing carbon emissions, while helping the

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European Union recover from the economic impact of COVID-19.

- **The EU Strategy for Energy System Integration**, which seeks to link the various energy carriers – electricity, gas, among others, – with each other and with end-use sectors, such as buildings, transport or industry in order to reduce GHG emissions by replacing fossil fuels with renewable energy.
- **The EU Strategy for Offshore Renewable Energy**, which proposes a roadmap for making renewables a central element of the electricity system by 2050.
- Lastly, it is important to highlight the publication of **Regulation 2020/852**, of 18 June 2020 of the European Parliament and of the Council, regarding the establishment of a framework to facilitate **sustainable investments** (also known as the ‘**Taxonomy Regulation**’), the objective of which is to establish the criteria to determine whether an economic activity can be classified as environmentally sustainable in order to establish the degree of environmental sustainability of an investment. This Regulation is pending regulatory development through a proposal for an EC Delegated Act (in process).



The European Green Deal pursues the goal of achieving carbon neutrality in the European Union by 2050.

Subsidiaries in other countries

- In reference to the regulatory environment applicable to **Chile**, noteworthy is the enactment of Supreme Decree No. 37 of the Ministry of Energy, which approves the Regulation of Transmission Systems and Transmission Planning, which has not yet completed its administrative processing stage (it is currently being processed by the Office of the Comptroller General of the Republic). The Decree establishes the regulation of open access to transmission facilities and, in particular, the possibility of access to fibre optic data transmission by interested third parties (particularly electricity generation companies).
- With regard to national regulation in **Peru**, on 20 June 2019, Supreme Resolution No. 006-2019-EM was published, by which the Multi-sector Commission for the Reform of the Electricity Subsector [CRSE] was created, to review and adjust the current regulatory framework, in order to optimise the efficient development of the Peruvian electricity market aligned with international standards and best practices, and thereby ensure the sustainability of the Electricity Subsector.
- In the first quarter of 2022, a technical document is expected to be published that contains institutional legislative proposals and regulatory reforms that promote

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modernisation and resolve the challenges encountered in the electricity industry. These changes in the regulatory framework are aimed at ensuring there is sufficient generation, as well as the incorporation of renewable energy, smart metering, distributed generation, demand-side management and the harmonious development of the electricity and natural gas sectors.

- In the specific case of the transmission sub-sector, the following issues will be addressed: (i) expediting the enlargement of the electricity transmission system; (ii) efficiency and transparency in transmission grid access; (iii) simplification of remunerative schemes; and (iv) international interconnections.

- With respect to **Brazil's** regulatory framework, the most noteworthy regulatory developments have been marked by COVID-19. In this regard, ANEEL [Agência Nacional de Energia Elétrica] published, among others, resolution 'Despacho' no 1.106/2020, which indicates a seasonal impact on the recognised annual revenues for the 2020/2021 cycle. On the other hand, in June, through Resolution no 8.926, ANEEL authorised the postponement of the commissioning of certain transmission grid projects for 4 months.



Telecommunications and technological innovation environment

Spain

- 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 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 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 [by December 2020, according to the Directive], the Ministry of Economic Affairs and Digital Transformation [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 **General Telecommunications Act** that transposes the provisions of the aforementioned Directive [consultation conducted from 6 March to 8 April 2019]. Lastly, on 11 September 2020, said Ministry published on its website the preliminary draft of the General Telecommunications Act and its Regulatory Impact Analysis Report for public consultation.

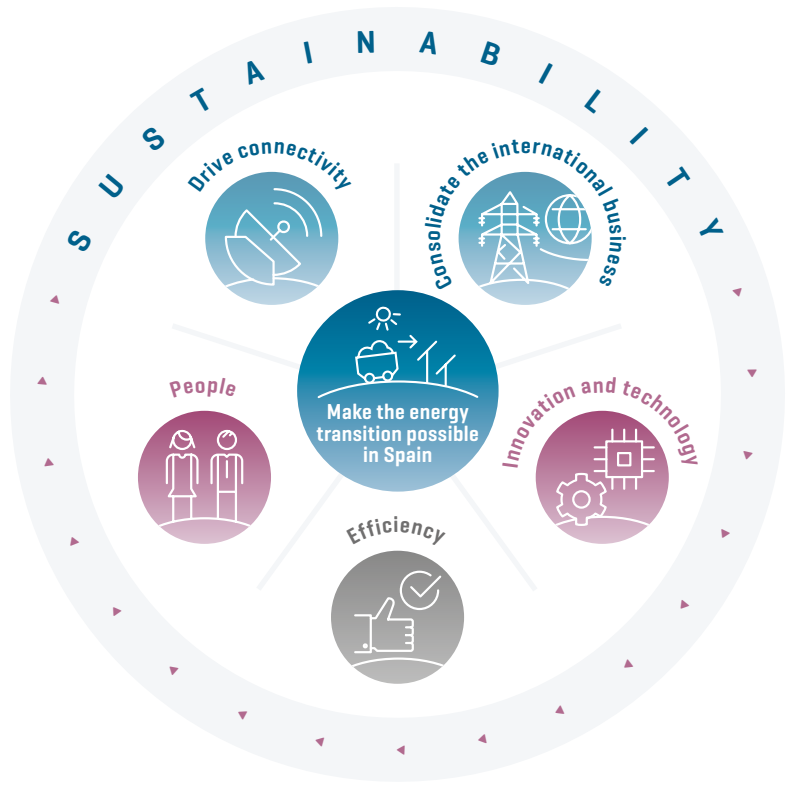
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Strategic plan

In February 2021, the Board of Directors approved the new 2021-2025 Strategic Plan of the Red Eléctrica Group. This plan is based on three fundamental pillars: maximum engagement with the energy transition, boosting connectivity solutions and the consolidation of its international business. The Red Eléctrica Group is committed to a plan that will enable it to play a key role in vital processes such as the energy transition and the reduction of the digital divide.

The 2021-2025 Strategic Plan seeks to prioritise the development of the energy transition in Spain in an efficient way, promoting the growth achieved in the field of telecommunications and consolidating the Group's activity abroad, guaranteeing the financial sustainability of the Group, innovation, talent and sustainability as the basis of the corporate culture and generating positive impacts through alliances with the social environment and with companies in the sector.

2021-2025 Strategic Plan of the Red Eléctrica Group



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Strategic pillars



Making the energy transition a reality in Spain

The Red Eléctrica Group is a key player in the ecological transition for the mass incorporation of renewables into the electricity system. In this regard, the Company will focus its efforts on:

- Developing infrastructure necessary for the energy transition.
- Designing, building and operating energy storage infrastructure.
- Operating a more complex, dynamic and digital electricity system.



Boosting connectivity

Telecommunications are a key element in advancing towards greater connectivity in an increasingly interconnected world with greater data needs. In this regard, the Red Eléctrica Group will facilitate this connectivity through the following key courses of action:

- Boosting the satellite business as a lever to reduce the digital divide.
- Strengthening the current fibre optic business.
- Developing new opportunities around the deployment of 5G.



Consolidating the international business

The Red Eléctrica Group is working on plans to consolidate its international presence as an element of diversification and growth. To this end, it defines the following as key aspects:

- Organic growth and consolidation in Brazil, Peru and Chile for the construction, management and operation of electricity transmission grids.
- Analysing opportunities for expansion in countries with a stable remuneration model based on revenue flows that are steady and predictable over time.



Managing people

The Red Eléctrica Group will promote cultural transformation, sustainable management and will seek to convert the organisation into a benchmark as a healthy workplace. Specifically, it will focus its efforts on:

- Pursuing the health and safety and well-being of people to achieve a healthy working environment.
- Developing an innovative, agile and collaborative culture; promoting talent, anticipating needs and becoming an organisation that is capable of meeting the challenges of the Strategic Plan in a constantly changing environment.

Red Eléctrica promotes green and digital transformation, as it is the backbone of a decarbonised energy system, providing neutral access to both the electricity and telecommunications systems, facilitating the elimination of the digital divide and contributing to innovation and the development of society.

-	VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	-	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	-	OUR RESPONSE TO THE COVID-19	-	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	-	ANNEXES

Strategic pillars / continued



Innovation and technology

New technologies will become increasingly important in driving the Red Eléctrica Group's business. Through Elewit, the Company will consolidate its commitment to innovation, entrepreneurship and technological development, focusing on:

- Data management.
- Technology and people.
- Democratisation.
- Cyber security.



Efficiency

Efficiency is based on the generation of value through the appropriate management of resources, the identification of synergies and the optimisation of processes. In this regard, the Red Eléctrica Group is committed to operational and financial efficiency and continuous improvement as key factors for developing the strategic pillars.



Sustainability

The Red Eléctrica Group focuses on the responsible development of its activities, in order to advance in the fulfilment of the 2030 Sustainability Commitment and to maximise the contribution of all the companies of the Group to the achievement of global targets, among which noteworthy are the Sustainable Development Goals (SDGs) of the United Nations.

Sustainability in the Group's Strategic Plan is integrated as a lever to promote progress and well-being in the territories in which it operates as well as to increase confidence in the Group and consolidate its reputation.

The Red Eléctrica Group will facilitate connectivity by boosting the current fibre optic business and will promote the satellite business as a lever to reduce the digital divide.



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Our 2021-2025 Commitment

Total Investment



4,400 M€

~ **75** %

earmarked for the transmission grid,
cross-border connections,
energy storage and system operation

Financial Efficiency



EBITDA
MARGIN

70 %



FFO/DEBT
RATIO

> **15** %



NET FINANCIAL DEBTA /
EBITDA

< **5** x



MAINTAIN STRONG
CREDIT RATINGS

Dividend Policy



2021-2022
1.0 €/share

2023-2025
0.8 €/share

The 2020-2025 Strategic Plan is based on three fundamental pillars:
commitment to the energy transition, driving connectivity and the consolidation of its business abroad.



3

Corporate governance

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





3

Corporate governance



Key indicators 2020

- **88.5%** average percentage of votes in favour of the approval of resolutions at the General Shareholders' Meeting.
- **50%** women on the Board of Directors.
- **58.3%** independent directors.
- **61.5%** shareholder attendance at the General Shareholders' Meeting.



2020 milestones

- Successful implementation of the Contingency Plan for the succession of the Chairperson and appointment of the new Chairperson of the Board and non-executive Chairperson of the Company.
- Ratification and appointment at the General Shareholders' Meeting of Beatriz Corredor Sierra (Chairwoman of the Board and non-executive Chairwoman of the Company) and Roberto García Merino (Chief Executive Officer).
- Re-appointment at the General Shareholders' Meeting of Carmen Gómez de Barreda Tous de Monsalve (Lead independent director).
- Update of the Corporate Governance Policy of the Red Eléctrica Group.



Challenges 2021

- Updating of the Regulations of the Board of Directors to adapt them to regulatory changes and best corporate governance practices.
- Modification of the Corporate By-laws and the General Meeting Regulations for the mechanisms and rules for identification and attendance at General Meetings via remote means.
- Updating of the Protocol for the relationship of the Board with the employees of the Group's companies.
- Approval of the new Remuneration Policy for Board Directors.

-	VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	-	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	-	OUR RESPONSE TO THE COVID-19	-	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	-	ANNEXES
																									

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.

Continued on next page >>



Governance Structure

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Corporate Shareholding Structure

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General Shareholders' Meeting

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Board of Directors

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-	VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	-	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	-	OUR RESPONSE TO THE COVID-19	-	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	-	ANNEXES
																									



Among other aspects,
in 2020 the **Corporate Governance Policy**
has been updated to adapt it to current
legislation on corporate governance matters and
the internal regulations of the Red Eléctrica Group,
as well as to incorporate the good governance
recommendations generally recognised in
international markets, adapted to the needs and
business reality of the Red Eléctrica Group and the
best practices applied by comparable companies,
both in the IBEX 35 and internationally.
The update of the policy was approved
by resolution of the Board on
24 November 2020, coming into force
on the same day of its approval.

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3.1

Governance structure of the Red Eléctrica Group

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].

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The three Committees incorporate members of the Board who have a high level of technical expertise and are set up by the Board of Directors to support it in the performance of its duties and responsibilities, with the goal of achieving greater efficiency and transparency.



Governance structure / 102-18



Internal rules of governance

31 Dec 2020

- Code of Ethics.
- Corporate By-laws.
- Regulations of the Board of Directors.
- Internal Code of Conduct on the Securities Market.
- Regulations of the General Shareholders' Meeting.
- Procedure on proxies, voting and information by remote means at the General Shareholders' Meeting [referring to the Ordinary General Shareholders' Meeting held in 2020].
- Operating Rules of the Shareholders' Electronic Forum [referring to the Ordinary General Shareholders' Meeting held in 2020].



3.2

Corporate Shareholding Structure

As at 31 December 2020, 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 2020, 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 Holdings and Bought-back Shares section of the CNMV website](#) [Spanish National Securities Market Commission].

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The **shareholding limits** for participation in the Company's share capital, established by law which seek to guarantee the independence of the Company vis-a-vis all other electricity sector activities and agents 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-owned Industrial Holding Company (SEPI) is maintained, whereby it must hold at least ten per cent (10%) of the share capital in all cases.

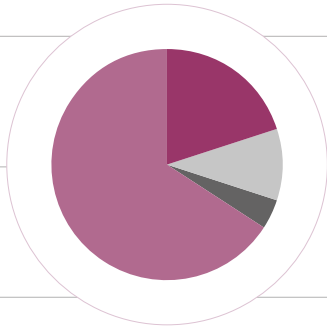
There is specific legislation that sets the shareholding limits for participation in the Company's share capital in order to guarantee the independence of the Company vis-à-vis all other electricity sector activities and agents.



Shareholding structure

20 %
State-owned Industrial Holding
Company (SEPI)

66 %
Minority shareholders



4 %
Institutional (foreign)

10 %
Institutional (Spain)

-	VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	-	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	-	OUR RESPONSE TO THE COVID-19	-	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	-	ANNEXES
																									

3.3

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 Shareholders' Meeting](#).



-	VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	-	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	-	OUR RESPONSE TO THE COVID-19	-	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	-	ANNEXES
																									

Attendance, representation and information rights

*[Defined in the Corporate
By-laws and in the Regulations of
the Shareholders' Meeting]*

- Possibility of issuing 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.

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.

In 2020,
the General
Shareholders'
Meeting was held
**exclusively via
remote means**,
guaranteeing
the attendance
and voting
rights of all
shareholders.



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

- Attendance via remote means, due to the COVID-19 health crisis.
- Shareholders and investors office.
- Dissemination via social networks

-	VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	-	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	-	OUR RESPONSE TO THE COVID-19	-	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	-	ANNEXES
																									

2020 General Shareholders' Meeting

Key Indicators

- Capital stock
270,540,000.00 euros
- Shares:
541,080,000
- Voting rights:
541,080,000
- Minimum number
of shares to attend
the Meeting: **1**
- Attendance at the
General Meeting:
61.51%
- Average
percentage of
votes in favour:
88.5% ^[1]

Attendance at the General Meeting held via remote means due to the COVID-19 health crisis

*The General Shareholders' Meeting of 14 May 2020 was held **exclusively via remote means** as a result of the health crisis caused by COVID-19, under Royal Decree-Law 8/2020, of 17 March, on urgent and extraordinary measures to confront the economic and social impact of COVID-19, approved by the Spanish Government in order to try to minimise the risk of spreading the virus. Therefore, the Meeting was not physically attended by shareholders or their representatives and, in general, by any other person except those who were indispensable for the organisation of the Meeting. This was done in order to safeguard the general interests and health of all persons involved in its organisation, as well as in the interest of all shareholders and other stakeholders while guaranteeing shareholders' rights at all times.*

Accordingly, the Company allowed shareholders, in addition to the possibility of using the ordinary proxy, voting and remote information procedure, to participate in the General Meeting via remote means, enabling them to make interventions and proposals for resolutions, or request information or clarifications, as well as to cast their vote remotely, pursuant to the rules and regulations established for this purpose due to the Covid situation.

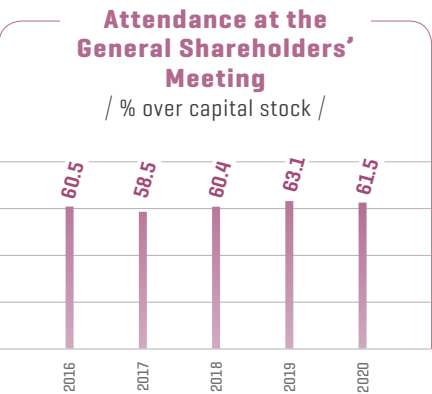
Summary of the resolutions approved by the General Shareholders' Meeting in 2020

- Approval of the Consolidated Annual Accounts and Consolidated Management Report of the Consolidated Group of Red Eléctrica Corporación, S.A. and subsidiaries for the 2019 financial year.
- Approval of the proposed allocation of profits adopted by the Board of Directors and and, consequently, allocating profits for the 2019 financial year.
- Approval of the report on non-financial information for the Consolidated Group of Red Eléctrica Corporación, S.A. for the 2019 financial year.
- Approval of the management performance of the Board of Directors of Red Eléctrica Corporación, S.A. during the 2019 financial year
- Ratification and appointment as director of Ms. Beatriz Corredor Sierra, within the category 'other external', and as executive director of Mr. Roberto García Merino; and re-election as independent director of Ms. Carmen Gómez de Barreda Tous de Monsalve, in the three cases for the term of four years established in the Company's By-laws
- Delegation in favour of the Board of Directors (for a period of five years) of the power to increase the capital stock, at any time, once or several times, up to a maximum amount of 135,270,000 euros [pursuant to the conditions approved by the General Meeting].
- Delegation in favour of the Board of Directors (for a period of five years and with an overall limit of 5 billion euros) of the power to issue, once or several times, directly or through companies of the Red Eléctrica Group, debentures, bonds and other fixed-income or debt instruments of a similar nature [pursuant to the conditions approved by the General Meeting].
- Approval of the Annual Report on Remuneration of the Directors of Red Eléctrica Corporación, S.A. and the remuneration of the Board of Directors of Red Eléctrica Corporación, S.A., for the 2020 financial year.
- Reappointment of the statutory auditor of the parent company and of the consolidated Group.

[1] In the resolutions concerning the board of directors' remuneration, the State-owned Industrial Holding Company [SEPI] abstains automatically as it is the criterion it adopts in all listed companies in which it does not have a majority shareholding. Excluding the aforementioned resolutions, the 2020 General Shareholders' Meeting had an average percentage of votes of 98% in favour of the approval of all the items on the agenda.



57



Red Eléctrica achieved an **average percentage of 88.5% of votes in favour in the approval of resolutions** at the 2020 Ordinary General Shareholders' Meeting.

A Sustainable General Shareholders' Meeting

As a result of the commitment to integrate sustainability criteria in all Company's activities, in 2019, Red Eléctrica designed a management system to obtain the certification of its General Shareholders' Meeting in accordance with the UNE-EN ISO 20121 standard for sustainable events. The sustainable events management system responds to the fulfilment of six sustainability objectives applicable to all events held by the Red Eléctrica Group.

The Company obtained the Sustainable Event certification from AENOR for its 2020 General Shareholders' Meeting.

It is worth mentioning that the limitations derived from the state of emergency, caused by the pandemic, meant that the General Shareholders' Meeting had to be held via remote means, which had an impact on the application of some of the planned measures.

Main results

Objectives for sustainable events of the Red Eléctrica Group

	2020 measures	Logros 2020
<i>Minimising the carbon footprint of the event.</i>	• Measurement of the carbon footprint of the event for the first time.	• 0.87 t CO ₂ eq. offset.
<i>Universal access to the event.</i>	• Accessibility of the event for the hearing impaired. • Accessibility to all documentation regarding the Meeting.	• 100% of content interpreted with sign language. • 11% of documents accessible for visually impaired people.
<i>Guaranteeing the health and safety of all participants.</i>	• Guarantee the health and safety of all participants.	• 0 accidents occurring at the event.
<i>Promoting the contracting of vulnerable groups.</i>	• Promotion of the recruitment of vulnerable groups.	• 14% [1 out of the 7 suppliers contracted employed people from vulnerable groups].
<i>Sustainability awareness of all participants at the event.</i>	• Raising awareness regarding sustainability among participants at the event.	• 1,186 views during the live-streaming broadcast of the Meeting.
<i>Integration of circular economy criteria in the development of the event.</i>	• The holding of the Meeting via remote means has meant that there was practically no need for any staging or decorative materials to be used.	



3.4

Board of Directors

102-18 / 102-22 / 102-26

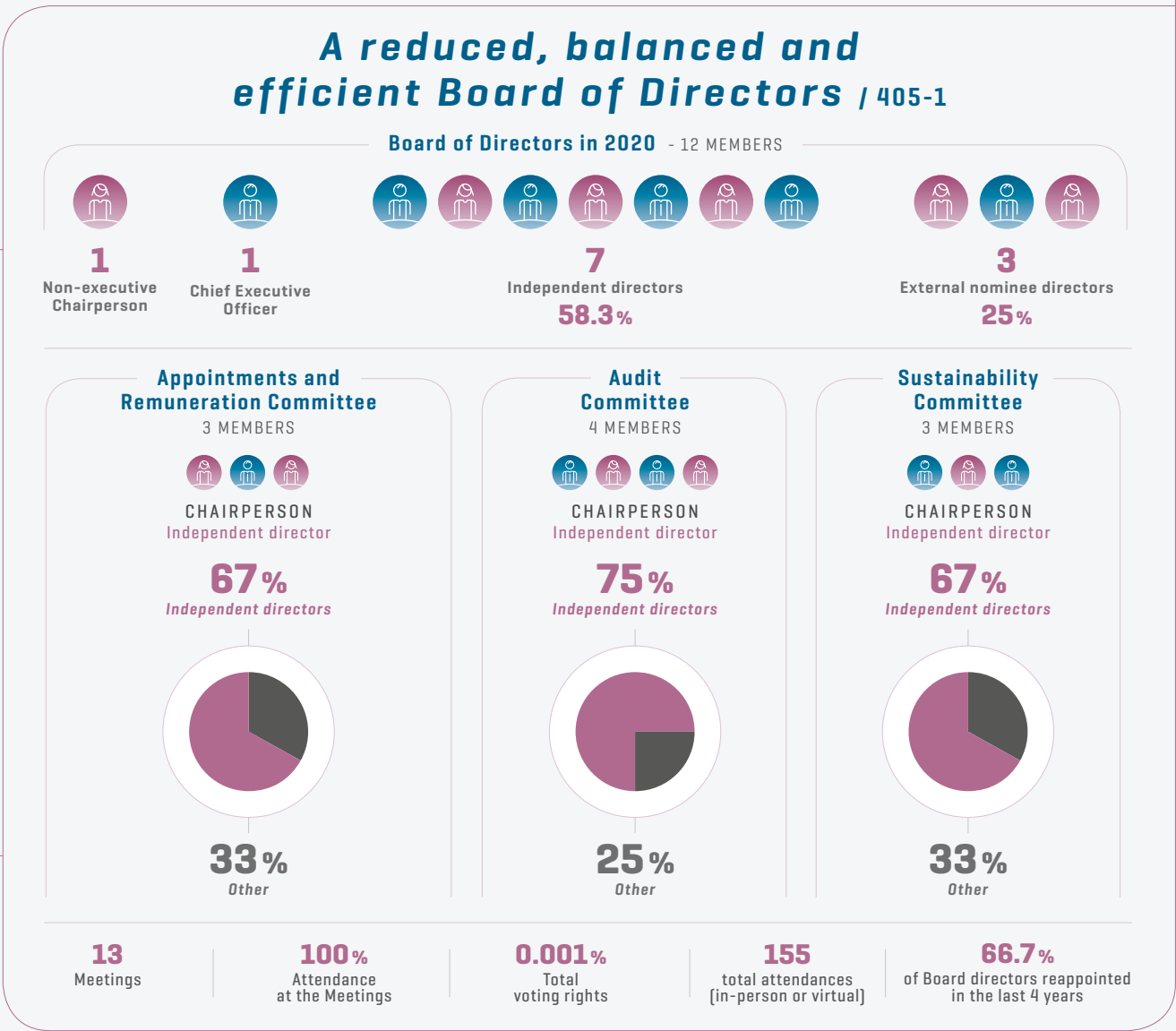
Red Eléctrica's Board of Directors governs, manages and represents the Company, notwithstanding the powers that correspond to the General Shareholders' Meeting, through the promotion of the active participation of the Board Directors, putting the interests of the Company and of its shareholders above their own interests, while upholding the law, the Corporate By-laws and the principles of good corporate governance.



-	VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	-	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	-	OUR RESPONSE TO THE COVID-19	-	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	-	ANNEXES
																									

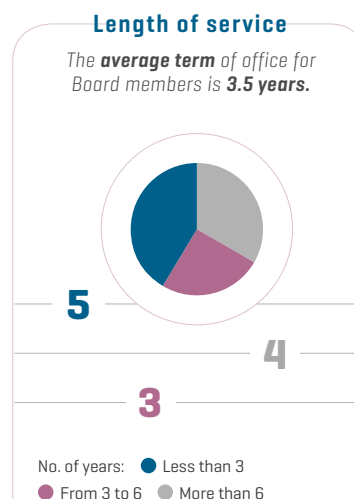
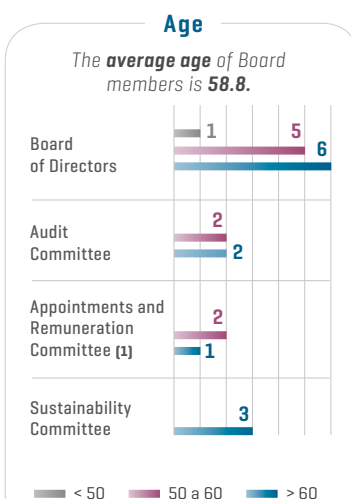
Additionally, the Board carries out its duties and responsibilities according to the organisation and functioning rules contained in the Corporate By-laws and the Regulations of the Board. The following duties and responsibilities, among others, rest with the Board:

Approval	<i>Approval of the general policies and strategies of the Company and the Group, with special mention for the Risk Management and Control Policy.</i>
Decision	<i>Decision-making on appointments of senior-level directors who report directly to the Board or to directors, remuneration of Board members, financial & non-financial information and strategic investments [except for those that rest with the General Shareholders' Meeting].</i>
Assessment	<i>Annual assessment of the quality and efficiency of the Board and of the functioning of its Committees.</i>



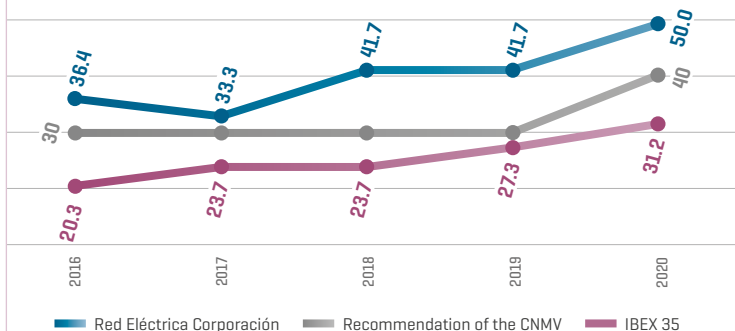
Diversity on the Board of Directors / 405-1

/ 31.12.2020 /



[1] As a result of the resignation tendered on 22 December 2020 by Antonio Gómez Expósito from the position of nominee director, representing SEPI, the Appointments and Remuneration Committee, as at 31 December 2020, had two independent female directors in its composition, and there was also a vacancy for an external nominee director on this Committee.

Women on the Board. Red Eléctrica Corporación vs IBEX 35^[2] / % /



[2] Source: IBEX 35 data: 9th Report on Women in the IBEX. 'Women on the Boards of Listed Companies' Report. ATREVIA-IESE, March 2021.

Red Eléctrica is the only IBEX 35 company with an **equal number of men and women** on the **Board of Directors**, as well as being one of only two companies chaired by a woman.



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Full separation of functions between the position of non-executive Chairperson of the Board of Directors and that of CEO, maintaining the corporate system of separation of powers with the appointment in 2020 of the **new Chairwoman of the Board of Directors and non-executive Chairwoman of the Company, Beatriz Corredor Sierra.**

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 Group.**

Separation of the positions of the Chairperson of the Board of Directors and the Chief Executive Officer (CEO)

/ 102-23

Responding to the commitment undertaken 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 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



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SEPARATION OF POWERS

In accordance with the best corporate
governance practices

**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**

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 attributed exclusively the responsibilities inherent to said position.

Of note is that the Board of Directors, at its meeting held on 28 January 2020, accepted the irrevocable resignation tendered by the former

Chairman 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**, a plan that 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.
- For her part, the Chairwoman 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** Board 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 was held. Her appointment was submitted for ratification by the Ordinary General Shareholders' Meeting of the Company held on May 14, 2020, obtaining a percentage of votes in favour of 98.48 %.

Similarly, in accordance with the provisions of article 21 of the Company By-laws and article 9 of the Regulations of the Board of Directors and upon a prior favourable report by the Appointments and Remuneration Committee, the Board agreed at its session of 25 February, to appoint Ms. Beatriz Corredor Sierra as **Chairwoman of the Board of Directors and non-executive Chairwoman of the Company**.

Consequently, with the appointment in 2020 of Beatriz Corredor Sierra as Chairwoman of the Board of Directors and non-executive Chairwoman of the Company, an **orderly and reasonable succession** took place within the framework of the **current corporate system of separation of powers between the positions of Chairperson and 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

-	-	-	-	1	2	3	4	5	6	7	8	-
VALUE CREATION OF THE RED ELECTRICA GROUP BUSINESS MODEL	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	OUR RESPONSE TO THE COVID-19	A BENCHMARK REPORT AT THE FOREFRONT OF REPORTING STANDARDS	RED ELÉCTRICA GROUP	STRATEGY	CORPORATE GOVERNANCE	COMMITMENT TO SUSTAINABILITY	ANTICIPATING CHANGE AND TAKING ACTION	DECARBONISATION OF THE ECONOMY	RESPONSIBLE VALUE CHAIN	CONTRIBUTION TO SOCIAL, ECONOMIC, AND ENVIRONMENTAL DEVELOPMENT	ANNEXES
												

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 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.

Board of Directors

/ 31 December 2020 /

CHAIRWOMAN	Beatriz Corredor Sierra	EXTERNAL INDEPENDENT DIRECTORS	Carmen Gómez de Barreda Tous de Monsalve Chairwoman of the Sustainability Committee and Lead Independent Director
CHIEF EXECUTIVE OFFICER	Roberto García Merino		María José García Beato Member of the Audit Committee
EXTERNAL NOMINEE DIRECTORS (SEPI)	Mercedes Real Rodríguez Member of the Audit Committee		Socorro Fernández Larrea Chairwoman of the Appointments and Remuneration Committee
	María Teresa Costa Campi Member of the Sustainability Committee		Antonio Gómez Ciria Chairman of the Audit Committee
	Ricardo García Herrera Member of the Appointments and Remuneration Committee ⁽¹⁾		Arsenio Fernández de Mesa y Díaz del Río Member of the Audit Committee
SECRETARY OF THE BOARD OF DIRECTORS	Carlos Méndez-Trelles García Non-Board Director		Alberto Carbajo Josa Member of the Sustainability Committee
			José Juan Ruiz Gómez Member of the Appointments and Remuneration Committee

⁽¹⁾ On 26 January 2021, the Board of Directors agreed to appoint nominee director Ricardo García Herrera as a member of the Appointments and Remuneration Committee for a term of 3 years to fill the vacancy on said Committee.



Committees of the Board of Directors

The Company has three standing Committees of the Board of Directors, the Audit Committee, the Appointments and Remuneration Committee and the Sustainability Committee, and they incorporate members of the Board who have a high level of technical expertise. They are set up by the Board of Directors to support it in the performance of its duties and responsibilities, with the goal of achieving greater efficiency and transparency.

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 and non-financial information, the oversight of internal control and risk management systems, 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.

For more detailed information on the matters dealt with by the Audit Committee during the 2020, as well as changes in the composition of the Audit Committee during 2020, please refer to the [Activity Report of the Audit Committee for 2020](#), published on the Company's website.

/ 31.12.2020 /

	Audit Committee	Appointments and Remuneration Committee	Sustainability Committee
Composition	4 members	3 members	3 members
Chairperson	Independent director	Independent director	Independent director
Independent directors	75 % [3]	66.7 % [2]	66.7 % [2]
Nominee directors	25 % [1]	33.3 % [1]	33.3 % [1]
Women on the Board	50 % [2]	100 % [2] (1)	33.3 % [1]
Meetings	12	15	12
In-person attendance	100 % [48]	100 % [44]	100 % [36]

[1] On 26 January 2021, the Board of Directors agreed to appoint nominee director Ricardo García Herrera as a member of the Appointments and Remuneration Committee for a term of 3 years to fill the vacancy on said Committee.

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.

Noteworthy, among the functions related to the employees of the companies, is the function of permanently keeping updated a protocol of the

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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.



Board's relationship with the employees of the companies of the Group that seeks to ensure the adequate protection of their well-being and 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.

For more detailed information on the matters dealt with by the Nomination and Remuneration

Committee during 2020, as well as the changes in the composition of the Committee during 2020, please refer to the [Activity Report of the Nomination and Remuneration Committee 2020](#), published on the Company's website.

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, regarding ethical leadership, the oversight of the Group's strategy and practices in relation to the 2030 Sustainability Commitment and the 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 Regulations of the Board of Directors subsequent to the amendment of said Regulations that were approved by the Board during the session held on 19 February 2019.

For more detailed information on the matters dealt with by the Sustainability Committee during 2020, as well as changes in the composition of the Committee during 2020, please refer to the [Activity Report of the Sustainability Committee 2020](#), published on the Company's website.

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Relationship of the Board of Directors with the management team

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 **Chairperson's Advisory Committee**, 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 structure and functioning of these two separate committees **replicates**, within the organisation, the **model of separation of duties and powers between the non-executive Chairperson and the Chief Executive Officer** so that the Committee chaired by the Chairperson exercises the duty of oversight and control, while the Committee chaired by the CEO carries out a permanent monitoring of how the businesses and activities of the companies of the Group are carried out.

For its part, the Regulations of the Board allow directors 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 duties, the Board's Committees may seek advice from independent professionals in the exercising of their responsibilities.

Board of Directors



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

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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**, guaranteeing transparency, active listening and equal treatment, 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.

In this regard, the Company has a policy regarding the [Criteria for reporting economic-financial, non-financial and corporate information for shareholders, institutional investors, proxy advisors and other stakeholders](#) updated by the Board on 22 December 2020 to adapt the policy to Recommendation

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



4 of the Good Governance Code of Listed Companies, following the update of said Code in June 2020 by the National Securities Market Commission [CNMV]. These criteria guarantee the proper exercise of the rights and interests of stakeholders and favour commitment to shareholders through open, transparent and continuous dialogue. The Board of Directors is the body in charge of reviewing the criteria and overseeing their compliance.


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

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The Company regularly facilitates relevant, **adequate and reliable** information to stakeholders in a regular and timely fashion. Said information relates to the way the Company is managed and the regulations that govern it, as well as providing data on the results achieved.



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 has the active participation of the Lead Independent Director.

Besides the direct communication channels previously indicated in the '*Transparency and Communication*'  section of this report, and detailed in the Annual Corporate Governance Report and in the Regulations of the Board [Articles 39-44], and in the criteria regarding communication of financial, non-financial and corporate information to shareholders, institutional investors, proxy advisors and other stakeholders,

the highest governance body also has other consultation mechanisms for the interaction with stakeholders, among which the following are noteworthy:

- Whistle-blowing channel and Compliance with the Code of Ethics and Professional Conduct.
- Social representation/committees.
- Stakeholder satisfaction reports.
- *Dígame* Service.

Selection of Board directors - skills and competencies matrix

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 Corporate Governance Policy of the Red Eléctrica Group includes the principle of ensuring the existence of appropriate procedures for the selection of Board directors, which guarantee **reasonable balance and comprehensive 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, describing the qualities, competencies and experience that the ideal candidate should meet to occupy the position of Board director.

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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**, in alignment with the strategy of the Red Eléctrica Group at all times.



Moreover, in 2018, the Appointments and Remuneration Committee and the Board of Directors have assessed the competencies and knowledge of the members of the Board of Directors, culminating with the approval of the new **Board of Directors’ skills and competencies matrix**, personalised for each Board director. The Board’s 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 matrix of individual skills and competencies of Board directors, which

reflects the competencies, experience, knowledge, professionalism, suitability, independence of criteria, qualities and capacities established by the Corporate Governance Policy for the members of the Board of Directors, facilitates the **supervision of comprehensive diversity in the composition of the Board of Directors** in order to make the most appropriate and informed decisions at all times.

The matrix consists of three blocks (knowledge-experience in the sector of activities, knowledge-global experience and diversity) that consist, in turn, of a total of twenty-eight categories which reflect the experience and knowledge of the members of the Board on aspects such as: the energy and telecommunications sector; 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.

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

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SELECTION OF BOARD MEMBERS

The Appointments and Remuneration Committee has at its disposal, when it deems it appropriate,

**THE OPINION OF EXTERNAL
INTERNATIONAL ADVISORS SPECIALISED
IN SELECTION PROCESSES FOR BOARD
MEMBERS**

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 appointment proposal, the Appointments and Remuneration Committee request, when

deemed necessary, among other proposals and suggestions, **the opinion of international external advisors specialised in the selection process of board directors.** The members of this committee 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.

To this end, when evaluating the candidates participating in the selection process, the procedure takes into account, among other things, 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.

It should be noted that in December 2020, the Board of Directors appointed by co-optation

Ricardo García Herrera, proposed by SEPI (State-owned Industrial Holding Company), as a nominee director, with extensive knowledge of the energy sector and broad experience and expertise in sustainability, particularly in the fields of climatology, climate change and meteorology.

Conflicts of interest 102-25

In all cases, 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 directors of the Management team, conflicts of interest are regulated within the Code of Ethics and Professional Conduct and in the Guide for the Management of Conflicts of Interest, 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

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The Company has an Induction Plan for new Board members, which includes basic information and training for newly appointed directors.



the Board, the Chief Executive Officer of the Company as well as of the Committees of the Board, ensuring that this is conducted with the support of independent external advisors. The process carried out in 2020 has once again counted on 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, the company has an **induction plan for new directors**, which includes the information and basic training that must be provided to the directors who have recently joined the Company. It should be

noted that the said Plan includes information on sustainability matters, among other areas.

Additionally, on a periodic basis, internal information programmes on national and international trends in Corporate Governance may be established.

One of the tools that have 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, have an influence on the independence of the Board director.

The proposal regarding the remuneration of the Board was approved by a clear majority at the General Shareholders' Meeting held on 14 May 2020 with just 0.92 per cent of votes against. For many years now, the State-owned Industrial Holding Company [SEPI] has abstained from voting at the Ordinary General Shareholders' Meeting on proposals regarding the remuneration of the Board and, it is a well-known fact, that this is the stance the SEPI 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,

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The remuneration of the Board of Directors, and the Annual Report on Remuneration of Board Directors are **approved by the 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 2020, this same course of action was continued and the 2019 Annual Report on Remuneration of Board Directors and the 2020 proposal for the remuneration of the Board of Directors were submitted to the shareholders' approval (binding vote) as separate and

independent items of the Agenda of the Ordinary General Shareholders' Meeting. In this way, Red Eléctrica Corporación S.A., has continued to align itself with the best practices of corporate governance, which aim to provide shareholders with sufficient autonomy and impartiality to vote individually and separately on each one of

the wide range of items on the Agenda, which correspond to the competence of the General Shareholders' Meeting.

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, 2017 and 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**, applicable for 2020, was **approved** for the following three-year period by the **Ordinary General Shareholders' Meeting held on 22 March 2019.**

It should be noted that in 2020 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 predetermined and quantifiable business objectives, measured at Group level - which have a 75% weighting in the total variable annual remuneration - as well as compliance with the operational objectives of the management team linked to the businesses of the Red Eléctrica Group - which have a 25% weighting in the total

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variable annual remuneration. Among the latter is the **objective linked to sustainability**, which has a weighting of 12% 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-year variable remuneration, at the end of 2020, the Board of Directors began the process of updating the 2018-2022 Strategic Plan, which enabled it to approve, at the meeting held on 24 November 2020, the structure of the new Long-Term Incentive Plan to Promote the Energy Transition, Reduce the Digital Divide and Promote Diversification, whose objectives are linked to the targets set out in the Group's new Strategic Plan and are aligned with the lines set out in the current Remuneration Policy for Board Members. The Plan has a duration of 6 years and will end on 31 December 2025. Entitlement to receive the incentive is conditional on the fulfilment of objectives linked to the new 2021-2025 Strategic Plan, as well as having to remain in the Company during the complete term of the Plan. It should also be noted that 10% of the incentive is linked to Sustainability.

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



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Principles of the Remuneration Policy

The Remuneration Policy of Board Directors, approved by the Annual General Shareholders' Meeting held in April 2019, is based on the criteria of the previous policy and is based on the following principles:

These principles are in accordance with the Group's Corporate Governance Policy, last updated by the Board of Directors at its meeting on 24 November 2020 and published on the corporate website.

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](#).

Principles of the Remuneration Policy

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.



4

Commitment to Sustainability

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

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Commitment to Sustainability



Key indicators in 2020

- **8 points** out of 10 in the stakeholder perception survey.
- **89 points** in the S&P Global assessment.
- **3,994 stakeholder requests** handled.
- **95%** of applicable grievances closed.



2020 milestones

- Approval of the 2020-2022 Sustainability Plan.
- Renewal of the IQNet SR10 certification (Social Responsibility Management System) for Red Eléctrica de España and Red Eléctrica Andina.



Challenges for 2021

- Updating of the Sustainability Plan in accordance with the new Strategic Plan.
- Carrying out the external assessment in accordance with the EFQM 2020 model.
- Review of our stakeholder management system.



5 Anticipating change and taking action

95



6 Decarbonisation of the economy

145




7 Responsible value chain

198



8 Contribution to social, economic, and environmental development

323

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The 2030 Sustainability Commitment of the Red Eléctrica Group

The 2030 Sustainability Commitment of the Red Eléctrica Group, approved by the Board of Directors, 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 2030 Sustainability Commitment of the Red Eléctrica Group is based on **ten principles** defined in the Sustainability Policy and is based on **four sustainability priorities** aimed at responding to the challenges the organisation faces as a whole and to bring to fruition existing opportunities, in order to hold a position of reference within the global business context.

The Red Eléctrica Group is committed to a strategic and cross-cutting undertaking to sustainability with a long-term vision.

The Red Eléctrica Group's commitment to Sustainability is based on the following principles:



Financial Sustainability



Corporate Responsibility and Excellence



Innovation



Corporate Governance and Ethics



Transparency



Talent, Diversity and Equality



Partnership with Stakeholders




Creating Shared Value



Caring for the Environment



Respect for Human Rights

-	VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	-	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	-	OUR RESPONSE TO THE COVID-19	-	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	-	ANNEXES
																									

The sustainability priorities of the Red Eléctrica Group are...



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 society's economic, environmental and social progress by providing a key service safely and efficiently. This is achieved by promoting environmental conservation, the quality of life and the social well-being of people. We also seek to involve the communities where our facilities are located in all aspects relating to our activity to generate a mutual benefit that positively impacts society as a whole.



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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 Strategic Plan. Said objectives have set out specific actions in order to:

Said goals, defined by the Sustainability Steering Committee and validated by the Sustainability Committee of the Board of Directors, contribute directly to the fulfilment of the Sustainable Development Goals [SDGs] of the United Nations.

2030 Sustainability Goals 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 renewable energy generation and accelerating progress towards meeting the energy transition targets.



Responsible value chain

- 4 -

Be the driving force that promotes change in 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**: achieve 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 -

Eliminate the **digital divide** completely: promote connectivity of 100 % of people located in the vicinity of our facilities.



Anticipating change and taking action

- 10 -

Be a **benchmark agent** in the field of technology, 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 the **circular economy**.

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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.

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.



The priority SDGs in the Red Eléctrica Group



Click on each of the icons for more information

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 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

-	-	-	-	1	2	3	4	5	6	7	8	-
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has within the Company. During 2020, the Sustainability 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 regarding sustainability

Approval	Board of Directors	<ul style="list-style-type: none">· Approve the Corporate Responsibility Policy.
	Sustainability Committee	<ul style="list-style-type: none">· 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	<ul style="list-style-type: none">· 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	<ul style="list-style-type: none">· 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	<ul style="list-style-type: none">· 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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2020-2022 Sustainability Plan

The 2030 Sustainability Commitment is deployed through multi-year plans. **The 2020-2022 Sustainability Plan** was approved by the Executive Committee in July 2020 following a review by

the Sustainability Committee of the Board of Directors.

The new plan is made up of **17 lines of action** aligned with the Group's Strategic Plan and

the Sustainable Development Goals (SDGs) and consists of a total of **39 targets, 71 key performance indicators (KPIs) and 210 actions**.

2020-2022 Sustainability Plan: courses of action



Decarbonisation of the economy

1

Leading role in the energy transition.

2

Mitigation of climate change: reduction of the carbon footprint.



Responsible value chain

3

Exemplary performance in corporate governance, compliance and ethics.

4

Contribution to financial strength.

5

Guarantee occupational health and safety, and well-being.

6

Consolidation of a customer-centric culture.

7

Progress in the social acceptance of electricity infrastructure.

8

Conservation of biodiversity and natural capital.

9

Responsible management of the supply chain.



Contribution to social, economic and environmental development

10

Promotion of diversity.

11

Elimination of the digital divide.

12

Consolidation of a positive social footprint.



Anticipating change and taking action

13

Acceleration of innovation and technology.

14

Boost for digital transformation.

15

Development of the necessary talent.

16

Adaptation to climate change.

17

Transformation towards a circular economy.



Vision of the 2020-2022 Sustainability Plan: to maximise the contribution of the Red Eléctrica Group to resolving global challenges, consolidating its position as a worldwide benchmark in sustainability.



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 achievement of this goal has an impact on the variable remuneration of the entire workforce. In 2020, the most relevant projects that achieved a 100% fulfilment were the following:

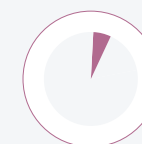
- Reduction of the carbon footprint of Scope 1 and 2.
- Definition of the calculation of the carbon footprint for the remainder of the Red Eléctrica Group companies.
- Presence in the main sustainability indexes.

2020-2022 Sustainability Plan: Progress made in 2020 / % /

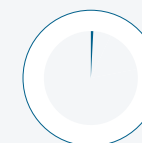
73 KPIs defined to monitor the achievement of 39 goals



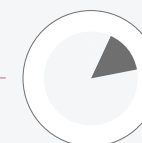
78%
On schedule



6%
Achieved



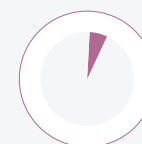
1%
Behind schedule



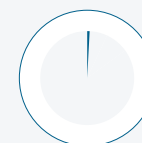
15%
Not available at present



85%
Ongoing



6%
Finalised



1%
With pending issues



8%
Not started

210 actions (46% average rate of progress)

Note: KPIs not available are those whose calculation depends on the development and implementation of a methodology that is currently being worked on.

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Corporate responsibility management system

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 2020, 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 kept abreast of the requirements to maintain this certification in 2020.

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

Guarantee of excellence

Red Eléctrica adopted the **EFQM [European Foundation for Quality Management]** excellence model in 1999 as a tool to achieve enhanced performance in the Company's management, and since then, it conducts external evaluations on an annual basis. Red Eléctrica has maintained



the **validity of the European Excellence 500+** Seal granted by EFQM through 2020, after the external evaluation carried out in 2017 in which it scored over 700 points.

Following the publication of the EFQM 2020 model, Red Eléctrica has developed a project to

assess the degree of adaptation to the new 2020 model, as a reference framework in the process of transforming the organisation, prior to the external assessment that is scheduled to be carried out in 2021.

Similarly, Red Eléctrica has **quality systems certified** in accordance with the ISO 9001 standard in its main subsidiaries.

Of the actions carried out in 2020 in this area, noteworthy is the development of a pioneering project in the implementation and certification of the international standard UNE-ISO 19650-1 and two information management systems in building and civil engineering works, which use the Building Information Modelling collaborative work methodology in the construction project of the Chira-Soria pumped-storage hydroelectric power station in Gran Canaria. This information is detailed in the [Energy Storage](#) ↪ section of this report.

Also noteworthy is the certification process carried out in 2020 of Red Eléctrica's crime prevention and anti-bribery compliance system, in accordance with the UNE 19601 standards for crime prevention management systems and UNE 37001 for anti-bribery management systems. This information is detailed in the [Ethics and compliance](#) ↪ section of this report.

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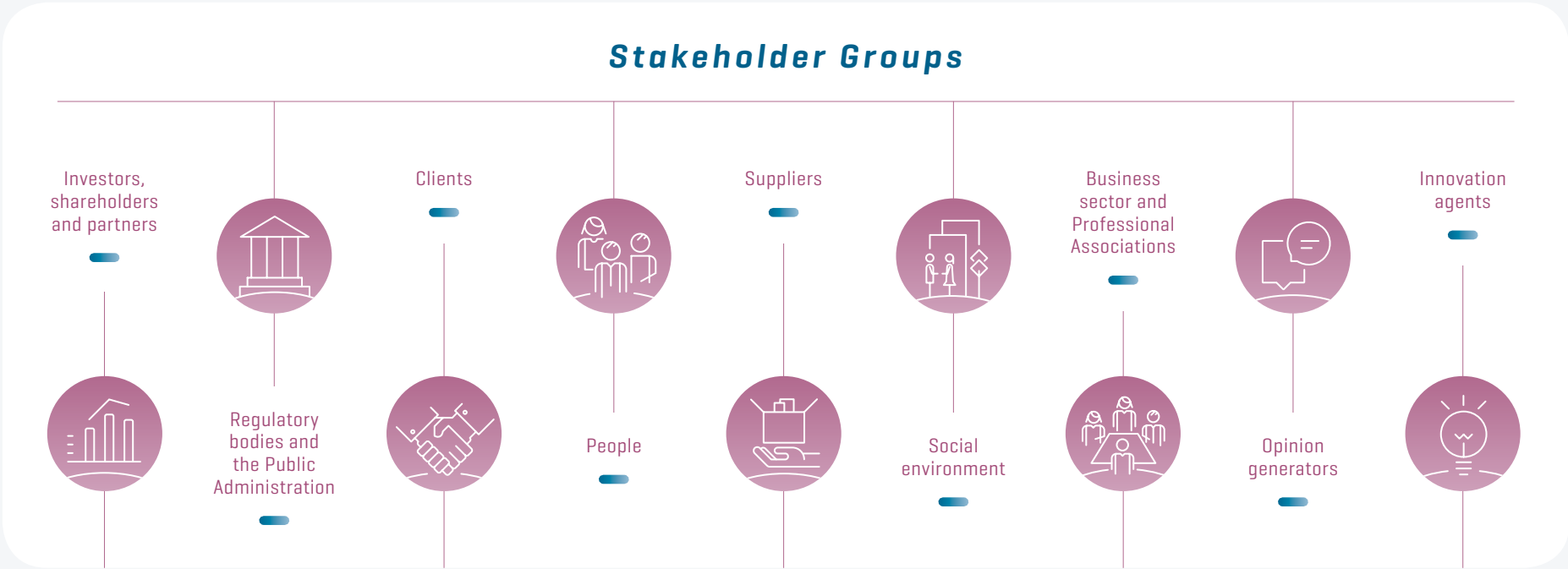
Stakeholder management model

102-40 / 102-42

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.



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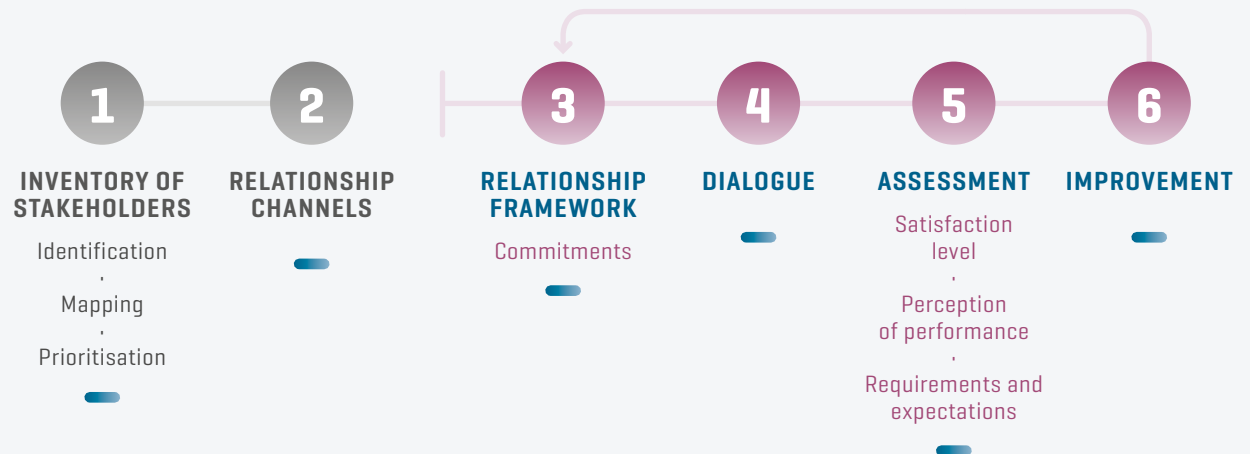
- The **relationship framework** helps categorise the type of relationship with each stakeholder group and defines the most appropriate relationship channels.

In 2020, the Company started a project aimed at conducting a broad **review of the stakeholder 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.

This model encompasses the following phases:

- The stakeholder **identification and segmentation** phase which is carried out by analysing the interrelationships between the processes and activities of the Company with its socio-economic environment.
- The **prioritisation** phase performed by analysing the influence that each stakeholder group has on the achievement of the Company's strategic objectives and the impact that the Company's activities have on each stakeholder group being considered.

Stakeholder Management Model



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Noteworthy projects in 2020

- 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. In 2020, the functionality for managing stakeholders related to transmission grid projects has been further developed as part of the ÁgOra global project management tool initiative. This tool enables the identification, registration, categorisation and association of actions related to transmission projects, although the aspect related to geodesign is yet to be included. All the above is carried out in order to anticipate the needs and define solutions that can help to improve the integration and social acceptance of transmission grid developments within the territory. The implementation of three pilot projects is also planned: the Spanish Peninsula-Balearic Islands link, the Trans-Manchego axis and the Morella-La Plana axis.
- Stakeholder identification and action plan within the transmission grid planning process. In 2020, a meeting of this working group was held to present new detailed foresight studies up to the 2030 horizon regarding the operation and management of the mainland and island electricity systems as well as the needs of both systems considering future decarbonisation scenarios.




THE *DÍGAME* SERVICE
provides stakeholders with a
**PROFESSIONAL
MANAGEMENT
SERVICE**
FOR ENQUIRIES

Dígame Service in Spain 102-43 / 102-44

The Dígame service has guaranteed, since 2008, the professional management of enquiries related to Red Eléctrica's services regarding the operation of the national electricity system and the management of the transmission grid submitted by external stakeholders through the Group's various communication channels available (phone, e-mail, online web form and post or registered fax). This service is staffed

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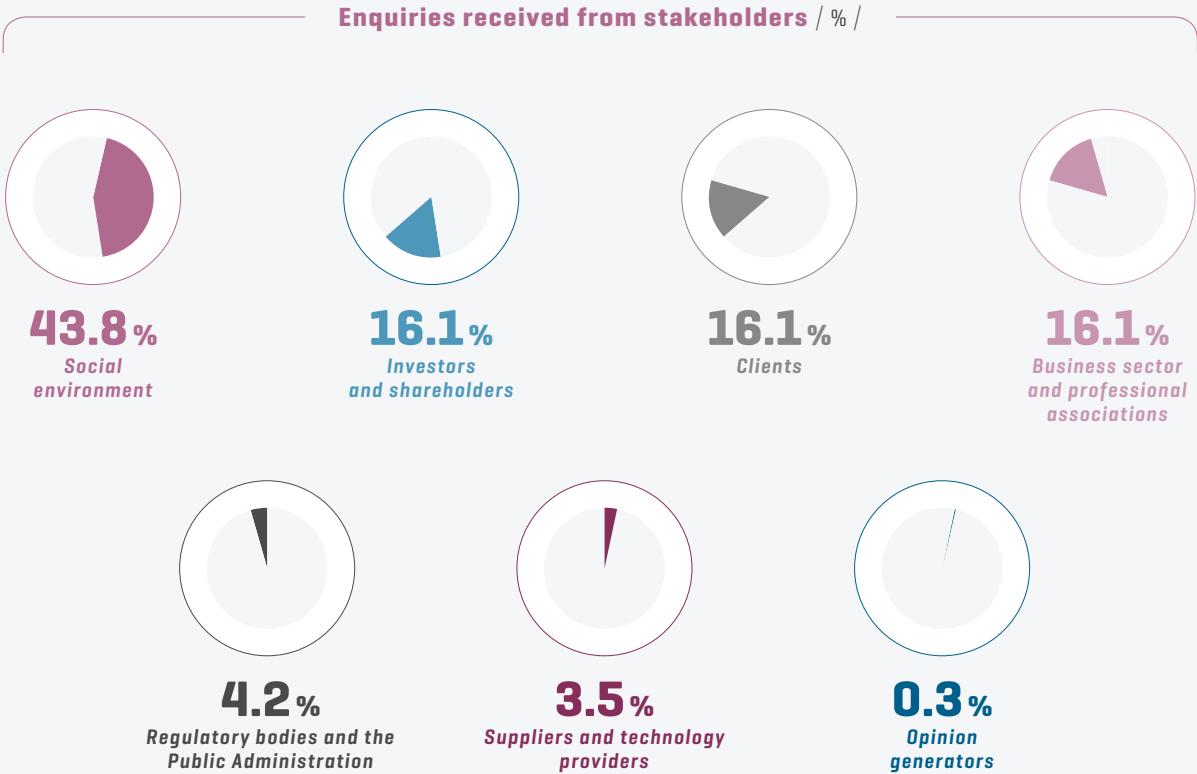
by personnel from the Juan XXIII Roncalli Foundation, a non-profit organisation that facilitates the professional integration of people with some type of disability.

Throughout 2020, a total of 3,559 enquiries were received and managed, with social environment being the stakeholder group making the most enquiries [1,560], followed by investors

and shareholders [573] and customers and business sectors and associations [both with 572 enquiries each]. To a lesser extent, there were also enquiries from regulatory bodies and administrations, suppliers and other stakeholder groups.

The *Dígame* service is managed by personnel from the Juan XXIII Roncalli Foundation, a non-profit organisation that facilitates the professional integration of people with some type of disability.

Applicable grievances managed
Of the 260 grievances received, 219 have been considered applicable as they correspond to the functions and responsibilities of Red Eléctrica. Of these, 58 have been upheld [i.e., grievances accepted based on arguments submitted, in full



or in part, and which are considered to be true and justifiable].

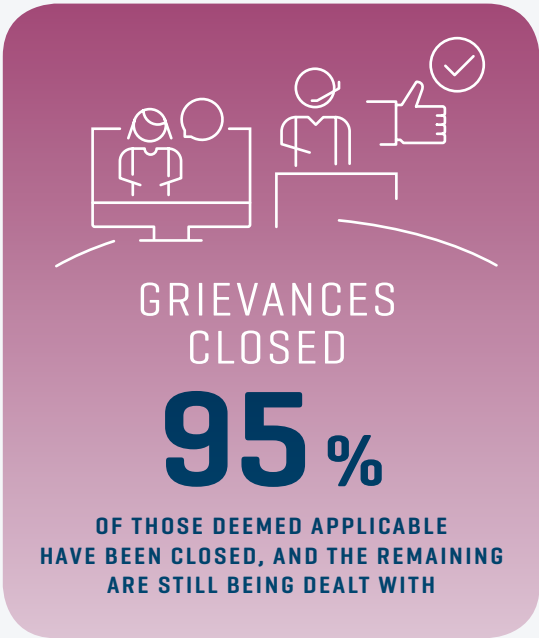
Most of the grievances received fall into two categories: quality and continuity of supply and impacts of facilities. With regard to the first category, grievances were mainly identified in relation to the incidents that occurred in Tenerife on 29 September 2019 and 15 August 2020, and within the second category, there were mainly grievances relating to the felling and clearing of vegetation.

Breakdown by type of grievance

Quality and continuity of supply	173
Impact of facilities	41
Energy metering	2
Other	3
Total	219

Grievance by stakeholder group

Social environment	187
Business sector/Professional associations	28
Clients	4
Total	219



95% of the applicable grievances have been closed, with the remainder still being dealt with. Of the 21 grievances that remained open at the end of the 2019 financial year, 19 have been fully closed during 2020, with 2 grievances still pending to be closed regarding the Tenerife incidents which, due to their complexity, are in the process of being resolved.

Dígame Service abroad

During 2020, the channel for enquiries, requests, complaints and claims has been consolidated in

Latin America through a procedure that establishes the response times and the prioritisation of communications received from external stakeholders (organisations, entities, communities, associations, customers or the general public).

Of the claims received in Peru, most are related to the concession of the company CCNCM and one regarding TESUR 2, while in the case of Chile, the complaint received refers to REDENOR. All of them request compensation for the impact of the facilities.

Of the total number of requests for information received in Peru, 53 are in the process of being resolved, while in the case of Chile, all have been closed during the year.

Information on the claims received by REINTEL and HISPASAT is detailed in the [Customer Orientation](#) section of this report.

By type	Peru	Chile
Claim	4	0
Complaint	12	1
Enquiry	2	0
Request for info	401	15
Total	419	16

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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, with the goal of reaching consensus regarding the best proposals put forward by the Company. Stakeholders are also provided with the degree of fulfilment of the action plan at year-end.

In 2020, the Company continued to review and update the perception studies, implementing



Global indicators of the stakeholder perception survey

	2016	2017	2018	2019	2020
Perception index ^[1]	8.1	8.1	8.3	8.1	8.0
Perception level	8.2	8.3	8.4	8.2	8.2
Overall assessment of services	8.0	8.0	8.2	8.0	8.0
Assessment of the communication and information activities	-	-	-	8.0	7.9
Assessment of the execution of activities	-	-	-	8.4	8.2
Reputation ^[2]	8.6	8.6	8.6	8.2	8.0

^[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 (AO) 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.

$IP = 35\% AO + 65\% B$ (weighted values based on stakeholder prioritisation).

^[2] 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 table shown on the following page.



THE PERCEPTION STUDY

analysed all stakeholder
groups and the overall

SCORE WAS

8
OUT OF 10

the improvements identified in 2019 in the studies carried out during the year. The following improvements are noteworthy:

- 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 indices, both in terms of perception and reputation.

In 2020, the Company conducted a perception study of the following stakeholders: suppliers of goods and services, financial institutions, institutional investors, financial analysts and the media. Internally, a perception study was carried out on internal communication, the calculation of the carbon footprint and studies aimed at assessing the management of IT services.

The **overall perception** score of all the stakeholder groups analysed was **8 out of 10**.

2020 Assessment of the reputation aspects





Leadership in Sustainability

The inclusion of the Red Eléctrica Group

in the most internationally recognised sustainability indexes shows its firm commitment to sustainability and its commitment to responsible transparency and accountability towards stakeholders.

Additionally, the Company is voluntarily adhered to various initiatives that strengthen its commitment

to sustainability, among which noteworthy are: the United Nations Global Compact Principles, the UN Women's Empowerment Principles, the New European Green Deal, 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

Results of the sustainability assessments

Sustainability Analysts	Scale	Results	Evolution
S&P Global	0 - 100	89	↑
Vigeo Eiris	0 - 100	67	→
FTSE Russell	0 - 5	3,8	↓
MSCI	CCC - AAA	AAA	→
ISS ESG	D- / A+	B+	→
Sustainalytics	0 - 100	90	↑
Bloomberg GEI	0 - 100	69.57	(*)
CDP Climate Change	F - A	A	↑

(*) First assessment carried out in 2020.

Presence in Sustainability Indexes

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA



The Sustainability Yearbook 2021 has awarded the Red Eléctrica Group the Silver Class distinction in the Electric Utilities sector published by S&P Global.

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Transparency and communication



The Red Eléctrica Group is committed to **transparency** as a pillar of its business strategy and of its relationship with the various stakeholder groups, and is committed to active, fluid and continuous communication with the aim of permanently disclosing information regarding its activities, including those related to its commitment to sustainability, under criteria of objectivity and transparency, offering clear, reliable and balanced information.

Corporate websites: more information, more knowledge

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 digitalisation, 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/en), REINTEL (www.reintel.es/en), Hispasat, (www.hispasat.com/en) or the new technological platform Elewit (www.elewit.ventures/en), each providing specific information on these businesses.

New content and updates to the corporate websites

Elewit Web

New web section regarding transmission projects (*)

Expansion of the web section on Grid access, connection to the grid and commissioning of new renewable generation (*)

Clients Section (*)

Expansion of the content of the REData section (*)

(*) These sections are currently only available in Spanish.

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In 2020, the Red Eléctrica Group continued to advance regarding transparency with stakeholders, facilitating new web spaces and more relevant content on the corporate website.

On the other hand, both on the corporate website and in the [Red2030 blog](#) [the Company's blog on action, sustainability and commitment – currently only available in Spanish], the Company has continued to raise the profile of the activities carried out by the companies of the Red Eléctrica Group in the different areas of energy, technology and telecommunications which are geared towards promoting the energy transition as well as innovation and connectivity. These areas are the foundations of the Company's commitment to sustainability, which in 2020 was more pronounced as showcased by the solidarity actions carried out during the COVID-19 pandemic. A responsibility to society that has also been reflected in the promotion of rural areas to curb depopulation and the digital divide, in addition to fostering diversity, energy efficiency, the circular economy, the 2030 Agenda, the climate emergency and the protection of

biodiversity as the main drivers of sustainable development and the creation of shared value.

Additionally, the Company has launched the new **redOS application** as detailed in the [Customer Orientation](#) ↪ section of this report.

Promotion of digital channels

Red Eléctrica now has reached 22,000 followers on [Twitter](#), 4,700 on [Facebook](#), 44,200 on [LinkedIn](#) and 1,500 subscribers in [YouTube](#). All these channels represent an essential tool for disseminating information regarding the Group's activity and help consolidate transparency and relations with the various stakeholder groups.

Corporate website indicators in 2020

More than
1.5 million
users and
2.6 million
sessions

400,000
downloads

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



5

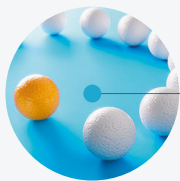
Anticipating change and taking action

Enabling possible risks to be converted into opportunities entails the need to advance towards a proactive management approach.

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Anticipating change and taking action

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.



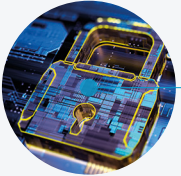
Trends and opportunities

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Risk Management

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Comprehensive
Corporate Security

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Transformation:
Culture, Digital and
Technological Innovation

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5.1

Trends and opportunities

102-15

Within a socio-economic environment like the current one we are living in, and in which global challenges mark the agendas of companies and determine their sustainability in the long term, the Red Eléctrica Group carried out an exhaustive analysis in 2019 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. These trends are classified into:

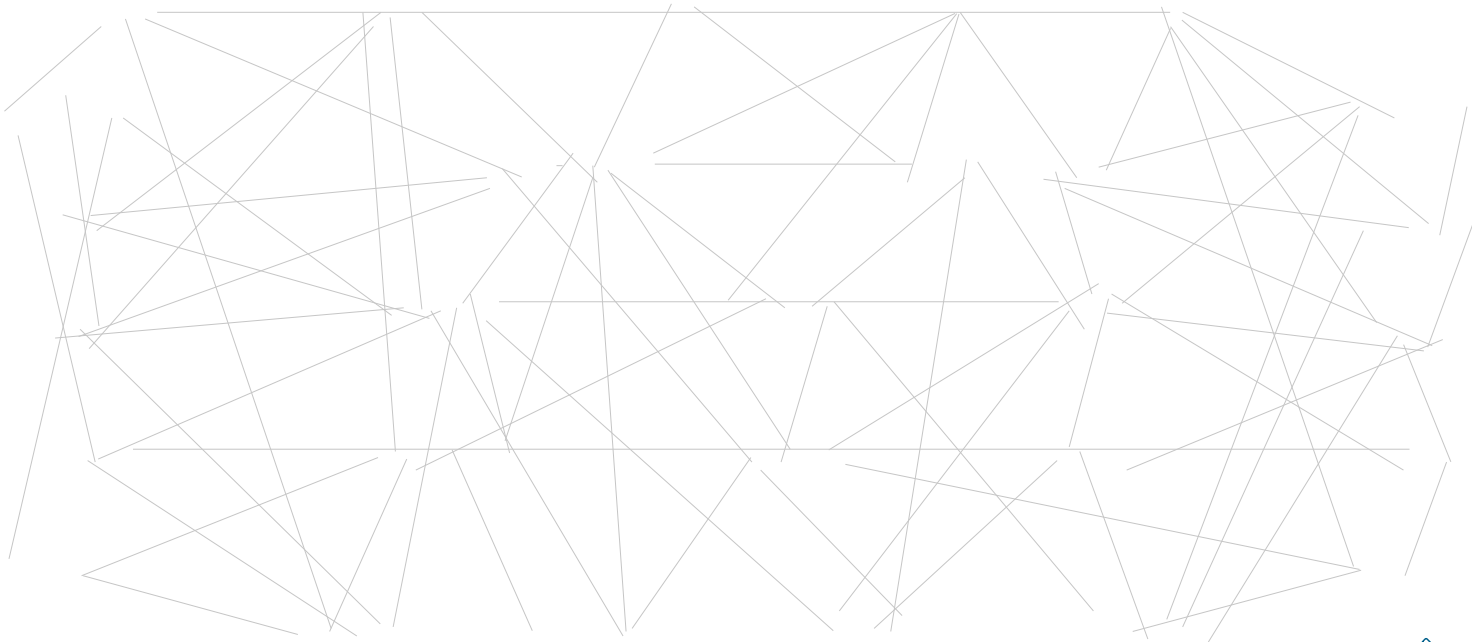
- **Five key global trends or megatrends.** Key issues with a level of influence worldwide that impact on the business model of companies in all sectors of activity as well as on the management of government administrations.

-	-	-	-	1	2	3	4	5	6	7	8	-
VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	OUR RESPONSE TO THE COVID-19	A BENCHMARK REPORT AT THE FOREFRONT OF REPORTING STANDARDS	RED ELÉCTRICA GROUP	STRATEGY	CORPORATE GOVERNANCE	COMMITMENT TO SUSTAINABILITY	ANTICIPATING CHANGE AND TAKING ACTION	DECARBONISATION OF THE ECONOMY	RESPONSIBLE VALUE CHAIN	CONTRIBUTION TO SOCIAL, ECONOMIC, AND ENVIRONMENTAL DEVELOPMENT	ANNEXES
												

• **Twelve sustainability trends.** Key issues with a global level of influence linked to specific areas of management with an impact on the sustainability of companies.

• **Ten sectoral trends.** Key issues with a high level of influence in the Red Eléctrica Group's areas of activity: electricity, telecommunications and technology.

Trend map of the Red Eléctrica Group



● Global trends ● Sustainability trends ● Sectoral trends



Click on each concept for more information

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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 key 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 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 the assessment of opportunities are systematically reviewed once 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 Board of Directors annually oversees the identification and assessment of climate-related opportunities with the aim of taking these opportunities into consideration in the Group's decision-making processes and strategic and operational 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 particularly significant, 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 larger share of

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**INCREASED
ELECTRIFICATION OF
THE ECONOMY AND A
GREATER INTEGRATION
OF RENEWABLES**

**REPRESENT SIGNIFICANT ENERGY
TRANSITION OPPORTUNITIES
FOR THE RED ELÉCTRICA GROUP**

**linked to the necessary changes
required in the fight against
climate change and those related
to European energy policies**

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 more decentralized system and with new elements (digitization, distributed generation, self-consumption ...), requiring greater coordination between all agents.

All these aspects imply a clear need for **new investments to tackle the challenges posed by the**

energy transition and, therefore, represent a clear opportunity for growth for the Company.

On the other hand, the improvement in the performance of the Red Eléctrica Group in matters related to the mitigation and adaptation to climate change can positively influence the **Company's reputation**, which could entail additional opportunities.

Transition opportunities for the Red Eléctrica Group

New investments for the energy transition

- *Development of the existing grid: integration of new installed renewable power capacity, interconnections, power supply for the high-speed train and support for an enhanced electrification of society (investment in lines, substations and interconnections).*
- *Development of infrastructure associated with new functionalities and services: protection systems, FACTS equipment and other grid infrastructure control and monitoring equipment.*
- *Development of energy storage in island systems.*

Improvement of the reputation associated with the Red Eléctrica Group's performance

- *Increase in share price.*
- *Financial opportunities linked to the accreditation of projects in green bond schemes.*



5.2

Risk Management

102-11



Key indicators in 2020

- More than **500 action plans** to reduce the level of risk.
- More than **300 indicators** to monitor risk evolution.



2020 Milestones

- Revision of the risk map linked to the scenario due to the COVID-19 pandemic.
- Completion of the implementation of the Comprehensive Risk Management System IT tool.
- Collaboration and support in the preparation of the specific risk map for REINTEL's activities.
- External assessment of the Comprehensive Risk Management System in accordance with the best practices established by COSO ERM 2017 and ISO31000:2018 Standards.
- Consolidation of the climate-related risk management and reporting model in accordance with TCFD recommendations



Challenges for 2021

- Updating of the Policy and General Procedure of the Comprehensive Risk Management System.
- Completion of the update of the acceptable risk levels established by the Group.
- Implementation of the improvement plan resulting from the external assessment of the Comprehensive Risk Management System carried out in 2020.



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The Red Eléctrica Group has a comprehensive risk management system in place in order to facilitate fulfilment of the Group's strategies and objectives, ensuring that the risks that could have an impact on them are identified, analysed, assessed, managed and controlled in a systematic manner, 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.

Comprehensive Risk Management System

Comprehensive risk management policy

Comprehensive risk management procedure

Comprehensive Risk Management Procedure

	Phases	Objectives
1	Identification	Identify risks and exposure to the factors that produce them.
2	Assessment: Probability/Impact	Define the probability of occurrence of the risk and its level of impact.
3	Analysis of the risk level	Determine the risk value: low, medium or high.
4	Action Plan	Develop action plans that mitigate or reduce the risk to maintain them at the acceptable level.
5	Monitoring and control	Incorporate information on relevant risks (risk map) and inform the governing bodies..

The Red Eléctrica Group has a Comprehensive Risk Management Policy and general Procedure for comprehensive risk management and control, based on the COSO^[1] ERM-Enterprise Risk Management-Integrated Framework.

In 2020, an external evaluation **process of the Red Eléctrica Group's Comprehensive Risk Management System** was carried out by a

reputable audit company in order to assess the alignment of the current model with best practices according to ISO 31000:2018 and COSO ERM 2017 Standards. As a result of this assessment, it has been concluded that the implementation of the system is in accordance with the reference standards. In addition, a series of aspects for improvement have been identified that can help to strengthen the current system and which have been taken into account for the development of the Comprehensive Risk Management System Activity Plan for 2021.

[1] Committee of Sponsoring Organisations of the Treadway Commission.

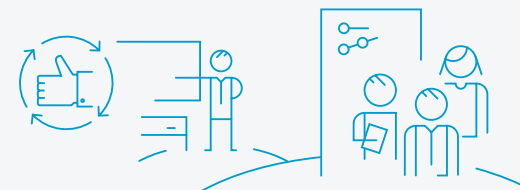
Organisational structure regarding risk management and control 102-30 / 102-31

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



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



EXECUTIVE COMMITTEE

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 ^[1]



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 relevant 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 acceptable level and keep them at said level. Carry out said management in accordance with principles and guidelines established in the Comprehensive Risk Management Policy.

[1] This management area reports to the Chairperson's Office.

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 exclusively by the Group. This aspect establishes this specific business as a regulated activity and therefore affects not only the setting of regulated income and the social, economic and environmental elements, 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.

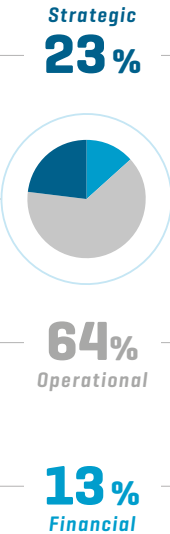
The Company has a **risk classification structure** in order to facilitate a more complete identification of the risks and allow a more detailed analysis. This structure enables the risks identified to be classified into three levels of aggregation.

As a result of the risk analysis carried out by the Red Eléctrica Group, in the most recent risk map presented, 99 risks were identified, whose distribution in the first two levels of aggregation can be seen in the graphics on the right.

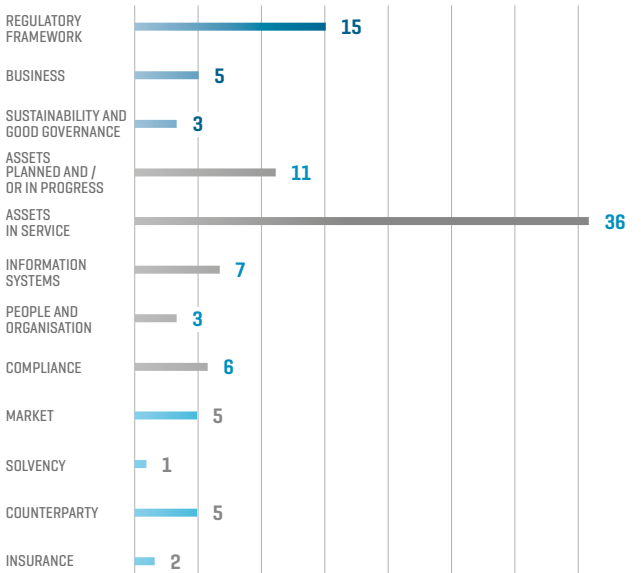


The Company has a risk taxonomy in place in order to facilitate the identification of risks.

Risk distribution [first level] / % /



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**.

**Business
elements to gauge
the risk impact**

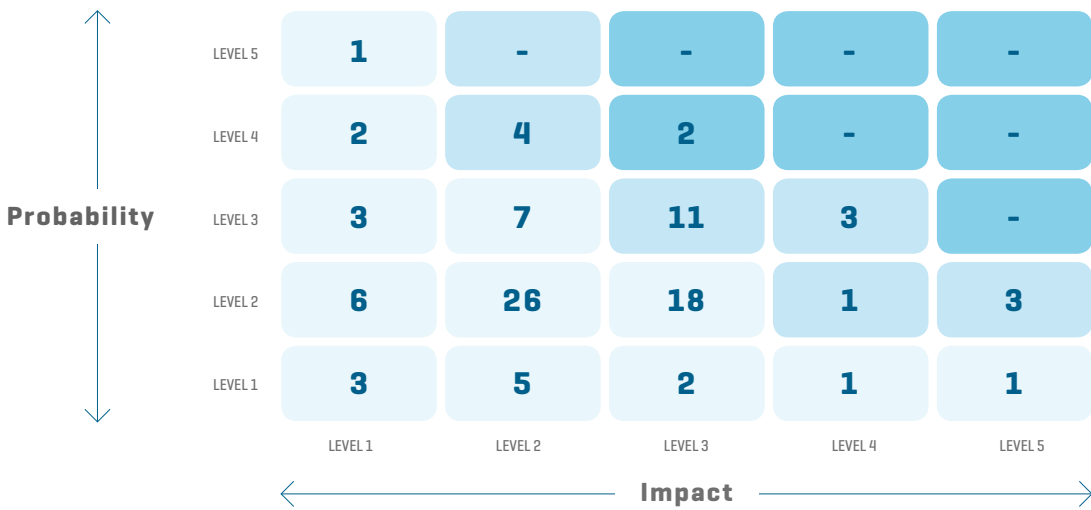
Electricity supply

**Achievement of
the Strategic Plan**

Reputation

Financial loss

Risk distribution [impact/probability]



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

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 99 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.

The **overall level of acceptable risk** that the Group is willing to assume for each of the four axes of

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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.

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 that of 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 2020

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. Should these events materialise, the Group has insurance policies that limit the potential impact these events may have on the income statement.

On 21 January 2020, there was a **power outage**, mainly in the province of Girona, due to the damage caused as a result of the snow and high winds from Storm Gloria. The incident caused the grid to collapse, leading to a zero-voltage situation in various transmission and distribution substations and, finally, a power outage, which affected more than 400,000 points of supply. The direct current electricity interconnection with France, commissioned in 2015, was decisive in the rapid recovery of service [close to two and a half hours], as it allowed direct control of the flow of energy arriving in Spain from the French system, which facilitated a more controlled and secure process to restore the supply.

On the other hand, the monitoring measures of the Spain-Morocco interconnection made it possible for a leak to be detected in cable 4 of the link on 30 July, this was located in one of the sealing plugs used in the repair of a leak that occurred in 2018. In reply to this incident regarding an accidental spill, the Interior Maritime Plan for the link was implemented, which guarantees an immediate response,



corrective actions by the personnel involved, the correct use of anti-pollution equipment and material, and the adequate coordination with the organisations working in the management of the incident and the Public Administrations involved. On 3 September, the sealing work was completed, and the Interior Maritime Plan was deactivated in Phase 0 [alert]. The security of the interconnection's electricity supply was never compromised at any time thanks to its double circuit and the fact that the cable affected [reserve] has been out of service since it was rendered inoperative in 2018.

On 30 January, the World Health Organisation (WHO) declared the outbreak of the new SARS-CoV-2 or COVID-19 coronavirus an international public health emergency and, in mid-March, a **pandemic**. From the first few days of February, the Company applied an exhaustive contingency plan that has meant that the situation derived from COVID-19 has not had a significant impact on the Group's business activities.

Red Eléctrica de España guaranteed that all households and essential services had an electricity supply at all times. Similarly, the electricity infrastructure business abroad and the telecommunications business (fibre and satellite) provided their essential services without incident.

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.

In this context, the Group has deployed measures to safeguard the health and safety of all its professionals, applying action protocols adapted to the recommendations issued by the various competent authorities. In recent years, the digital transformation process implemented by the Company has enabled the safe remote working of all Group employees whose physical presence in the work centres is not strictly necessary (80% of the workforce).

The development of new infrastructure, both for electricity transmission and telecommunications, suffered temporary delays due to the total or partial stoppage of economic activities imposed by the authorities, which were almost entirely recovered in the final months of the year. The impact on the Group's investments as a whole



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In 2020, the Group continued to collaborate on the development of the risk management system for investment projects and in the risk management project for transmission grid assets.



was approximately 5% of the initially planned investment volume. This 5% shortfall is expected to be made up in 2021.

From a financial perspective, throughout this period, the Group's financial position has been robust, enabling it to confront these trying times through measures aimed at bolstering its liquidity.

The pandemic did not affect incomes from the Group's regulated activities, which account for the bulk of the revenues. However, the satellite telecommunications business has been influenced by both the duration of the crisis and the evolution of the Latin American markets where it operates. This has led to a renegotiation

of prices and cancellations of contracts and projects, which, together with the evolution of the US dollar and the Brazilian real, have had a negative impact on the Group's satellite business revenues in 2020 of around 20 million euros. In this context, HISPASAT has undertaken a process of strategic reflection that has concluded with the approval of new strategic lines aimed at repositioning the Company. At the end of 2020, the Group performed an impairment test on the assets corresponding to the traditional satellite business, registering impairment provisions of 122 million euros. For further information, please refer to the chapter entitled *Our response to COVID-19* of this report.


Monitoring and contingency plans

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

For the monitoring of risks, the Risk Management System currently includes the **monitoring of more than 500 action plans** aimed at reducing the level of risk **and more than 300 indicators** to control its evolution.

The Risk Control Management Area, together with the risk management units, reviews the evolution and mitigating effect of the established action plans. This review is carried out annually, covering all risks on the corporate map and with a biannual periodicity for those risks of high level and others subject to special monitoring. Regarding the latter, this review is carried out in anticipation that changes in their situation could lead them to achieve the high-level risk assessment in the medium/long term.

The Red Eléctrica Group also has an **Internal Control Over Financial Reporting (ICFR) protocol**, with the fundamental objective of obtaining improvements in the efficiency and security of the processes related to the Group's financial reporting, proactively adopting the best international practices in this field. The ICFR specifically includes the information related to the

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The COVID-19 pandemic activated the corresponding action protocol of the Company to, firstly, ensure the health and safety of the Group's employees and, secondly, guarantee the continuity of the Company's activity.

tax processes of the Red Eléctrica Group, as well as the controls associated with them.

The Red Eléctrica Group also has **contingency plans** that regulate the various crises that could arise in the event of an electrical incident (to guarantee the security of supply) or a non-electrical incident that could impact and of the following: the environment; people; the Company's operations; the availability of its systems; business results, or any other aspect with an impact on the Company and its reputation.

The Company has a **Business Continuity Plan** in order to prepare the necessary actions and plan those procedures that allow an adequate response to a disaster, crisis or emergency situation, from the moment it occurs until it returns back to normality. The Business Continuity Plan makes it possible to reduce the impact on the Company's business activity to the least possible degree, as well as streamline and automate decision-making processes in disaster, crisis or emergency situations.

In the Red Eléctrica Group, the pandemic risk is identified, assessed and managed mainly through the Business Continuity Plan. Thus, in 2020, the situation declared as an emergency due to the COVID-19 pandemic activated the corresponding action protocol to, firstly, ensure the health and safety of the Group's employees,

and secondly, guarantee the continuity of the Company's activity and the correct performance of its core functions. The COVID-19 crisis scenario made it necessary to carry out a review of the risk map in order to assess the extent to which the situation caused by the pandemic and the declaration of the state of emergency was affecting these risks or could affect them should the state of emergency be extended or even once the situation returned to normal. This analysis concluded that this new scenario, although it affected part of the risks identified in the map, did not significantly alter the assessment of their risk level after the implementation of the measures associated with the Business Continuity Plan.

In addition, the Risk Control area carries out actions with other Group units to develop risk management in line with the Comprehensive Risk Management System. During 2020, it has collaborated with the subsidiary REINTEL on the development of its own risk map, as well as with the subsidiary HISPASAT in the adaptation of its management methodology in order to adapt it to the Red Eléctrica Group Policy.

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Main risks of the Red Eléctrica Group at present 102-15 / 102-29

Main risks of the Red Eléctrica Group at present

RISK	DESCRIPTION	POTENTIAL IMPACT	MAIN ACTIONS FOR THE MANAGEMENT OF RISKS
Strategic risks			
↑ Framework Regulatory ↓	Changes in electricity system regulation	Decrease in the remuneration of the regulated business, which accounts for most of the Group's revenues.	<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"> Maintaining good relations with entities and organisations where the foreign subsidiaries are located. Monitoring of regulation.
	Other regulatory risks	Increased costs due to increased tax and environmental requirements. Operational costs associated with the increase in regulatory requirements.	<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.
↑ Business ↓	Circumstantial risks	Unfavourable impacts derived from the situation of the country where the activity is carried out.	<ul style="list-style-type: none"> Country risk analysis. Monitoring of the economic, political and social evolution of the country.
	Technological risks	Loss of opportunities associated with the energy and telecommunications transition.	<ul style="list-style-type: none"> Consolidation of RETIT, a startup company of the Group responsible for promoting technological innovation. Launching of the Elewit commercial brand to promote the presence of RETIT in the innovation ecosystem. Deployment of venture client programmes, the corporate venture capital (CVC), the technology labs or the creation of a global innovation hub (GIH). Technological monitoring. Management of the portfolio of Innovation Projects. Grid2030 Programme.

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Main risks of the Red Eléctrica Group at present

RISK	DESCRIPTION	POTENTIAL IMPACT	MAIN ACTIONS FOR THE MANAGEMENT OF RISKS
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Strategic risks / continued

Sustainability and good governance

Risks of non-compliance with best practices in sustainability and good governance

· 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.

Loss of the Group's reputation, of socially responsible investment and of the percentage of votes in favour of resolutions submitted to the General Shareholders' Meeting for approval.

- Corporate Responsibility and Corporate Governance Policies.
- 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 certified according to SR10.
- Stakeholder Management Model.
- Approval of communication criteria with shareholders, institutional investors and proxy advisors.

Operational risks

Assets planned and/or in progress

Risks associated with the investment plan

· Difficulties in the permitting process for electricity infrastructure.

· Risks associated with social opposition to infrastructure.

· Risks associated with the execution of investment projects for new electricity transmission infrastructure and of telecommunications that entail deviations in cost and/or deadlines.

Financial loss due to delays in incorporating assets into the remuneration model.

- 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 construction 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

· Risk of a breakdown/fault occurring in the facilities that may significantly impact the electricity system, causing power outages on the Spanish Peninsula or on the islands.

Supply interruptions and possible sanctions arising from claims regarding the service.

- 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.

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Main risks of the Red Eléctrica Group at present

RISK	DESCRIPTION	POTENTIAL IMPACT	MAIN ACTIONS FOR THE MANAGEMENT OF RISKS
Operational risks / continued			
Assets in service	Risks related to power outages and the evacuation of generation / continued		<ul style="list-style-type: none">Contingency plans.MANINT project, to optimise the management and maintenance of transmission grid assets.Risk assessment model associated with transmission grid assets.
	Risks associated with the operation of the electricity 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">Potential non-availability or reductions in the normal operation of facilities. Increase in claims due to supply interruptions.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.
	Risks associated with the provision of telecommunications services	<ul style="list-style-type: none">Faults/breakdowns in the facilities that may lead to incidence in the provision of telecommunications services.	<ul style="list-style-type: none">Service interruptions and possible sanctions due to claims.Ongoing monitoring of the functioning of the system.Analysis and strengthening of infrastructure.
	Risks that may affect the security of the facilities	<ul style="list-style-type: none">Impact on security in facilities (substations, control centres, buildings, etc.) such as vandalism, sabotage, theft, terrorism, etc.	<ul style="list-style-type: none">Damage to facilities and possible effects of this on the availability of the service provided.Security systems in facilities.Permanent monitoring of 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	<ul style="list-style-type: none">Impact on flora.Impact on fauna, especially birdlife.Contamination of soil and water.Impact on archaeological heritage.Risk of fires.	<ul style="list-style-type: none">Damage to the environment with relevant consequences that could involve sanctions, in addition to the costs associated with repairing the impacts caused by the event.Reputational loss of the Group.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.

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Main risks of the Red Eléctrica Group at present

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Operational risks / continued			
Assets in service	Risks of impacts on the environment / continued		<ul style="list-style-type: none">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.
IT / Information systems	Risks related to cybersecurity <ul style="list-style-type: none">Risks associated with the non-availability of systems.Risks associated with unauthorised access to specific IT applications.	Impacts on the normal operation of equipment and services as well as reputational loss depending on the extent of the impact of the incident.	<ul style="list-style-type: none">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.
People and organisation	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.	Reputational and financial loss to the Group arising from possible claims.	<ul style="list-style-type: none">Professional development plans.Contracting of young employees with potential.Comprehensive age management model.Cultural transformation project: ImaginaMaintenance 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 of the Group.

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Main risks of the Red Eléctrica Group at present

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Operational risks / continued				
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">· Reputational and financial loss for the Group as a result of possible sanctions.	<ul style="list-style-type: none">· Code of Ethics and Professional Conduct of the Red Eléctrica Group, Ethics Manager and the Compliance and whistle-blowing channel [enquiries and grievances].· Criminal Prevention and Anti-bribery Management System certified according to UNE 19601 and ISO 37001 Standards· Internal audits.· Implementation of the Compliance System encompassing 16 regulatory areas.· Committee on Criminal Prevention.· Compliance Unit and control and supervision bodies [criminal prevention and data protection].· Development of a due diligence model regarding counter-party compliance.· Training and an 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.· Risk associated with variations in interest rates and credit margins or inflation that may affect the Company's results.	<ul style="list-style-type: none">· Increased cost of the activity and impact on the profitability of certain investment projects.	<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.
	Risks associated with variations in market conditions	<ul style="list-style-type: none">· Possible negative effects of an unfavourable change in currency exchange rates.	<ul style="list-style-type: none">· Financial impacts derived from market fluctuations affecting both debt and investment.	<ul style="list-style-type: none">· 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 ratings from credit-rating agencies.· 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.

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Main risks of the Red Eléctrica Group at present

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Financial risks / continued			
Counterparty ↑ ↓	Non-compliance by third parties <ul style="list-style-type: none"> • Risk associated with non-compliance by third parties of the payment obligations established. • Risk associated with dependence on suppliers and providers. • Incidence in accounts receivables regarding agreements signed with clients regarding telecommunications services. 	Impact on the normal functioning of the activity. Financial loss due to price renegotiations and contract cancellations.	<ul style="list-style-type: none"> • Monitoring of the quality of the service provided. • Monitoring of the client portfolio. • Request for bank guarantees and financial considerations to grant the credit facilities requested by customers. • Development of contracting strategies for key services by the procurement department.
Insurance ↑ ↓	Inadequate coverage in the event of an accident <ul style="list-style-type: none"> • Insufficient coverage when faced with a significant increase in claims. • Loss of solvency of the reinsurance company. 	Increase in costs.	<ul style="list-style-type: none"> • Provision of supplies. • Continuous monitoring of the number of claims. • Risk reinsurance.

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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Emerging risks: 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 associated with 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

Scenarios and horizons considered for the assessment of climate risks

Physical risks

The projections developed by the State Meteorological Agency (AEMET) for the most important scenarios of the AR52 [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

priority risks for the Red Eléctrica Group, given the condition of its regulated activity, necessarily imply a financial impact for the organisation].

[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). [1]
- Fires beneath the lines and in the vicinity of electricity substations. [1]
- Corrosion of infrastructure. [2]

- Damage to infrastructure.
- Increase in maintenance cost.
- 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 works (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, associated to the noteworthy increase in the share of renewables in the energy mix foreseen in the coming years. (It is foreseen that it will increase from 17% to over 50% in the 2030 horizon. [1])
- Loss of staple generation sources associated with the closure of coal-fired, combined cycle and nuclear power stations. [3]

- 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. [1]


- 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).

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

- Risks associated with the regulatory framework established for the construction and management of energy storage facilities in non-peninsular systems. [4]
- Remuneration framework associated with adapting the grid infrastructure to the needs arising from climate change. [4]

- 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.

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VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	OUR RESPONSE TO THE COVID-19	A BENCHMARK REPORT AT THE FOREFRONT OF REPORTING STANDARDS	RED ELÉCTRICA GROUP	STRATEGY	CORPORATE GOVERNANCE	COMMITMENT TO SUSTAINABILITY	ANTICIPATING CHANGE AND TAKING ACTION	DECARBONISATION OF THE ECONOMY	RESPONSIBLE VALUE CHAIN	CONTRIBUTION TO SOCIAL, ECONOMIC, AND ENVIRONMENTAL DEVELOPMENT	ANNEXES
												

RELEVANT RISKS ASSOCIATED WITH CLIMATE CHANGE

POTENTIAL IMPACT ON THE BUSINESS

MITIGATING ACTIONS

Physical risks

· Increased legal requirements associated with the use of fluorinated gases (SF₆). [1]

· Increased costs associated with taxes related to the use of SF₆ gas.
· Operational costs associated with increased requirements related to the monitoring and controlling of SF₆ leaks.
· Technical difficulties and costs associated with 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 leak 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.

[1] Monetised risks. The annual financial impact for each of the risks is less than 2% of the Group's results. [The calculation of the impact takes into account the result of the mitigation measures implemented. For example, in the case of physical risks, the financial impact is significantly reduced thanks to insurance policies].
[2] Incorporated as a result of the assessment review carried out in 2020. It will be monetised during 2021.
[3] No financial risk for the organisation.

[4] The financial impact of these risks is integrated into other risks.
Note: As a result of the risk assessment and quantification review conducted in 2020, the risk 'Difficulties in monitoring and controlling a system with a greater penetration of renewable energy, whose production is highly volatile', which was reported in the 2019 Sustainability Report, has changed prioritisation and is no longer part of the relevant risks.

The management of climate-related risks is integrated into the Company's risk management system, which is why the established **governance model** applies to these types of risks. Nonetheless, 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.

The process of assessing climate-related risks is carried out annually and, in accordance with the Comprehensive Risk Control System, the most relevant risks are reviewed every six months.

Relevant climate-related risks with an impact over a one-year time horizon have been included in the **corporate risk map**.

It should be noted that, in the case of climate-related risks, the Internal Audit and Risk Control Area and the Corporate Sustainability Area share the functions of the following: supporting the organisational units in the identification, assessment and management of risks; monitoring the level of risks and their evolution and informing the bodies responsible for its control and the units responsible for their management.



5.3

Comprehensive Corporate Security



Key indicators in 2020

- **42.1%** employee training.
- **40%** implementation of the Governance and Management of the Corporate Security Model for companies of the Group.



2020 milestones

- Implementation of the Risk Management Model in the Supply Chain.
- Launch of the new awareness-raising campaign.
- Training of employees in corporate security for those profiles that require it.



Challenges for 2021

- Increase the maturity of the Governance and Management of the Corporate Security Model for all the companies of the Group.

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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 safety 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 in a global and joint manner, and enables the Company to respond to a new scenario defined by:

- New regulatory developments (adaptation to the legislation 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 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 and 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 2017, is based on good practices and reference standards in this field. The model encompasses the 11 key areas where the organisation must

Key areas of the Comprehensive Corporate Security Management Model

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

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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, seen from four perspectives: Security, clients, processes and knowledge.



have the ability to respond effectively in order to maximise its resilience in adverse situations.

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 defined 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 Action Plan

For the implementation of the management model, the Red Eléctrica Group has in place a **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.

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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 Comprehensive 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

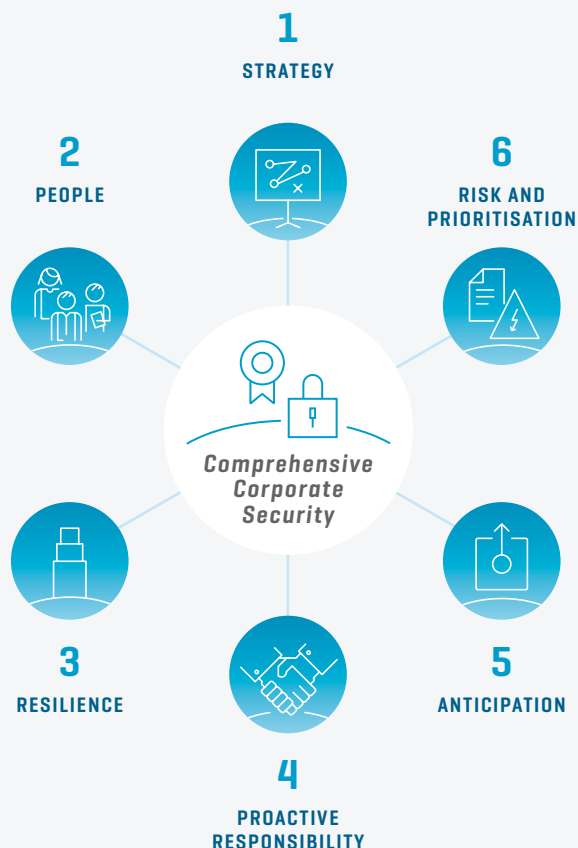
Definition of comprehensive identity management within the Red Eléctrica Group, adapting the provision of resources and training for employees and collaborators based on this.

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

3 Business continuity management and integration of the response to incidents

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 compliance.

- 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 benchmark security architecture and harmonised framework of controls.

- Risk management
- Exchange of information

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Comprehensive Risk Management

The Company carries out a process to enhance and update its **risk management methodology** in order to broaden the Red Eléctrica Group's vision of risk and to guarantee compliance with current legislation as a designated operator of critical infrastructures and essential services, in addition to managing electricity transmission grids and telecommunications networks, including the need to extend cyber security to industrial environments and increasing the Group's resilience.

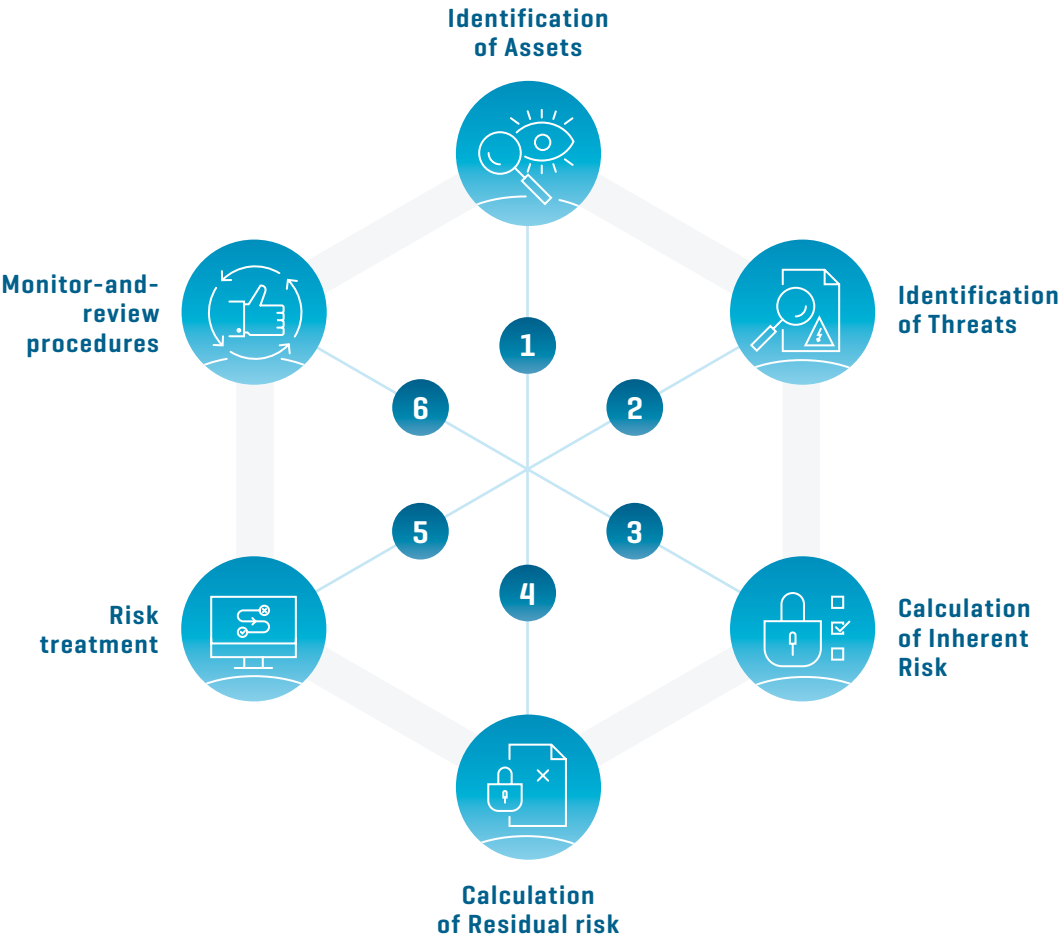
The main objective of this initiative is to provide the Red Eléctrica Group with a **risk management capacity tailored to the characteristics and needs of the Group** and its business, thus becoming a benchmark company in terms of corporate security matters within the energy sector.


Comprehensive security management model in the supply chain

This year, as part of its commitment to the responsible management of its suppliers, the Company has worked on the development of a Comprehensive Security Management Model in the Supply Chain.

The project aims to ensure that the products and services provided to the Red Eléctrica Group meet optimum security levels,

Current risk management methodology



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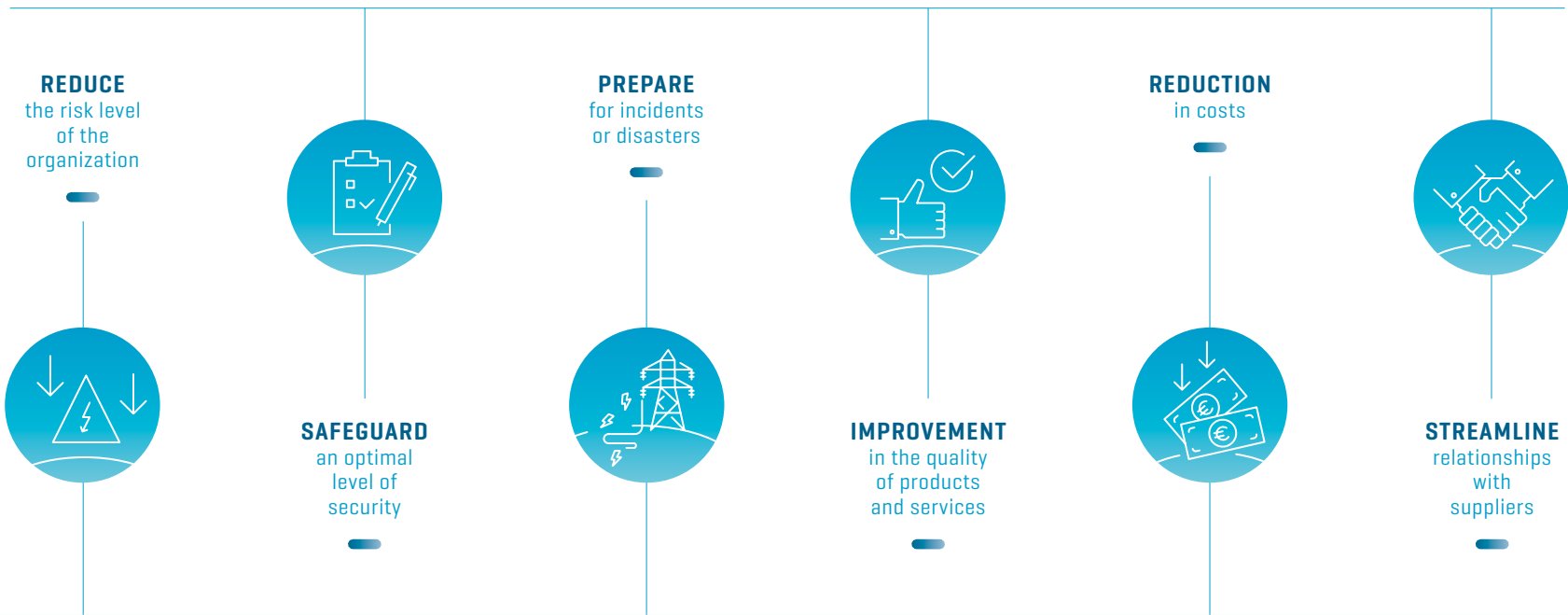
in line with business expectations and minimising the cost. In this way, supplier security management allows the following:

- Maintain an updated supplier security control framework and a management tool to automate the process.

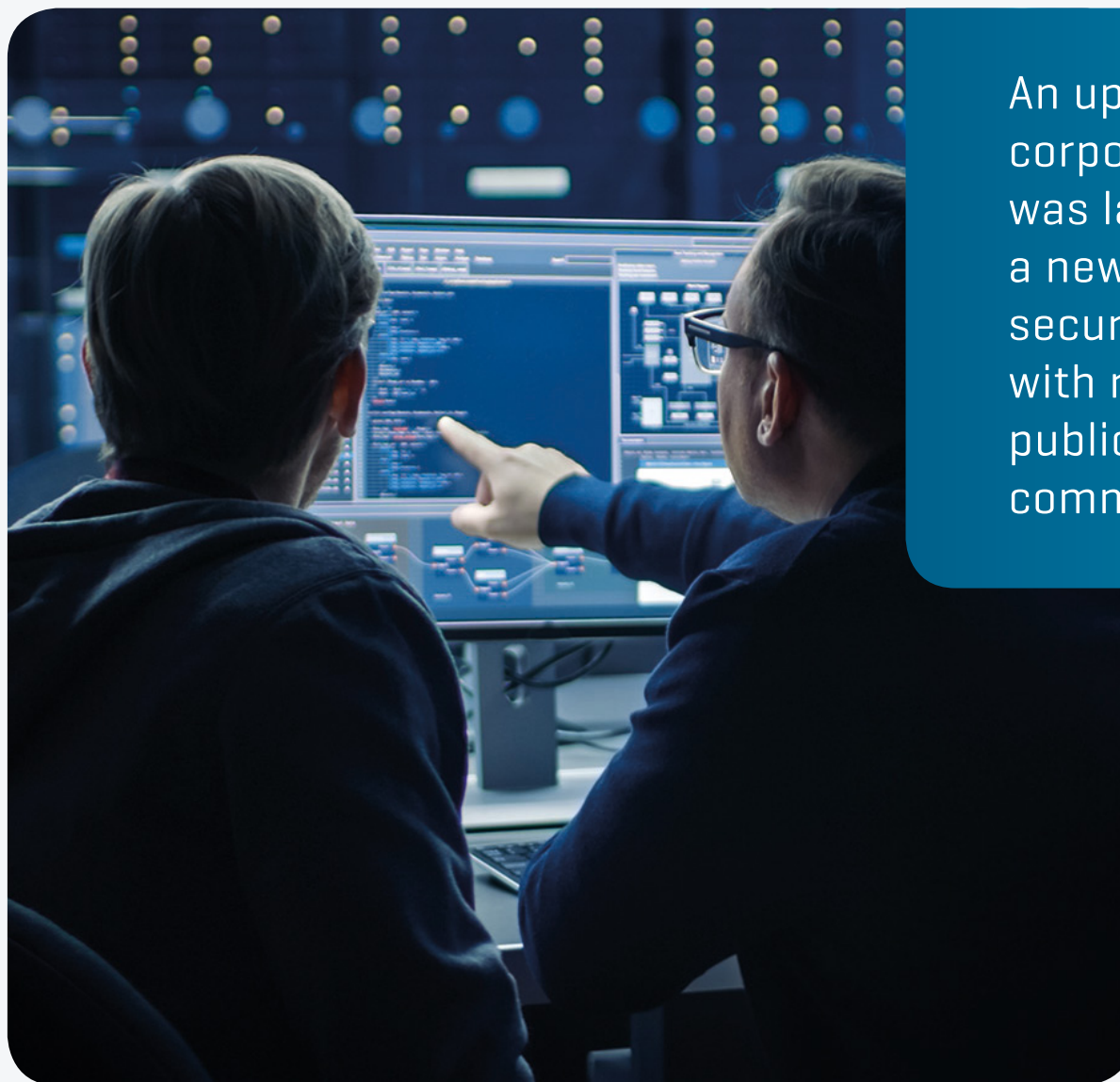
- Control and reduce the risk associated with the products and services contracted.
- Evaluate and periodically review the security protocols related to products and services provided by suppliers.

- Manage the security aspects of contracts with suppliers, from the tendering phase to its termination.

Benefits of an adequate comprehensive security management in the supply chain for the Red Eléctrica Group



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An updated comprehensive corporate security campaign was launched in 2020, with a new set of comprehensive security guidelines together with regularly updated publications available via internal communication channels.

Training, sensitivity and awareness-raising plan

According to PwC's 'Global State of Information Security Survey 2018', based on interviews with executives, approximately 27% of cyber security incidents occurring in companies originate from actions carried out by employees. This data, together with the momentum of the digital transformation that the Group is undergoing, calls for the development of a training plan for employees with the aim of reducing risks caused by its own staff and those outside the group.

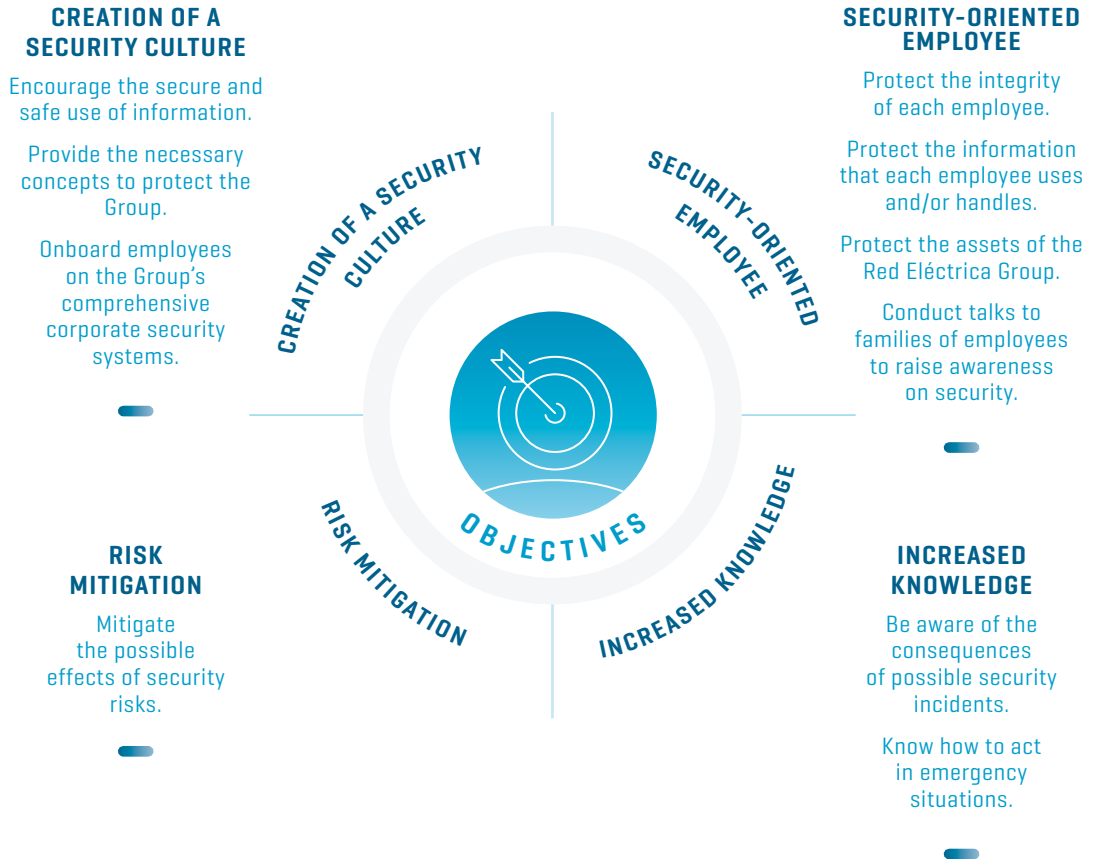
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During 2020, the Red Eléctrica Group implemented online training plans for employees with critical duties and responsibilities.

In addition, work is continuously being carried out on the awareness plan. An updated comprehensive corporate security campaign was launched in 2020, with a new set of comprehensive security guidelines together with regularly updated publications available via internal communication channels.

Training, sensitivity and awareness-raising plan





5.4

Transformation: Culture, Digital and Technological Innovation



Key indicators in 2020

- **98%** of the management team evaluated through the 360o feedback process.
- **Implementation** of Office 365 and the digital signature service in 100% of the Red Eléctrica Group.
- **16.91 million euros** investment and 124 innovation and technological development projects.
- **2 Venture Client programmes** encompassing 12 start-ups.



2020 milestones

- Implementation of the New Transformational Leadership Model.
- Deployment of the Group's data governance function and roll out of the corporate data lake.
- First Venture Client programme and launch of a second programme.
- Roll-out plan for the global commercialisation of the SAGA asset management tool.



Challenges for 2021

- Consolidate the culture of target-based management and 360° feedback process.
- Enhance process efficiency through the Smart Automation Service.
- Balance the technological maturity and focus of the innovation project portfolio, maximising the adoption of solutions by the Group's businesses.
- Maximise the value of investments in technology-based investment funds and in the capital of technology start-ups by streamlining and expediting the uptake of new technologies.



Awards and recognition

- 2020 Cegos Award with E&T for the best practices, in the Strategy and transformation category, for the Company's 'ImpulsaTE' project.

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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.

The **Transformation Strategy of the Red Eléctrica Group**, aligned with the Group's Strategic Plan, has 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**: culture, digital and technological innovation and whose deployment implies the definition of 48 initiatives included in **six cross-cutting courses of action**.

The transformation strategy of the Red Eléctrica Group

AXES

Culture

Digital

Technological innovation

COURSES OF ACTION

- Enabling the energy transition and the development of telecommunications.
- Preparing for the transformation of the Group.
- Making the Group's processes more efficient.
- Moving towards a data-centric organisation.
- Ensuring the security of infrastructures, systems and people.
- Opening paths to new business.



REtaTe Project

The main transformation project carried out during 2020 and which will be continued in subsequent years is **REtaTe**, the purpose of which is to respond to the challenges set out in the Strategic Plan, taking into account the new business context.



In order to achieve greater **efficiency in the processes**, as well as the **incursion into new businesses**, the project consists of the launching of initiatives aimed at re-engineering, intelligent automation, the sourcing model, disruptive innovation and the organisational model. Each of these initiatives will lead to the achievement of at least one of the following results: cost savings, time savings and new revenues.

Within this framework, 109 initiatives proposed by Group professionals were analysed through the 'I have an idea' channel set up for this purpose on the corporate intranet. Of these, **64 initiatives** have been accepted and are currently underway, 7 are still pending assessment, and 38 have been rejected [because the idea was already submitted and the initiative is already underway, they are not considered viable or do not provide clear efficiencies]. It should be noted that managers have dedicated 30% of their objectives to the project, with a total of **195 REtaTe milestones**. In addition, the Efficiency Plan, approved directly by the Group's CEO, **has automated eight processes** in different areas, and new automated processes are planned for 2021.

Culture: *Imagina* project

Imagina is the cultural transformation project of the Red Eléctrica Group, through which an innovative, agile and collaborative culture is developed through self-leadership in order

to achieve an organisation that is more resilient to change and capable of facing the challenges of the Strategic Plan.

The initiatives derived from this project that enable the adaptation of the Group's human capital are worked on with a project team and a series of working groups that materialise the initiatives and share them with the Imagineers.

The Imagineers are a total of 164 people who represent all the employees of the Red Eléctrica Group and are in charge of transmitting the progress of the *Imagina* project to them, thus encouraging them to participate in the different initiatives and therefore providing a channel for proposals or doubts to be submitted to the project team.

Cultural transformation initiatives in 2020

Transformational leadership

During 2020, a leadership model has been defined that embodies what is expected of a leader in the Group in terms of principles, values and professional conduct, creating a particular behavioural framework that is understandable and specific on which the organisation as a whole can reflect on to evolve towards the leadership profile that the Company needs at this time.

Results in 2020

- 2 dissemination sessions on the model were held.
- 98% of the management team has been evaluated through the 360° feedback process based on the expected behaviours set out in the new model.
- 98% of the management team has held interviews with external consultants to interpret the results and detect areas for improvement.
- 100% of the management team has built a personal development plan for improvement.

Digital mailroom

Within this scope, noteworthy in 2020 was the implementation of the digital mailroom. This is the response to the technological and legal demand regarding communication with the Public Administrations. The project establishes digital communication in a centralised manner, providing security, traceability and agility. The digital mailroom is the reception centre for physical correspondence, parcels and electronic notifications, the information registration centre and the dispatch centre, always prioritising the digital distribution of information.

Results in 2020

- Monitoring of correspondence from more than 5,600 Public Administration offices via the digital mailroom.
- Renewal of the printer fleet and a 56% reduction of printers.
- 620 m² of file storage areas emptied and transformed into spaces for common use.

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Cultural transformation initiatives in 2020 / continued

ImpulsaTE

This project places the employee at the centre with the aim of encouraging the self-management and self-development of people. During 2020, the focus has been placed on three areas:

- **Reinforcement and consolidation of the results-oriented and feedback approach** by launching the 'Oktoverfest feedback' initiative and a space open to the entire workforce called 'Ask the expert' that promotes cross-cutting communication of best practices among professionals through micro-videos available to all employees.
- **Promotion of self-management of Red Eléctrica Group professionals** with the launch of 'My Profile', a space where professionals can self-manage their personal information, employment information and remuneration information, and the 'Frequently asked questions' space where, proactively, answers are provided to the most frequently asked questions (FAQ) by professionals, associated with new processes in people management.
- **Talent development**, through the people self-development ecosystem, which includes resources such as discussion forums, online workshops, communities and webinars, among others, and actions to reward the contribution of the Group's professionals by offering them personal development initiatives (experiential workshops, general workshops, internal mentoring), flexibility and visibility.

Results in 2020

- 3,325 challenges defined.
- 840 feedbacks sent.
- 196 Personal development plans.

Agile mindset

Agile is a methodology that determines the basis on which to work the organisational model of teams with a focus on efficiency and based on motivated high-performance teams, all working together with an iterative and incremental approach that facilitates continuous improvement.

Results in 2020

- Dissemination campaign available on the Virtual Campus.
- Implementation of an agile mindset in two corporate management areas of the Group with 4 pilot projects that seek to integrate agile methodologies and 41 people trained in agile techniques.

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.

Results in 2020

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

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. Because of the situation experienced due to COVID-19, all necessary initiatives have been deployed to facilitate remote working.

Results in 2020

- 100% of staff working remotely during the lockdown period, except for those in critical positions.

Digital training

Empowering personnel 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 DigitalI), employees have the possibility of designing their own personalised training roadmap.

Results in 2020

- More than 1,000 participants in the training programme.

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Cultural transformation initiatives in 2020

/ continued

Impulsa Viajes

This project gives employees responsibility and autonomy in the management of their work-related travel, without requiring approval as long as the requested trip complies with the Group's new travel and expense regulations. Impulsa Viajes contributes to digitalisation and new ways of working through the new web tool and mobile app. Thanks to the functionality of the app for the certification of expense receipts by the Tax Agency, this has contributed substantially to streamlining the multiple processes associated with travelling expenses. It also provides greater agility and convenience for travellers.

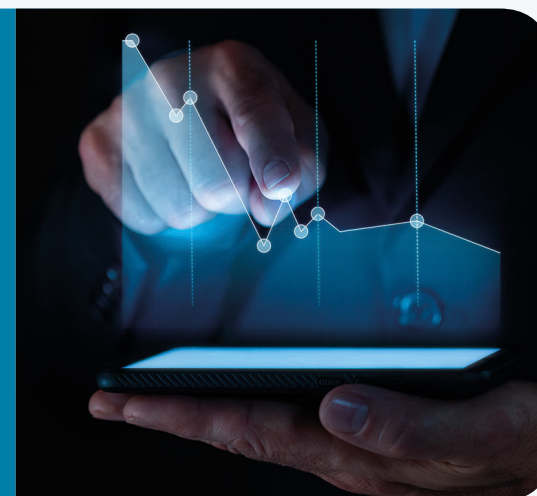
Results in 2020

- 100 % of the tool implemented and deployed in the Spanish, Chilean and Peruvian regional offices.

Digital Transformation

Digital transformation is a process of change in operations, business models and ways of working, thanks to the rapid development

100 % of the management team has put together a personal development within the framework of the Group's new leadership model.



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 Strategic Plan itself 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.

The exceptional situation experienced in 2020 due to the pandemic has posed a major challenge in terms of transformation, especially within

the digital axes. All the actions implemented previously and those introduced since the start of the confinement have made it possible for practically all staff to work remotely, as well as to ensure the availability of all IT and communications systems (98.8%), including critical systems (100%), with a high level of efficiency.

More information on the digitalisation measures implemented during the pandemic is outlined in the *Our response to COVID-19* section of this report.

In this regard, the implementation of 'Office 365' in 2020, along with all its applications and functionalities, and the **digital signature** service

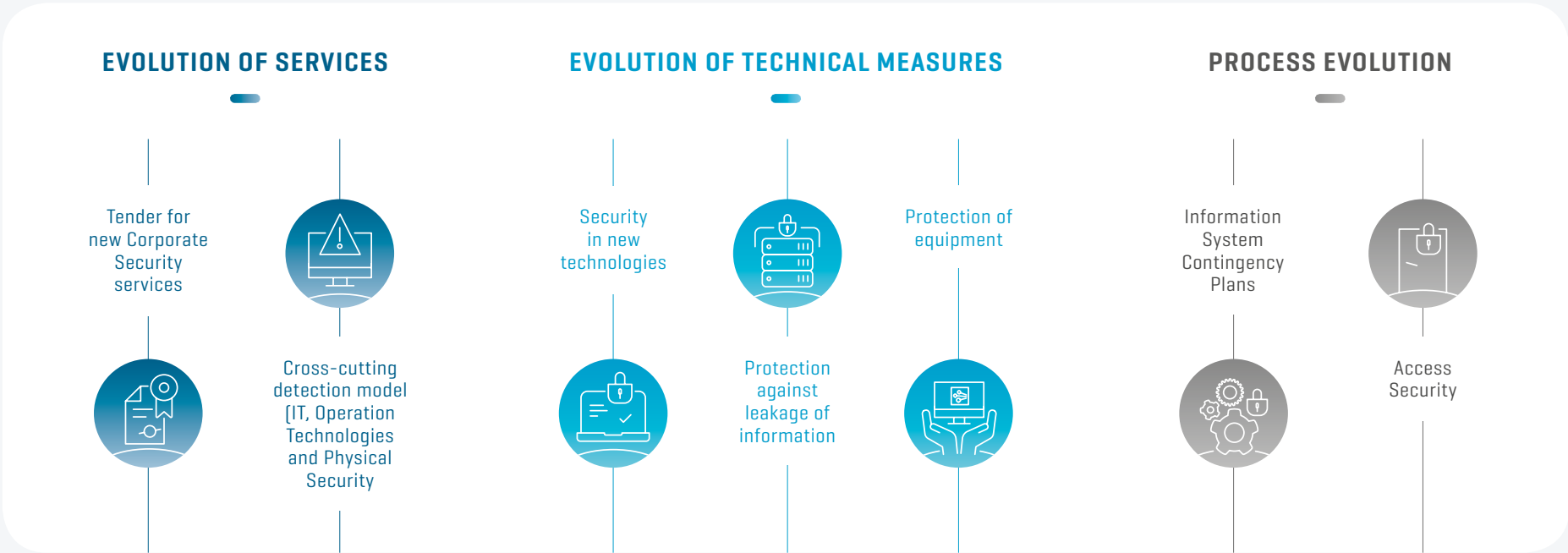
-	VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	-	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	-	OUR RESPONSE TO THE COVID-19	-	A BENCHMARK REPORT AT THE FOREFRONT OF REPORTING STANDARDS	1	RED ELÉCTRICA GROUP	2	STRATEGY	3	CORPORATE GOVERNANCE	4	COMMITMENT TO SUSTAINABILITY	5	ANTICIPATING CHANGE AND TAKING ACTION	6	DECARBONISATION OF THE ECONOMY	7	RESPONSIBLE VALUE CHAIN	8	CONTRIBUTION TO SOCIAL, ECONOMIC, AND ENVIRONMENTAL DEVELOPMENT	-	ANNEXES
																									

have facilitated the adoption of new ways of working that promote collaboration, mobility and efficiency. This process has been accompanied by a change management plan, which included communication and training actions, as well as personalised helpdesk service. Similarly, work has been done on a new search engine, on a more interactive and collaborative version of the corporate intranet (miRED), on new collaborative workspaces and on more efficient tools such as those driven by the following initiatives: *ImpulsaTE*, *Impulsa Espacios*, *Impulsa Servicios* and *Impulsa Viajes*.

If the introduction of new tools and the change management associated with them has been important, it has been no less significant to guarantee an adequate level of cyber security, minimising risks and with the capacity to respond to incidents. To this end, action has been taken in the areas of the following diagram/scheme:

Information on the Group's corporate security model is detailed in the section on [Comprehensive Corporate Security](#) in this report.

To improve efficiency within the framework of the REtaTe project, we continued to analyse the Company's processes from a digital transformation perspective, especially those that are major consumers of resources, to minimise costs, reduce times and identify areas for improvement. This analysis has been carried out by the **Intelligent Automation Service**, which





One of the main lines of action of the digital transformation is to develop IT systems and solutions that enable the energy transition.



aims to automate processes through technologies such as RPA (Robotic Process Automation), virtual assistants, advanced analytics and artificial intelligence. In 2020, this service analysed 127 of the Company's processes, automating 8 of them via RPA, and is working on automating more processes during 2021.

To optimise and develop the systems that support the Company's processes, and to make them more efficient and resilient, **new architecture services** have been defined for the Group's systems and existing ones have been developed [Cloud computing framework, new Blockchain benchmark architectures, IoT4, integration and Cloud, etc.].

In 2020, the Company worked on 12 technological projects, to which 17 actions are added, 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.

In addition, capitalising on the value of data, which optimises the decision-making process to facilitate the generation of competitive advantages, and maximising it as a potential

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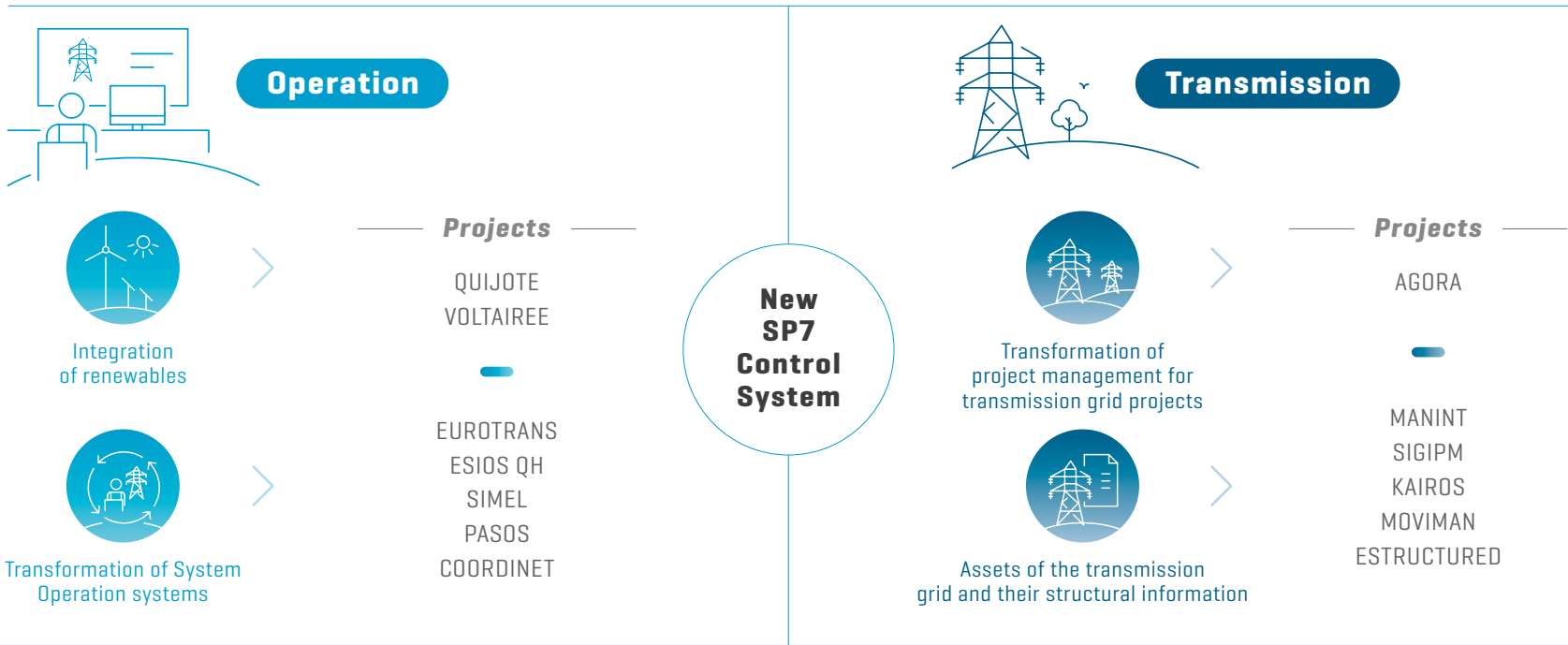
developer of new business models, has become a priority for the Company. In this regard, action has been taken to promote and implement a data-centric organisational approach, establishing it as the backbone of the digital transformation of the business, providing cultural and process changes for the implementation of this approach, implementing technological solutions that enable


its deployment, and developing the function of data governance in the Group [Enterprise Data Lake and Data Self-Service].

One of the main lines of action of the digital transformation is **to develop IT systems and solutions that enable the energy transition**, thus strengthening Red Eléctrica's position

as TSO, with actions focused primarily on the following: the integration of renewables, transformation of operating systems, transformation of the management of transmission grid assets, development projects and structural information.

Systems and solutions that enable the energy transition



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Elewit, the technology subsidiary of the Red Eléctrica Group, has enabled the Company to strengthen its presence in the innovation ecosystem.

However, the digital axis not only works for the **transformation of the TSO role but also for the transformation of the entire Red Eléctrica Group**. For this reason, a centralised governance, management and operation model has been defined, whose strategic lines are the following: to contribute to business growth in the companies of the Group; to increase the level of efficiency in the processes and organisation of IT in these companies and to apply an excellence model.

In this regard, the following centralised services have been established: technological infrastructure, digital workstations, corporate applications, customer service, cyber security, critical business systems [24/7] and data governance services.

Technological innovation

Since its creation in 2019, Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología [RETIT] has established itself as a transformation driver of the Red Eléctrica Group, promoting the development of the energy transition and that of telecommunications through innovation and technological advancements, through the conceptualisation, incubation and acceleration of initiatives with a technological base, attracting and integrating internal and external talent.

The launch in July 2020 of its commercial brand **Elewit** –from the English words elevate + wit – has allowed the Red Eléctrica Group to strengthen its presence in the innovation ecosystem, increase the dissemination and communication of its innovation activity, and give greater visibility to its presence in relevant forums such as CIGRE, Startup Olé, Barcelona Tech, Digital Summit and South Summit, among others.

Courses of action

To achieve its objectives, Elewit has launched various courses of action: Venture Client

programmes, Corporate Venture Capital [CVC], ecosystem generation, Tech labs, a technology factory, a project management office, the creation of a Global Innovation Hub [GIH] and a team for the showcasing the Group’s technological capabilities/solutions.



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Elewit has invested 16.91 million euros in innovation and technological development, spread across 124 projects and other commitments with Venture Capital funds and startups.

Investment in innovation and technological development

During 2020, the Red Eléctrica Group executed 124 innovation projects, which have entailed a financial investment of 5.89 million euros. In addition, funding for 8 million euros in Venture Capital commitments have been mobilised and investment processes have been launched

in startups for 3.02 million euros, which means a total investment in innovation and technological development of 16.91 million euros.

Breakdown of innovation projects in 2020 based on their objectives [124 projects]



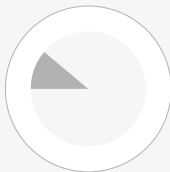
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Improving efficiency



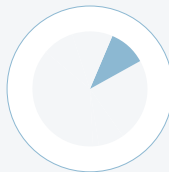
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Increasing system security



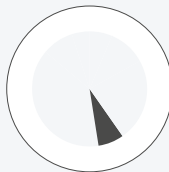
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Enhancing the sustainable management of assets



13

Increasing grid infrastructure availability



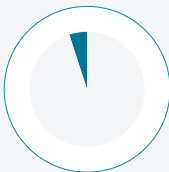
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Integrating renewable energy



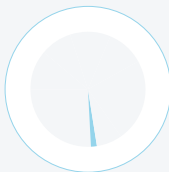
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Improving ties with society



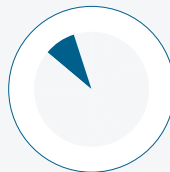
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Consolidating Occupational Health & Safety



2

Maximising the use of infrastructure



11

Other

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Most significant innovation projects in 2020

5G in the Red Eléctrica Group

The Red Eléctrica Group is committed to the enormous potential of 5G technology. This commitment is focused on two major areas of opportunity:

- the needs of mobile operators for locations for their new 5G antennas; and,
- the optimisation of key Group processes (such as predictive maintenance in substations or the inspection of electricity towers) using the advantages that the new 5G technology offers in terms of quality of service (latency), connection speed and connection density.

5G/maximising the use of electricity grid infrastructure

In order to meet the new needs of mobile operators for siting new 5G electronics and antennas, projects have been developed in the Red Eléctrica Group with a dual objective: to gain **experience in the installation** of 5G systems; and to technically and economically analyse whether the installation of mobile/5G infrastructure on electricity transmission grid towers allows the operation of this equipment under the terms of service required by telecommunications operators, according to FWA (Fixed Wireless Access) technology.

Pilot projects underway:

- Installation of a 5G system on an electricity tower, providing both the power supply and the fibre optic connection necessary for its operation directly from a substation.
- Installation of a satellite telecommunications system on an electricity tower that does not have a power supply coming directly from a substation; instead, the power supply necessary is installed on the tower itself.
- Installation of a 5G system on an electricity tower that does not have a power supply coming directly from a substation but takes its power directly from the system and connection to the mobile operator is via fibre optics from the tower itself.

5G / RED.es National Plan - Call for Proposals

Elewit is part of a joint venture with Orange, VISYON, Etra, CFZ Cobots, Robotnik, Arborea and Idrica, which aims to contribute to the objectives of Red.es in the development of 5G technology in Spain. The awarding of the contract by the Ministry of Economic Affairs and Digital Transformation was resolved on 30/07/2020 in favour of the joint venture, obtaining the highest score (9.2 out of 10) of all the proposals submitted.

The joint venture submitted 15 use cases to Red.es (#Pilotos 5G) to meet these objectives. The Red Eléctrica Group is leading 4 of them, in which the use of 5G technology will be tested in the Group's activities to seek improved efficiency in processes. Specifically, the operation of the transmission grid protection systems will be checked in those cases in which sections of fibre optic cable are replaced with 5G links, the processes within the substation will be automated using SO₂ and SF₆ sensor equipment that contributes to the predictive maintenance of transmission grid assets and artificial vision technology will be used to locate possible 'hot spots' or 'leaks'. Towers will also be inspected by using drones capable of sending information via 5G networks in real-time to experts who need to analyse the information provided. The 5G network will be tested as an alternative to the mobile operator's own 5G network, using satellite to provide communication between the

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Most significant innovation projects in 2020 / continued

5G / RED.es National Plan - Call for Proposals [continued]

drone and the expert. The proposal for 5G pilot projects is in line with the Red.es roadmap: to experiment with 5G network deployments and the network management techniques that this technology allows, to develop use cases that enable the improvements provided by 5G technology to be accredited and to help the project to progress during its execution phase so that it progressively incorporates the new 5G standards that have been published.

C3 Construction Knowledge Centre

This **new digital platform** will enable the transformation of the Red Eléctrica Group's construction operations in the following areas: occupational health and safety, control and monitoring of workers, project control, quality management, control of assets, materials and machinery, and sustainability. In 2020, **two minimum viable products (MVP's)** were produced to quantify the efficiencies captured by the platform.

EPICS

The EPICS (Edge Protection and Intelligent Control Solution) project consists of the creation of an MVP that integrates, in a single hardware and open software platform, the protection and control functions of a complete substation, thereby achieving significant efficiencies and opening up the possibility of developing new algorithms and automatisms that favour a more agile and dynamic evolution of the electricity system.

This project has the support of the startup called NEARBY, a company in which Elewit has a stake and with which it is hoped to define and create the most efficient hardware and software platform suitable for the needs of the product.

Robotisation and automation in construction

Project aimed at integrating and applying robotics in the construction of facilities, increasing the efficiency and safety of the work. During 2020, various studies were carried out, and MVPs have been generated in the field of overhead lines.

DALIA

A project to evolve overhead line maintenance, directly impacting on current technical procedures, information flows and the operational aspects regarding fieldwork. Its main objectives are the following: to achieve cost efficiency, internalise and systematise knowledge and standardise the detection of anomalies. The project comprises three fundamental areas:

- Capture of images with a drone specifically designed for line inspection, which is light, automatic, low-cost and safe.
- Development of **artificial intelligence (AI) models** for anomaly detection
- Development of a platform to manage the entire inspection process (validate anomalies proposed by the algorithms, generate ad hoc reports, automatically display of alarms and allow the management of detection models).

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Most significant innovation projects in 2020 / continued

Partial discharge platform

An MVP has been developed to validate the diagnosis of the isolation of high voltage facilities by incorporating artificial intelligence based on the measurement of partial discharges, their location and criticality to ensure their appropriate management from a maintenance perspective.

Positive Energy

During the pandemic, Elewit promoted, together with other corporations in the energy sector such as Enagás, CLH, Iberdrola, BP, EIT InnoEnergy, Acciona, Capital Energy and DISA, an open call to other companies and institutions to contribute to mitigating the economic and social impact of COVID-19 from the perspective of energy and through innovation. Through this call, more than 300 projects were received in less than two weeks. Among the proposals, the startup called Hesstec was identified, and two pilot projects have been launched with it (one with Iberdrola and the other with Acciona), to explore new technologies and management strategies for energy storage systems for the provision of services that facilitate the integration of renewable energy into the system.

Identification of PV panels

A project to update the database of photovoltaic panel installations and their installed power capacity based on the analysis of satellite information, which will enable better estimations of the impact of self-consumption on the operation of the system to be obtained.

NEWTON electrical calculation software

Development of a new classic and modern electrical calculation software, that can be perfectly integrated, maintained and extended to other areas and designed to address future challenges. It opens the door to processes that were not feasible until now, such as mass electrical calculations and the application of artificial intelligence in electricity grids.

Self-consumption platform

The objective is to understand the reality of small-scale self-consumption [$< 1\text{MW}$], due to the fact that self-consumption installations are not expected to have real-time metering, nor will they have a meter monitoring their generation. However, this information exists via IoT and is in the Cloud. The platform will allow monitoring in pseudo-real-time, allowing estimations and forecasts regarding production to be improved.

Protected areas

This project aims to guarantee the safety of people and facilities in discharge operations (operations to disconnect a facility from the rest of the electricity grid), eliminating risk situations for operators through the use of Blockchain technology. This objective is aligned with the aligned with the 'zero accidents' strategic goal of the Red Eléctrica Group.

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Most significant innovation projects in 2020 / continued

Other pilot projects

- **Overstory:** the project will complete the vegetation map of the physical spans between contiguous electricity line towers, through the use of satellite image processing algorithms, enabling the deployment of new strategies for the management of vegetation throughout the entire transmission grid.
- **Zapiens:** creation of a platform based on artificial intelligence to bring together all the 'informal' knowledge of operation and management of transmission grid facilities so that it can provide automated responses by means of a chatbot fed with the knowledge of employees.

Grid2030

In 2020, the ENIGMA project [Electric Grid Ai] – a project selected in the second call of the Red Eléctrica Group's Grid2030 initiative – has begun. This project aims to study frequency stability in an electricity subsystem through the simulation and application of neural networks and Deep Reinforcement Learning methodologies in order to analyse the results obtained. ENIGMA focuses on the optimisation of the operating principles and the configuration of the control functions implemented in the new electronic devices connected to the electricity grid.

*Progress has also been made on the **projects selected in the first call of the programme.***

Ecosystem generation

Elewit enables existing relations between the Red Eléctrica Group and the entire innovation and entrepreneurship ecosystem to be streamlined and strengthened, both nationally and internationally, showcasing internal knowledge and attracting external ideas and talent.

In December 2020, Elewit held the **first edition of its Innovation Sessions**, a series of conferences open to the ecosystem that enabled projects and opportunities generated since its creation to be shared, as a result of the collaboration with startups, universities, technology centres and other corporations, while constantly seeking to generate shared value through collaboration between internal and external talent. The aim of the conference was threefold. Firstly, to reflect on the current and future situation of two key

sectors in the existing financial context, the electricity and telecommunications sectors, in which the Red Eléctrica Group plays a leading role as operator and manager of infrastructure. Secondly, to share projects and opportunities with the ecosystem. And lastly, to learn and grow together to contribute to the energy transition and the development of telecommunications by incorporating innovation. The event was held over two days; the first day was open to the public and a second day, reserved for the Group's employees, which also included some external collaborators. In this second internal session, the leaders of the main projects that are currently underway presented the latest information regarding the status and progress of their projects to the entire organisation.

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The impact of the first edition of the Innovation Sessions of the Red Eléctrica Group has been extremely positive (external day: average rating 4.6 out of 5; internal day: average rating 4.5 out of 5), with around 500 people attending the external session and 182 attending the internal session.

In 2020, Elewit continued to expand its ecosystem with the addition of five new partners. Firstly, Endeavor Spain (a global non-profit organisation

that supports high-impact entrepreneurs around the world), with a triple scope: communication and dissemination, support in the selection of startups for the II Venture Client Programme, and mentoring activities with our entrepreneurs. Secondly, Startup Valencia, which is a commitment to the Valencian innovation and entrepreneurship ecosystem as one of those with the greatest potential a national level. Also, the BIDA (Big Data, artificial intelligence and data analytics) Observatory, where experiences

regarding BIDA technologies are shared. And lastly, South Summit, a national benchmark for the generation of an ecosystem and brand positioning that connects startups with investors and corporations from all over the world that seek to improve their competitiveness through innovation. Additionally, Elewit has become part of El Referente's Investment Guide in the 'Accelerators' and 'Private Financing' sections.

The first edition of
INNOVATION SESSIONS
WAS VERY WELL RECEIVED
HAD THE PARTICIPATION
OF MORE THAN
680
ATTENDEES

Main agreements and collaborations in 2020

BIDA Observatory
Elewit has become part of this observatory promoted by the AECA (Spanish Association of Accounting and Business Administration), together with other Spanish companies and public and private entities.

Startup Olé
Signing up to the #innovacionfrentealvirus initiative (innovation against the virus), developed during the COVID-19 pandemic, where mentoring was given to projects that help to mitigate the effect of the virus from the perspective of energy, sustainability and social impact. In addition, Elewit has actively participated in the annual Startup Olé 2020 congress as part of the startup selection committee and through the participation of various speakers on several roundtables.

Endeavor España
Signing of a new partnership to promote the communication and dissemination of Elewit's mission and its commitment

to the innovation ecosystem, as well as providing support in the selection of startups for the II Venture Client Programme and mentoring activities with entrepreneurs.

South Summit
Participation in the 2020 event as innovation partners. South Summit is one of the leading global platforms for innovation, focused on generating business opportunities. It brings together the main players from the national and international entrepreneurial ecosystem.

Startup Valencia
Signing of a new annual collaboration as corporate partners for the development of initiatives in the field of industrial digitalisation and disruptive technologies with a B2B focus.

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The aforementioned agreements and collaborations, which started in 2020, are in addition to those already previously signed:

Mobility Hub [Madrid in Motion]

Elewit is a supporting partner. During 2020, conceptualisations have been carried out looking for new opportunities and collaborations, specifically with Naturgy and ESRI, who are also partners of the hub.

Energy Transition Hub [I2B]

During 2020, Elewit has participated in the definition of priorities and working groups. In particular, noteworthy is the work of the 'hydrogen for mobility' group.

Banco Sabadell [BStartup]

The agreement signed with BStartup aims to facilitate access to specific financial tools for those entrepreneurs who need them.

Spanish Association of Capital, Growth and Investment [ASCRI]

Elewit is a managing partner. During 2020, ASCRI was one of the collaborating entities in the Positive Energy+ initiative.

EIT InnoEnergy

In addition to Elewit's participation in several events organised by InnoEnergy, the collaboration has allowed access to more than 250 startups, national and

international, at different stages of their business and with a variety of value propositions.

Innovation Framework Agreements

There are six framework agreements signed with universities and technology centres, which serve as a basis for the development of projects in various areas of interest, including the following: These are the Andalusian Association for Research and Industrial Cooperation (AICIA), the Institute of Knowledge Engineering (IIC), the Energy Technology Institute (ITE), the CITCEA-UPC Technological Innovation Centre, the University of Las Palmas de Gran Canaria (ULPGC) and Tecnalia.

Venture Client Programmes

In the current context of innovation and change, startup acceleration programmes and Venture Capital investment appear as fundamental tools to strengthen the presence and impact in the innovation and entrepreneurial ecosystem. The Venture client model focuses on identifying startups with high potential and impact in the strategic areas for the Company, converting them into clients and allowing their technology to be incorporated into the Company, in short and agile periods to validate their solution. The goal is to open the door to establishing business relations that give way to incorporating them as suppliers,

furthering investment, reaching joint agreements for the management and commercialisation

of solutions, etc. In 2020, Elewit launched two programmes.

I Venture Client Programme

Five-month programme, ending in June, aimed at exploring business opportunities with the Red Eléctrica Group, with the aim of conducting a pilot project.

The first programme, in addition to focusing on the launch of pilot projects with different areas of the Group, supported the four participating startups (selected from among more than 500 companies) by offering more than 150 hours of personalised mentoring in the management of sales, products, teams and legal aspects.

*After the first programme, **six pilot projects** were carried out, led by the business areas and with the drive and backing of the Elewit team, investing a total of around 360,000 euros.*

II Venture Client Programme

*Launched at the end of 2020, and based on the experience gained from the first one Elewit has been to broaden the focus of the search to companies from all over the world. Lastly, of the more than 120 startups with potential from more than 10 countries, **eight startups** have been chosen to participate in the programme, which began in January 2021.*

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Corporate Venture Capital

The Corporate Venture Capital model is an investment model whose objective, in addition to seeking financial profitability, is to speed up the incorporation of new technologies into the Group. It is considered a risky venture, given the fact that the companies in which it invests [directly or through a fund] are startup companies.

Key activities in 2020

Investments in funds

Adara. Fund with an overall focus on technology and specialised in digital technologies, with a presence in Spain and Europe. It will also have an investment focus aimed at 'Deep Tech' companies, based on data technology, with low operational costs and preferably with the capacity to be scaled up to include US markets.

Cardumen. Spanish venture capital fund specialised in investing in 'B2B, Deep Tech', data-driven companies, with low operational costs and preferably with the capacity to be scaled up to include markets in Israel.

Direct investments

Zeleros. The participation in Zeleros is aligned with the electrification of society, as this project introduces the electricity vector in mobility, placing the citizen at the centre. Founded at the University of Valencia, Zeleros is developing what is already considered to be the 'fifth means of transport', the **Hyperloop**. Hyperloop is a means of land transport that allows speeds of up to 1,000 km/h with reduced energy consumption, thanks to a combination of propulsion and levitation technologies. It is a system of pods or carriages that travel by 'floating' through tubes in a low-pressure environment, allowing passengers and cargo to be transported with minimal resistance. There are currently six companies developing different Hyperloop models, driven by Tesla founder Elon Musk. Zeleros is the only Spanish company in this group.

Countercraft. The participation in Countercraft is part of the Red Eléctrica Group's interest in cyber security applied to the protection of critical infrastructure. The Company's objective is to manipulate hackers, creating synthetic bait and credible scenarios. This helps organisations to prevent attacks and to identify and understand the logic of their attackers. Countercraft excels at automating these tasks, making it easier to protect large organisations - public or private - that handle large amounts of critical information.

Nearby Computing. Investment aligned with the deployment of 5G, as well as with improving the smart management of our assets. Nearby Computing is a company created in July 2018 as a spin-off of the National Supercomputing Centre in Barcelona. The company focuses its work on the corporate deployment of IoT and 5G solutions and, in particular, its main strength is to bring the processing power as close as possible to the place where the data is being generated, thus improving response times. In other words, the company's focus is on bringing the Cloud to the user, right to the edge [Edge Computing]. The company's end customers are both companies and public administrations, and it already has joint projects with companies such as Cisco, Intel, Lenovo and Cellnex.

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Showcasing innovation

Elewit seeks to generate, create or adopt technological solutions that enable the Red Eléctrica Group to address its challenges and that could potentially add value to its current or future businesses. Additionally, Elewit will also showcase and commercialise the technological solutions developed by the Group, whether exclusively or via alliances with other partners. An example of the latter is the Advanced Asset Management Solution (‘SAGA’), a software developed by Red Eléctrica de España and marketed by Elewit.

SAGA is the result of an internal project by Red Eléctrica de España with the aim of intelligently managing the assets of electricity grids and generating an optimised planning of the maintenance and renewal of assets. This technological solution has aroused great interest in national and international forums, both at a technical level - due to the algorithms based on artificial intelligence and the advanced data analytics it uses - and from a business perspective - due to the profound change it entails for a company’s processes and work culture, as well as the efficiencies and synergies it generates. Elewit is now promoting this technological solution for the electricity grid managers around the world, which could even be adapted to other sectors.

The great interest shown in the SAGA solution on the global market led to the signing of an alliance between Elewit and IBM for its commercialisation.

In 2020, Elewit and IBM signed an alliance to jointly market SAGA, a pioneering agreement in the industry that responds to the interest that this solution has generated in the global market.

Furthermore, in 2020, a process to analyse the commercial potential of the Group’s innovative technological solutions has been carried out. During 2021, market interest in several of these solutions will be explored. These solutions include grid study automation systems, remote control

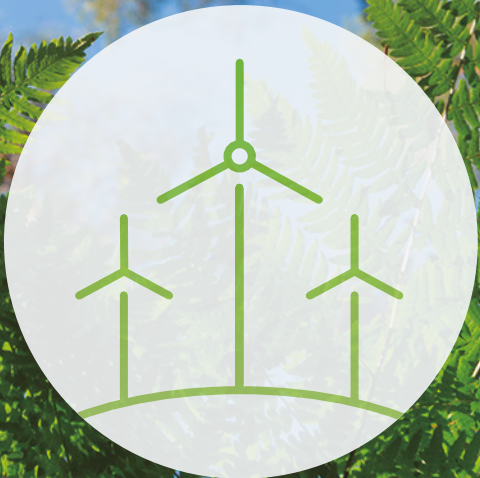
equipment test systems, fire detection systems, and on-site document management and 3D power line representation systems, among others.



6

Decarbonisation of the economy

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



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Decarbonisation of the economy

The Red Eléctrica Group undertakes the following commitment as a sustainability priority: **Be an active 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 more robust and interconnected grid, as well as through the development and operation of energy storage systems.**



Climate change and Energy transition

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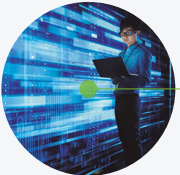
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6.1

Climate change and Energy transition

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Climate change is a global challenge that is high on the international agenda. In a context of decarbonisation, the role of the electricity sector is essential to achieve the transformation of the energy sector.

Climate change is a global challenge that is high up on the international agenda. Curbing the increase in the rise of global temperature requires urgent action to make growth and economic well-being compatible with reducing emissions, and this will only be possible through the transition to a decarbonised energy model. In this context, the electricity sector plays an essential role and will have to face numerous changes that represent a great challenge for the Red Eléctrica Group and, also, a great opportunity.

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The only way to make the security and quality of supply compatible with not only renewable energy, new technologies, digitalisation, self-consumption and distributed generation, but also with the new role of the consumer and the participation of other agents is through the commitment and work of the Company.

Climate change: 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 historical milestone and since then, the international

community has been working on the development of the mechanisms for its implementation.

The main element of the agreement is the commitment of the signatory parties to keep the global average temperatures from rising by 2° C with respect to pre-industrial levels, striving to limit it to 1.5° C. In 2018, the Intergovernmental Panel on Climate Change (IPCC) published a technical report confirming the urgent 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 to make

Curbing the increase in the rise of global temperature requires urgent action 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.



growth and economic well-being compatible with reducing emissions. In this regard, the **European Green Deal** proposes a new strategy to achieve a prosperous and just society, based on an efficient economy regarding the consumption of resources and which sets the goal of achieving **climate neutrality in 2050**. In order to move forward towards this goal, the European Union made an upwards revision of the target for 2030 and in December 2020, the European Council endorsed a new target for a 55 % reduction compared to 1990 levels.

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In Spain, the recently presented 'Long-term strategy for a modern, competitive and climate-neutral Spanish economy in 2050', the proposed 'Climate Change and Energy Transition Law' and the '**2021-2030 Integrated National Energy and Climate Plan**' (NECP), are fully aligned with European targets and ambition and is aligned with Sustainable Development Goal 13 (SDG) on climate action.

In all these plans and strategies, the transition towards an **energy model that allows affordable and clean energy for all, as defined in SDG 7**, is identified as the main vector for achieving the decarbonisation goals. In this context, the role of the electricity sector is crucial as it facilitates the incorporation of renewable energy into the generation mix and is key to achieving improvements in energy intensity and efficiency values. This fact is fully reflected in the NECP objectives, which set out the need to achieve an electricity system with at least 74% renewable energy capacity in Spain, in order to achieve a level of 42% of renewable energy in the generation mix by 2030.

The commitment of the Red Eléctrica Group in the fight against climate change

The Red Eléctrica Group, as the key player of the Spanish electricity system, is an **essential agent** in the transition towards a new energy model, whose key elements shall be overall efficiency,



the **electrification of the economy, the maximum integration of renewables into the energy mix, all while guaranteeing security of supply at all times.**

The Company's stance on this aspect is reflected in its Strategic Plan, with an essential pillar being: **Make the energy transition possible in Spain.** 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

In 2020, Red Eléctrica has been included in the CDP Leadership Index (A list), which recognises its efforts and the actions carried out in order to combat and tackle climate change.

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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, ...], and the

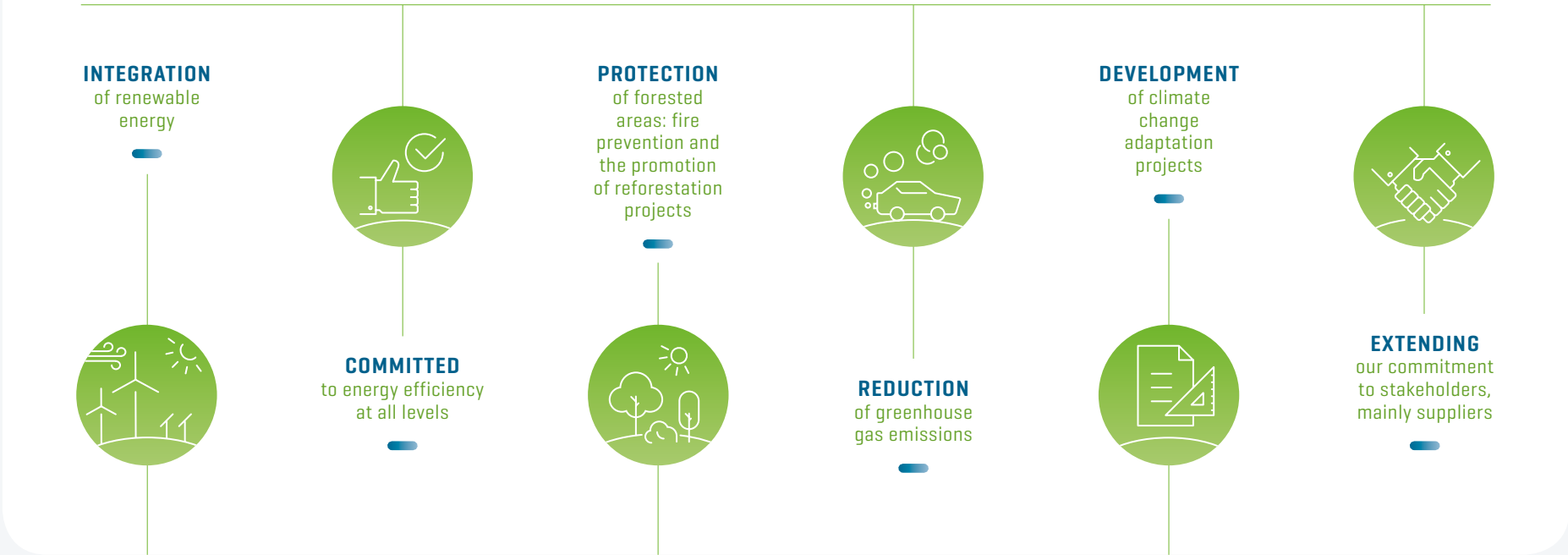
development of new services that enable the coordination between the various agents.

Furthermore, since 2011, the Red Eléctrica Group has maintained a **voluntary commitment in the fight against climate change**, which is materialised in specific **objectives** and a **Climate Change Action Plan [2015-2020-2030]**. The Action Plan is based on four essential pillars and one cross-cutting course of

action, all of which are linked to the 6 principles of the Company's commitment to climate change.

In 2021, the Red Eléctrica Group will work on updating its climate-related targets and its action plan in order to increase its ambition in the fight against climate change, in line with the recommendations of the experts and the new national and European policies.

Principles of the climate change commitment



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Climate Change Action Plan: Courses of action



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.

This information is detailed in the **Sustainable development of the grid** ↪ section of this report.

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

This information is detailed in the **Integration of renewable energy** ↪ section of this report.

- 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).

This information is detailed in the **Flexibility of the electricity system** ↪ section of this report.

- 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.



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).
- 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.



This information is detailed in the **Reduction of the carbon footprint** ↪ section of this report.

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Climate Change Action Plan: Courses of action / continued



Adaptation to climate change

Red Eléctrica is aware of the need to make progress in adapting to climate change, in order to tackle 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. Since 2019, the Company has made significant

progress in the implementation of the recommendations of the **Task Force on Climate-related Financial Disclosures (TCFD)**, as a result of carrying out an in-depth review of governance and the process of identifying the risks and opportunities associated with climate change, incorporating the 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 this report.



The Company's stance and the disclosure of relevant information

Red Eléctrica undertakes to extend its commitment to climate change and to engage its stakeholders in matters related to climate change. The main objective is **to disseminate complete and transparent knowledge regarding the electricity systems and the demand-side management measures**, in addition to promoting other **energy efficiency** measures.

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

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



6.2

Sustainable development of the grid

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Key indicators in 2020

- **383.1 M€** of investment in the transmission grid.
- **115.9 km** of new line circuits and 94 new substation bays.
- **49%** of substations integrated into the asset monitoring system (SIMON).
- **2,444 km** of circuits inspected with drones.



2020 milestones

- Publication of the initial strategic document of the environmental assessment of the new 2021-2026 Electricity Planning as well as the foresight studies of the electricity system with a 2030 horizon.
- Commissioning of the new submarine electricity link between Menorca and Majorca.
- Significant progress on the following axes: Caparacena-Baza - Ribina (22.6 M€), Leones (21.3 M€) and Norte-Oriental (20.1 M€).
- Carrying out of pilot tests for the validation of algorithms and new maintenance strategies based on asset risk.
- Demonstration of the efficiency of the VEGETA project through works awarded for 2021.



Challenges in 2021

- Phase to submit comments and arguments and the second phase of studies regarding the 2021-2026 Electricity Planning proposal.
- Implementation in ENTSO-E of the European Resource Adequacy Assessment (ERAA) regarding demand coverage.
- Relevant commissioning of the following axes: Caletillas-El Rosario, Norte Oriental, Lousame-Tibo-Mazaricos and Carmonita.
- Consolidation of the deployment of the new asset management process (MANINT) in the Facilities Maintenance Area.
- Holistic planning of our maintenance activity for 2022 with the new asset management model.



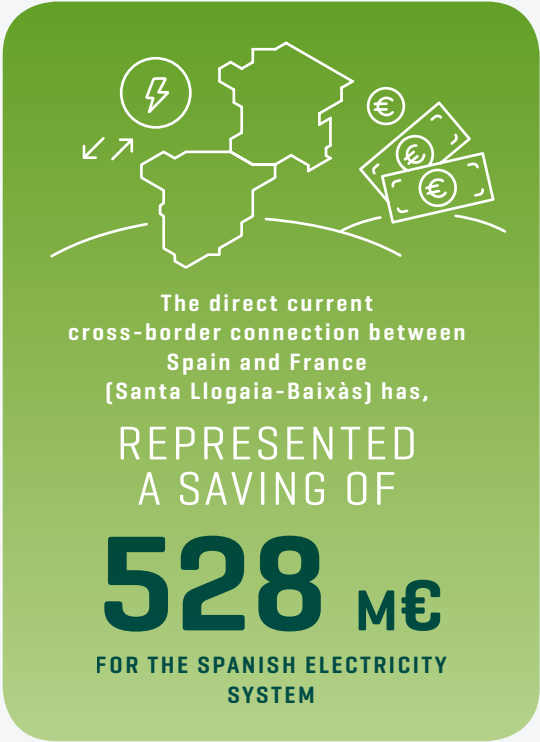
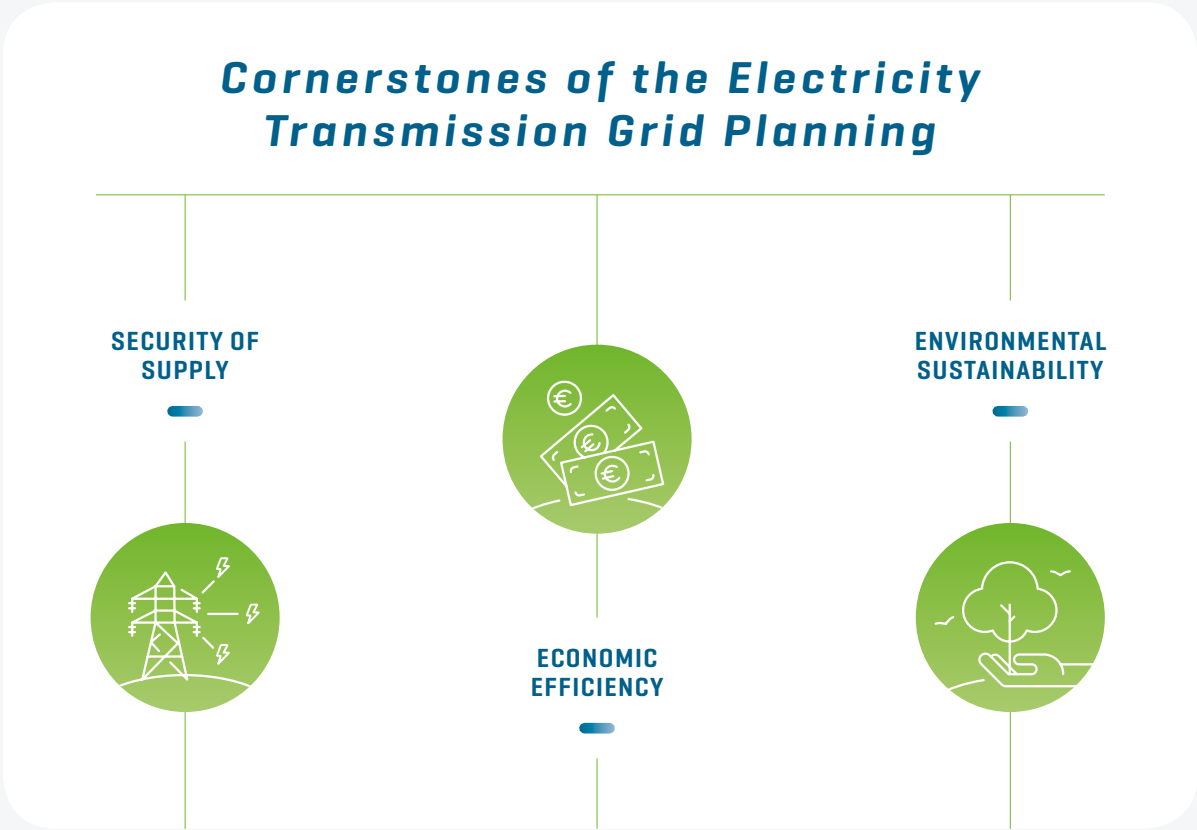
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Sustainable development of the grid / EU10

The current infrastructure planning, approved by the Council of Ministers 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 Council approved an Amendment of specific

aspects of said Planning, and in June 2019 a set of adaptations of a technical nature.

The **2015-2020 Electricity 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 current Planning in force also includes an annexe, non-binding, for those facilities considered necessary with a post-2020 horizon, so that the administrative permitting process can begin.

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Foresight studies of the electricity system with a 2030 horizon were published in 2020.



A fundamental aspect of the 2015-2020 Electricity 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 cross-border connection 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.

2021-2026 Electricity 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. This Order establishes the guiding principles of this process, which include as new innovative aspects the fulfilment of the commitments set out in the target scenario of the Integrated National Energy and Climate Plan for 2021-2030, the evacuation of renewable energy in those areas where there are high renewable resources, and it is environmentally possible to operate and manage the infrastructure and transport the energy generated. It also ensures the compatibility of the development of the electricity transmission grid with environmental restrictions.

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.

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 the 17 Autonomous Communities in Spain in addition to Ceuta and Melilla participate during the consultation phase in which parties can submit proposals and concerns, pursuant to that established in Royal Decree 1955/2000.

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Specifically, in August 2020, the process of prior consultation and information process of the document regarding the scope of the strategic environmental assessment of this new planning began and, in November 2020, the aforementioned Ministry published the document regarding the scope of the strategic environmental assessment.

European indicative
planning - ENTSO-E TYNDP

Every two years, the European Network of Transmission System Operators for Electricity drafts a non-binding Ten-Year Network Development Plan (TYNDP), which describes the future evolution of the European electricity system. In November 2020, ENTSO-E put out to public consultation the latest ten-year plan that includes, among other things, an executive report and regional reports corresponding to each of the four main corridors defined by the European Union. Spain is part of the 'NSI West Electricity Corridor' region.

Further information on the Company's participation in ENTSO-E is detailed in the [Relationship with the socio-economic environment](#) section of this report.


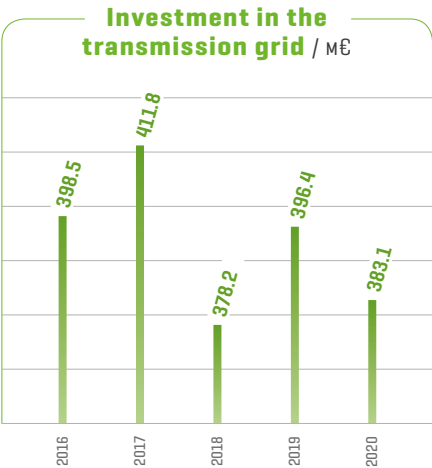
Foresight studies
for the electricity system

In line with its commitment to the energy transition in Spain, and as a guarantor of the security of the

electricity supply, in 2020 the Company continued to work on new detailed foresight studies with a 2030 horizon regarding the operation and management of the mainland and island electricity system, as well as the needs of both systems considering future decarbonisation scenarios. The [initial results](#) of these were published in September 2020 and presented to all those involved in the electricity system.

Construction of the
transmission grid / EU4

In 2020, investment in the transmission grid was basically allocated to: security of supply, the resolution of technical constraints, the



Red Eléctrica commissioned

115.9 km

OF NEW LINE

AND 94 NEW SUBSTATION BAYS
IN 2020

development of interconnections between electricity systems, providing electricity to power the high-speed train and enabling grid access for the evacuation of energy from windfarms.

Throughout 2020, the Company commissioned 115.9 km of new line and 94 new substation bays, and increased the transformer capacity by 1,115 MVA, with an **overall investment in the transmission grid of 383.1 million euros**.

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Interconnection with France

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

- **Interconnection with France across the Bay of Biscay:**
The purpose of this new interconnection with France [currently undergoing marine studies as well as technical and environmental studies] 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 2027, the electricity exchange capacity with the European electricity system will be raised to 5,000 MW.*

Menorca – Majorca submarine interconnection. A technological challenge with a huge positive impact

*Red Eléctrica de España has successfully completed the electricity interconnection between the islands that make up the Balearic Islands and their connection with the Spanish mainland and the European transmission grid as a result of the commissioning of the new interconnection that links Menorca and Majorca. With an investment of 84 million euros, this interconnection will play a substantial role in the energy transition process planned for Menorca and for all the Balearic Islands by **facilitating greater efficiency** in the management of the island's electricity system, **maximising the integration of renewable energy**, both existing and future, under safe conditions and that will allow a **reduction of CO₂ emissions**.*

The commissioning of this new link, in July 2020, is the result of uninterrupted work carried out ever since the Council of Ministers declared its public utility on 2 November 2018 and granted the administrative authorisation for its construction. Thus, in a period of 18 months, Red Eléctrica de España has completed the various phases of the project execution, continuing work even during the period in which restrictions were imposed on all business activities during the state of emergency declared by the Government as a result of the COVID-19 pandemic.

The new link between Menorca and Majorca is comprised of a three-core 132 kV submarine-terrestrial underground cable, weighing about 2,300 tonnes (56.5 kg per metre) which connects the substations of Ciudadela and Cala Mesquida, in Menorca and Majorca, respectively. The underwater route is 41.7 km in length, running at a maximum depth of 86 metres, and the land-based route runs for 12.5 km in Menorca and 742 metres in Majorca. The land sections of the link on both islands are buried underground.

The shore landing points at both ends of the link are carried out by means of horizontal directional drilling, a technique that allows the installation of an underground conduit with absolute control. In this way, it is possible to avoid the obstacles posed by the terrain and guarantee the minimum environmental impact, especially by safeguarding Posidonia Oceanica and other phanerogam meadows that are present in the coastal of both islands. This new link is just one more example of Red Eléctrica's ongoing commitment to Menorca, and the Balearic Islands as a whole, in recent years.

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Development of the transmission grid in 2020

Axis	2020 objectives and actions	Year forecasted for commissioning
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 improve the meshing of the transmission grid, support the electricity distribution network and the grid's structural functions.	2021, for the Caparacena substation and 2022 for the Baza substation and the line that joins them. 2025, for the part of the axis that connects with Ribina.
Beniferri - La Eliana	Reduce the short-circuit current in Valencia, as well as expanding grid meshing to gain an improvement in transmission efficiency and to help meet the demand at adjacent nodes.	The Beniferri substation commissioned in 2020. The Beniferri - La Eliana line foreseen for 2021.
Leones	Strengthen the 200 kV grid meshing in the area of Saragossa, improve the stability of the electricity system and guarantee supply to the distribution network.	2021
Lousame - Tibo - Mazaricos	Strengthen the grid, the evacuation of generation, and provide support for the electricity distribution network in the northwest area of Galicia.	2021 and 2022 for the Lousame - Mazaricos and the Lousame - Tibo lines, respectively.
Caletillas - El Rosario	Increase the security of supply and the reliability of the transmission grid in the metropolitan area of Sta. Cruz de Tenerife, making the transmission grid more robust and reducing its vulnerability to incidents.	2021 for the El Rosario substation, and 2022 for the rest of the facilities, Caletillas substation, the line that joins them, and the Geneto - El Rosario line.
Oriol	Improve the quality and reliability of the supply in the Cáceres area, as well as increase the evacuation capacity of hydro-electric generation.	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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Development of the transmission grid in 2020 / continued

Axis	2020 objectives and actions	Year forecasted for commissioning
Lanzarote – Fuerteventura link	<i>The purpose of the project is to build a 132 kV underground and submarine transmission line to link the islands of Lanzarote and Fuerteventura, thereby strengthening the inter-island transmission grid.</i>	2022
El Escobar	<i>Facilitate the evacuation of Special Regime energies.</i>	In service in 2020.
Supplying power for ADIF and rail transport in the Basque Country	<i>Bolster the electricity supply for the Bilbao-Vitoria-San Sebastián railway network by enlarging the Hernani substation (Gipuzkoa) with the commissioning of two new 400 kV substation bays.</i>	In service in 2020.
Tías – Playa Blanca	<i>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.</i>	2020 for the Tías substation and its incoming and outgoing feeder lines, and 2022 for the Tías – Playa Blanca line.
Ibiza – Formentera link	<i>Its purpose is the construction of the 132 kV underground-submarine transmission line to link up the islands of Ibiza and Formentera in order to make the Balearic Islands system more robust and to improve the management of generation.</i>	2024
Montalvo – Los Héroes	<i>To bolster the electricity supply for the city of Tacna (Peru) and its area of influence in the event of a possible outage of the 220 kV Moquegua-Los Héroes transmission line, the SEIN link to the south.</i>	In commercial operation in 2020.
Tintaya – Azángaro	<i>Strengthen existing energy transmission in the south of Peru, especially in the areas of Cusco and Puno.</i>	2022
Centinela substation	<i>Improve power distribution and voltage profiles, strengthen the electricity system in the north of Chile to help power the mining companies in the area and in the Antofagasta Region.</i>	2021
Enlargement of the Centinela substation and sectioning of the 2x220 kV El Cobre – Esperanza line	<i>Improve power distribution and voltage profiles, strengthen the electricity system in the north of Chile to help power the mining companies in the area and in the Antofagasta Region.</i>	2023
Connection of the Sierra Gorda Solar Photovoltaic Plant	<i>Integration into the National Electricity System in Chile of the largest solar photovoltaic plant in the country by connecting it to the Centinela Substation.</i>	2022

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Peninsular and non-peninsular transmission grids

	2018	2019	2020 ⁽¹⁾
km of 400 kV line	21,727	21,738	21,753
km of 220 kV line	19,736	19,853	19,887
km of 150-132-110 kV line	636	697	753
km of <110 kV line	2,075	2,067	2,079
Total km of line circuit	44,173	44,356	44,471
400 kV substation bays	1,498	1,535	1,556
220 kV substation bays	3,264	3,352	3,381
150-132-110 kV substation bays	130	151	164
<110 kV substation bays	906	925	956
Total substation bays	5,798	5,963	6,057
Transformer capacity (MVA)	91,130	92,465	93,545

[1] Provisional data pending audit - in progress.

Kilometres of line circuit / Data as at 31 December 2020 ⁽¹⁾

	Spanish peninsula	Balearic Islands	Canary Islands	Total
Overhead lines (km)	40,180	1,113	1,235	42,528
Submarine cable (km)	265	582	30	877
Underground cable (km)	565	206	296	1,067
Total	41,010	1,901	1,561	44,471

[1] Provisional data pending audit - in progress.

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Maintenance of the transmission grid

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.

Noteworthy maintenance actions in 2020

MANINT

Deployment of the new asset management model in the Company, both in the central head office and in the regional offices. The entire new process and algorithms defined have been validated, and the correct functioning of the platform has been verified. All this has been done by taking a holistic approach for the optimisation of the planning in 2021, based on the new asset management strategies.

Use of remote-controlled drones

The use of drones for the inspection of lines, which, as has been verified during the inspections carried out, will result in improvements in terms of occupational health and safety as it will not be necessary to climb the towers, as well as making the inspections more efficient and with better results in terms of the quality of the data obtained.

VEGETA

Work on all IT applications related to the vegetation cycle has been carried out and work simulation pilot projects have been conducted in several regional areas. As a result, works for 2021 have been approved on 1,600 electricity line spans where vegetation is growing beneath the line.

DAS Technology

Identification of new potential uses for this technology, such as monitoring changes in the terrain caused by ocean currents or identifying marine earthquakes

SIMON

Implementation of the comprehensive asset monitoring system (SIMON), with the aim of integrating data processing and real-time visualisation of the status and condition of substation equipment, which enables the early detection of potential faults by the Centre for Comprehensive Maintenance of Facilities [CMI2].

Remote maintenance of equipment

Implementation of the remote maintenance system of equipment with the consequent reduction of CO₂ emissions in work-related travel and an increased efficiency in resolving both system faults and incidents.



The service quality indicators highlight the high level of reliability and security of supply provided by the facilities of Red Eléctrica.

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

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

Service quality indicators

	2018	2019	2020 ^[1]
Peninsular transmission grid			
Grid availability [%]	98.14	97.94	98.54
Energy Not Supplied (ENS) [MWh]	250	46	83
Average Interruption Time (AIT) [minutes]	0.518	0.098	0.185
Balearic islands transmission grid			
Grid availability [%]	96.82	96.87	98.64
Energy Not Supplied (ENS) [MWh]	37	1	5
Average Interruption Time (AIT) [minutes]	3.194	0.089	0.496
Canary islands transmission grid			
Grid availability [%]	98.79	98.91	99.17
Energy Not Supplied (ENS) [MWh]	63	2,626	65
Average Interruption Time (AIT) [minutes]	3.769	155.540	4.275

[1] Provisional data pending audit - in progress.



6.3

Integration of renewable energy



Key indicators in 2020

- **59,4 GW** of installed renewable power capacity in the national electricity system.
- **45.5%** of energy production from renewable sources in the mainland electricity system.
- **18%** of energy production from renewable sources in the Canary Islands electricity system.
- **7%** of energy production from renewable sources in the Balearic Islands electricity system.



2020 milestones

- New all-time record highs for instantaneous power, hourly energy, daily energy, coverage of instantaneous demand and coverage of the monthly demand with photovoltaic production.
- New all-time record highs for instantaneous power, hourly energy and coverage of the monthly demand with wind energy production in the mainland electricity system.
- All-time lows in the production of energy from coal-fired power stations.



Challenges for 2021

- Construction works of the Chira-Soria pumped-storage hydroelectric power station are scheduled to begin once the Environmental Impact Assessment is completed and the corresponding permits are issued by the Government of the Canary Islands.



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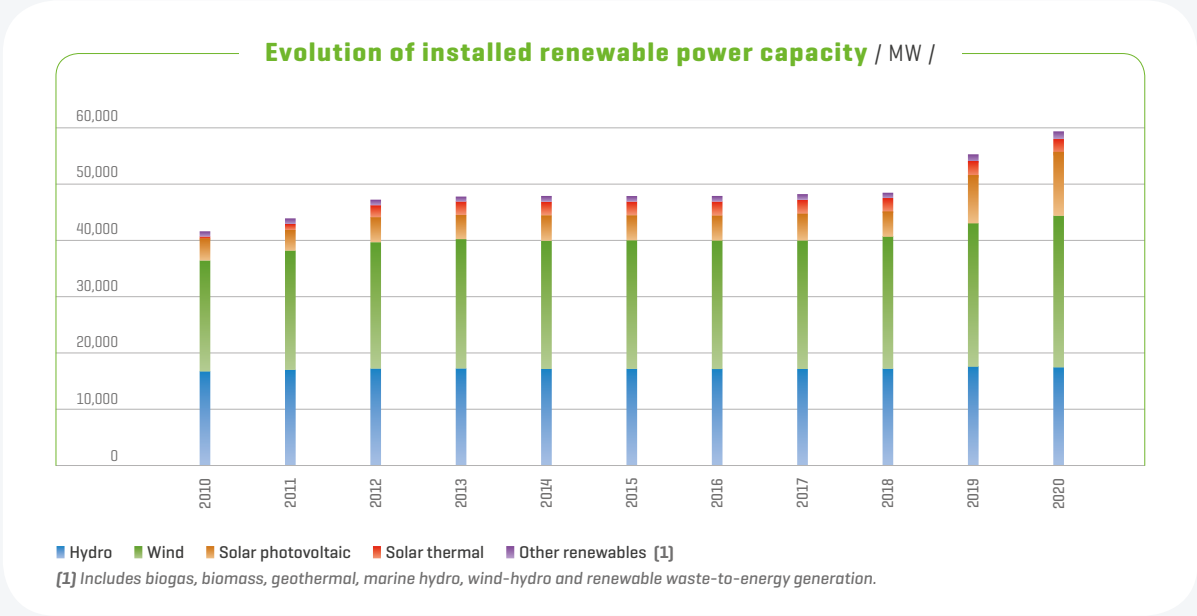
The core mission of the operation of the electricity system is to **guarantee the security and quality of the electricity supply, maximising the integration of renewable energy**, with the aim of contributing to the provision of a safe, efficient and sustainable electricity supply to citizens.

Integration of renewable energy

In recent years, Red Eléctrica de España has successfully taken on the challenge of integrating a large amount of new renewable capacity,

as a result of the 2017 renewable auctions carried out by the Ministry of Ecological Transition and the Demographic Challenge [MITERD]. In 2019, installed renewable power capacity in the Spanish electricity system increased by 6.8 GW. Similarly, in 2020, the installed renewable power capacity increased by an additional 4 GW, bringing the total installed renewable power capacity in the Spanish electricity system to 59.4 GW, which represents 53.8% of the overall installed power capacity nationwide. The integration of this new renewable power capacity, mostly wind and photovoltaic, entails a strong boost to the energy transition

The efforts made by Red Eléctrica de España to integrate renewable energy into the Spanish electricity system have made it possible to reach a total of **59.4 GW of installed power capacity coming from renewable energy sources, 53.8% of the overall installed power capacity nationwide.**



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and compliance with the integration path set out in the Integrated National Energy and Climate Plan, with a 2030 horizon.

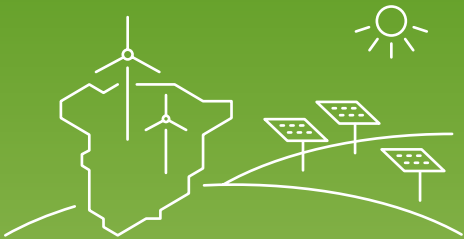
To facilitate the integration of renewable energy, Red Eléctrica de España has made all the necessary resources for this process available, including the deployment of actions from the Company's System Operation and Transmission areas, with the aim of enabling access and connection, always in compliance with the technical and administrative requirements established in the current legal system.

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 is key.



In 2020, electrical energy generation from renewable sources represented

45.5%
OF THE TOTAL
ENERGY
PRODUCED

IN THE SPANISH PENINSULAR
ELECTRICITY SYSTEM

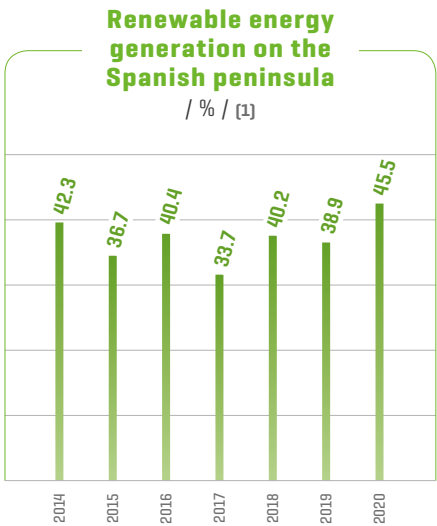
Record all-time high values

	Photovoltaic generation	Wind energy generation
Instantaneous power	7,282 MW [16/08/2020 at 1:54 p.m.]	19,588 MW [28/12/2020 at 2:28 p.m.]
Hourly energy	6,743 MWh [21/06/2020 at 2:00 p.m.]	19,427 MWh [28/12/2020 at 3:00 p.m.]
Daily energy	66,346 MWh [21/06/2020]	397,544 MWh [13/12/2020]
Instantaneous demand coverage	30.9 % [03/05/2020 at 3:46 p.m.]	75.9 % [03/11/2020 at 5:20 a.m.]
Monthly demand coverage	9.5 % [06/2020]	34.7 % [12/2020]

The work carried out by CECRE in 2020 has made it possible to repeatedly record **new all-time highs throughout the year** regarding instantaneous power, hourly energy, daily energy, instantaneous demand coverage and monthly demand coverage with photovoltaic generation, as well as new all-time highs with wind energy

generation regarding instantaneous power, hourly energy and monthly demand coverage.

In line with previous years, **the important contribution of wind energy generation** is once again noteworthy, having contributed 22.5% 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



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

The contribution of wind energy generation to the total energy production was 22.5%, ranking second in terms of its share in the demand coverage.

technology with the greatest contribution to the total energy production in the peninsular electricity system, reaching 27.5%, 22.7%, 28.4% and 32.5%, respectively.

The increase in the contribution of renewable generation to covering the demand of the electricity system entails a decrease in the generation of energy from fossil fuels. In this regard, it is worth noting the decrease in the production of energy from coal-fired power stations. The average contribution of these facilities has remained below 2% of total energy production since April 2020, falling to an all-time low of 1% in December the same year.

This fact contributes to the reduction of CO₂ emissions and marks a step forward along the path to achieving decarbonisation targets. From 2015 to the present, CO₂ emissions associated



with national electricity generation have been reduced by more than half, from 77.6 million t CO₂ eq. in 2015 to 36.1 million t CO₂ eq. in 2020.

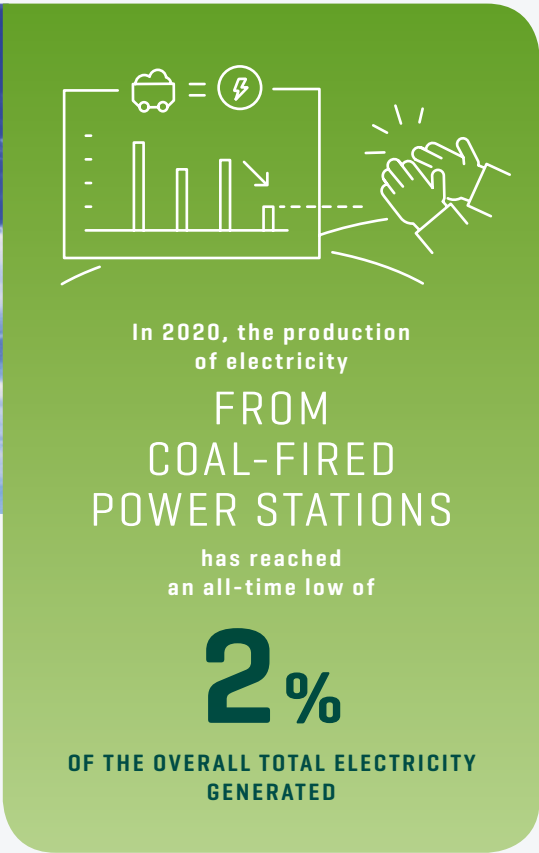
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Balearic Islands electricity system

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.

In June 2020, the new Majorca-Menorca link was brought into service. This has made it possible to increase the energy transferred from the Spanish



mainland to the Balearic archipelago, covering 29% of the overall demand of the Balearic Islands in 2020 and reaching peaks of up to 42% of hourly consumption, which has led to savings for the Balearic Islands electricity system of around 18% and has made it possible for renewable generation to cover 18% of the demand.

In 2020, the production of electricity from coal-fired generation reached an all-time low of 238 GWh, which covered just 5% of the demand, this was due to the permanent decommissioning of the generation units (G1 and G2) and the restriction in the use of the G3 and G4 generation units in the Alcudia II thermal power station to 1,500 hours/year.

Canary Islands electricity system

The installed wind energy power capacity on the Canary Islands has increased over the last year from 429 MW to 458 MW, which represents an increase of 7%, while generation from renewable sources in the Canary Islands generation mix has represented 18% of the total, 2% more than in 2019. 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 86% for the month, achieving a level of 42% for the year as a whole.



Energy storage

Red Eléctrica de España, pursuant to Law 17/2013, 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, designed by Red Eléctrica de España and whose construction is scheduled to begin in 2021 on the island of Gran Canaria, will represent a power station capable of **maximising the integration of renewable energy into the electricity system of the Canary Islands**. This will be accomplished through the use of surplus renewable generation that cannot be integrated into the electricity system to pump water that is held in a water reservoir downstream back up to the upper reservoir so that it can be used to generate electricity at a later stage. Therefore, it will be possible to use this pumped-storage hydro capacity at times when there are lower levels of generation from other renewable sources, and consequently, avoid or reduce the need to use non-renewable sources to cover demand.

The Chira-Soria power station project will go one step further as, in addition to its capacity to store

With an investment in excess of 390 million euros, Red Eléctrica's Chira-Soria pumped-storage hydroelectric power station will have 200 megawatts of turbine power capacity, which represents around 36% of the peak demand in Gran Canaria.

a large amount of renewable hydro energy and its flexibility and frequency regulation capacity, it will also 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 in excess of 390 million euros, Red Eléctrica's Chira-Soria pumped-storage hydroelectric power station will have 200 megawatts of turbine power capacity, which represents around 36% of the peak demand in Gran Canaria and 3.2 GWh of energy storage capacity, a seawater desalination plant and the associated marine construction works, as well as the facilities necessary for its connection to the transmission grid.

The new power station will be an infrastructure that will serve society on Gran Canaria that will promote its progress by strengthening the water-energy binomial and will integrate the four functions necessary to establish a sustainable and ecological development of the island because it stores energy, desalinates seawater, uses sustainable electrical energy and also supplies electricity to society that is respectful with both the socio-economic environment and the natural environment. In short, this type of facility, especially in isolated or weakly interconnected systems such as the Canary Islands, allows progress to be made towards a more sustainable and efficient energy model.

Construction works are scheduled to begin once the Environmental Impact Assessment is completed and the corresponding permits are issued by the Government of the Canary Islands.

In order to adapt the deadlines for the awarding of works for this project to the planned start date of the works, Red Eléctrica, in the third quarter of 2020, proceeded to put out to tender the supply and construction of the Seawater Desalination Plant.

Benefits of the Chira-Soria Pumped-Storage Hydroelectric Power Station

Increased integration of renewable energy thanks to the use of renewable energy surpluses

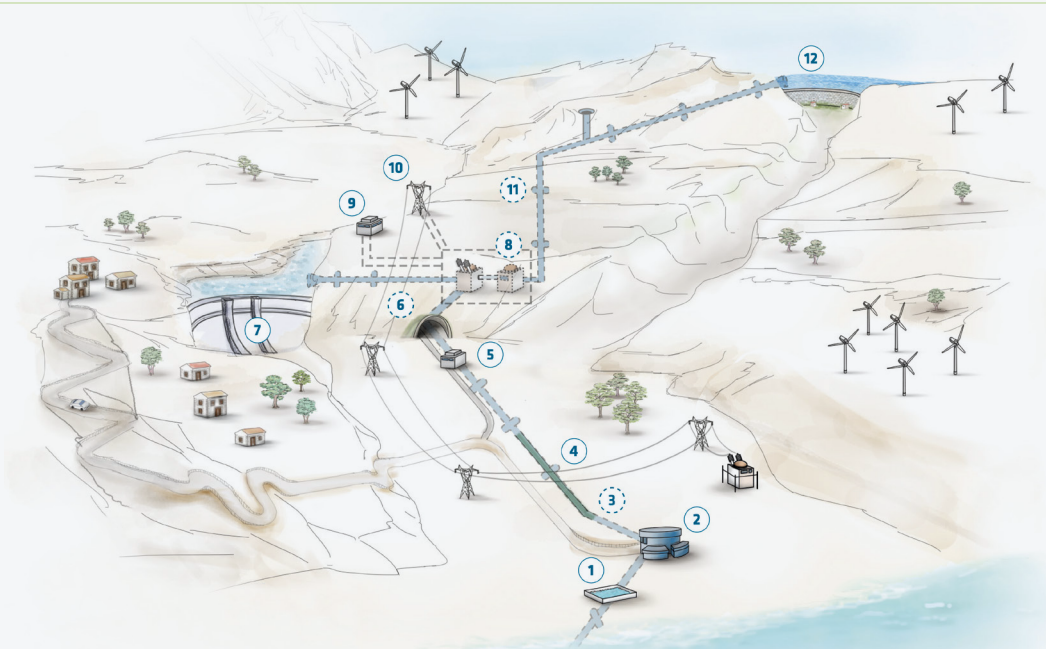
Greater guarantee of supply

Heightened system security

Reduction of Greenhouse Gases (GHGs)

Improved energy independence and cost savings

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

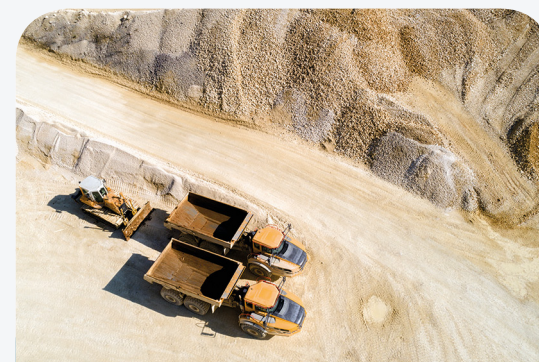
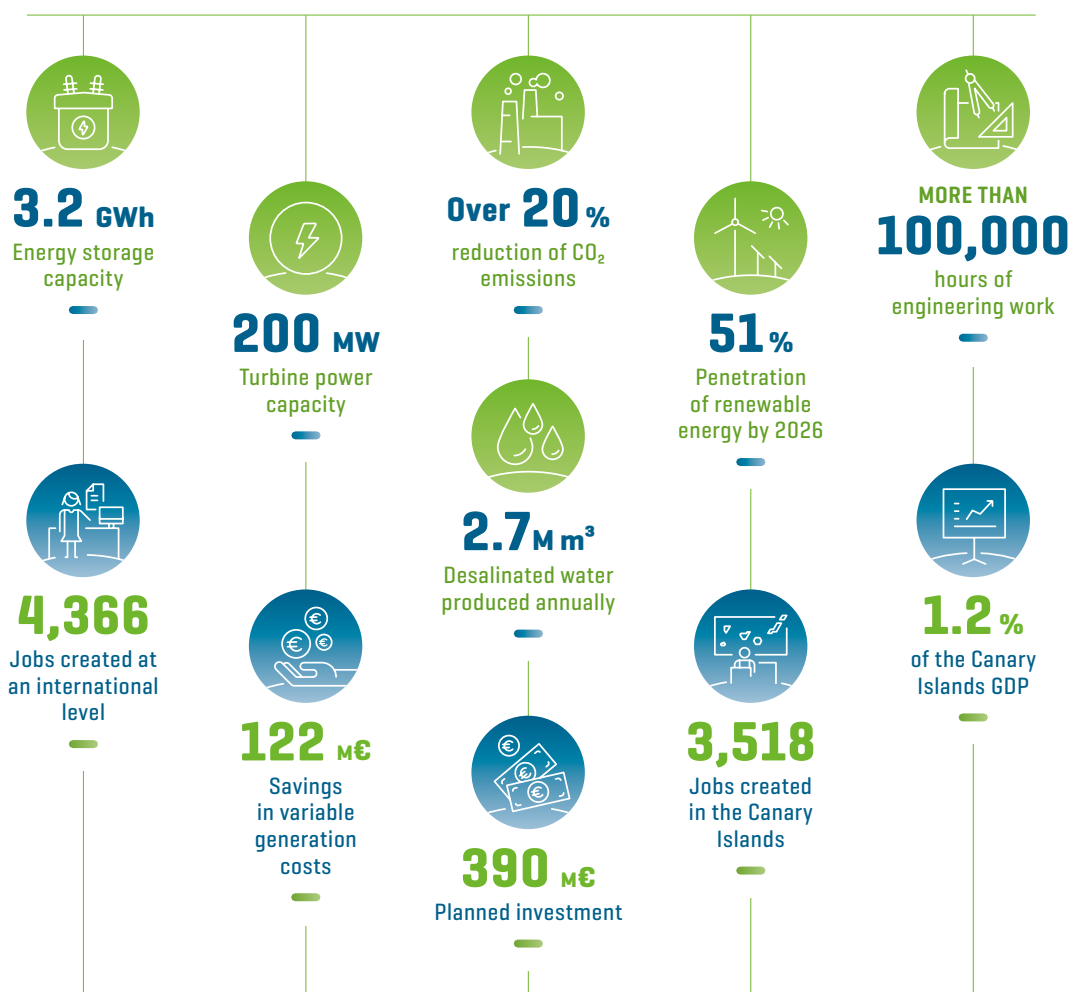


- | | |
|--|---|
| 1 Seawater intake system | 8 Power station cavern and transformers cavern (includes 220 kV substation) |
| 2 Seawater desalination plant (includes pumping station I) | 9 Auxiliary services and control building |
| 3 Desalinated water channel, 20 km in length | 10 220 kV electricity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

○ Surface elements ⋯ Underground elements

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Chira-Soria pumped-storage hydroelectric power station in figures



It is foreseen that construction work for the Chira-Soria pumped-storage hydroelectric power station on the island of Gran Canaria will commence in 2021.

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Chira-Soria, an innovative project
The design and modelling of the Chira-Soria pumped-storage hydroelectric power station is carried out using **Virtual Design & Construction [VDC] technology**. This technology uses five dimensions, the three spatial, plus time and cost, and allows the optimisation of the design and construction processes, furthermore it also allows improvements to be implemented quickly and safely.

From a sustainability point of view, due to the virtual modelling technology used, adjustments can be made to the design taking into account the true on-site requirements, thus enabling the Company to reduce the volume of paper used for updated printed project documentation. Additionally, the use of virtual reality for the design process enables the optimal usage of construction site locations and allows the geometries of the site to be adjusted, integrating them into the landscape and minimising the visual impacts of the power station, reducing impacts on the environment and on the archaeological and ethnological heritage of the island of Gran Canaria.

In order to guarantee its design process using VDC technology, the Company has implemented a management system following the guidelines established in the **UNE-EN ISO 19650:2019 Standard Organisation and digitisation of information about building and civil engineering works including Building Information Modelling**



[BIM]. The system has been subject to control and evaluation by AENOR, being the first organisation a national level to obtain the corresponding certificate of conformity for this type of activity.

The management of the Chira-Soria Pumped-Storage Hydroelectric Power Station project is

carried out in accordance with the criteria of excellence assumed by the Red Eléctrica Group. In this regard, the project is managed based on the requirements established in the following **Standards UNE-ISO 21500:2013 Guidance on project management and UNE-ISO 10006:2018 Quality management. Guidelines for quality management in projects**. AENOR has verified the implementation of both systems through the corresponding audits, and this is the first project a national level to obtain both certifications.

Technically, the Chira-Soria Pumped-Storage Hydroelectric Power Station project is an innovative engineering project that incorporates reversible pumped-storage hydro turbine units, synchronous machines, electronic power converters, hydraulic short-circuit scheme and an equipment control system that provides the project with greater flexibility and performance.

The inclusion of six power converters and the possibility of hydraulic short-circuit operation allows the integration of non-manageable renewable energy throughout the power station's operating range [-220 MW in pumping mode and up to 200 MW in turbine mode].

Another innovative aspect of the power station project is the incorporation of sustainability criteria as of the earliest design phases. An example of this is the design of the main control

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The Red Eléctrica Group promotes energy storage as a tool for integrating renewable energy and guaranteeing the electricity supply and system security.

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:



[Click on each of the projects
for more information](#)



2020 saw an important regulatory advance in this area, as the regulation regarding energy storage in the Spanish electricity system has come into force, going much further than just pumped-storage technology. **The Electricity Sector Act** has incorporated the owners of energy storage facilities as market subjects, contemplating the possibility, among others, that the owners of the transmission grid may own this type of facility, also including the provisions for the System Operator in Law 17/2013, of 29 October, to guarantee supply and increase competition in the island and non-mainland electricity systems. Furthermore, from 26 January 2021, energy storage may participate in the balancing services managed by the system operator.

building in accordance with **LEED Platinum** certification criteria.

This certificate, based on scientific standards, rewards the use of sustainable strategies in all construction processes of the building, from the suitability of the site to the efficiency of water and energy use, the selection of sustainable materials and the provision of indoor environmental quality.



6.4

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



Key indicators in 2020

- 4 new smart grid projects.



2020 milestones

- Quijote Project.
- VoltaiREE project.



Challenges for 2021

- Incorporate assets to establish a smart grid as part of the Electricity System Planning.

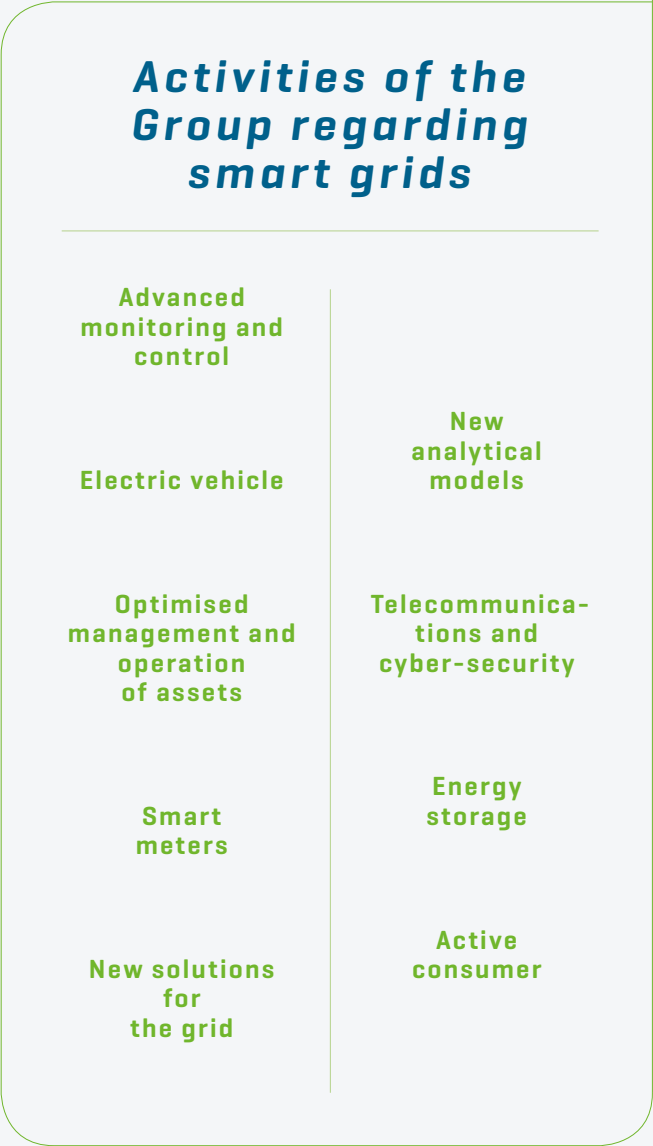


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The Red Eléctrica Group continues working actively on the promotion, development and dissemination of initiatives that enable the current electricity grid to evolve towards a **smarter grid that will make the energy transition possible**. The new energy 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.

Transformation towards smart grids
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.

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.



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Main smart grid initiatives in 2020

Quijote

New project that will enable, through the scheduling of automatic actions, including the automatic reduction of power of the generation facilities, to quickly solve possible violations of the safety criteria and reduce generation to the limit values.

VoltaiREE

Implementation of a new voltage control mechanism system and the launching of an additional reactive power capacity market, which will allow not only the optimisation of the control of the system voltage but also enable the participating market agents to offer all their available reactive capacity resource.

Mantenimiento inteligente

During 2020, the Red Eléctrica Group has continued to intensify the adoption of new tools and smart maintenance models. Applying new digital technologies, advances have been made in collecting information from grid assets, processing information with Big Data techniques and advanced analytics, as well as enabling decision-making regarding asset maintenance through artificial intelligence-based maintenance techniques.

Further information on the MANINT and SIMON projects is detailed in the ‘Sustainable development of the grid’ ↻ section of this report.

Line inspection and diagnosis

The detection of anomalies in infrastructure is key to ensure the adequate maintenance of assets. With the aim of introducing greater efficiencies in the detection of anomalies in transmission lines, in 2020, the Red Eléctrica Group continued to identify and test new tools and diagnostic models based on new technologies such as the use of drone images or new Artificial Intelligence models.

Further information on the DALIA project is detailed in the ‘Transformation’ ↻ section of this report.

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.

DLR [Dynamic Line Rating]

Project for real-time monitoring of meteorological variables and parameters of high voltage lines, which allow the operation of the transmission grid by applying the dynamic capacities based on such variables and parameters. Several transmission circuits are already monitored, and the DLR Platform has been put into service, thereby allowing the collection and analysis of information from IoT devices that capture the status of the circuits in real time.

Incorporation of the elements of the new energy model into demand coverage for its optimisation.

Adaptation of the existing model used for the calculation of demand coverage in 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.

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Main smart grid initiatives in 2020 / continued

SIFOV [System for Identification of Faults based on Travelling Waves]
This new system enables faults to be located on overhead lines with a precision of less than 100m. This accuracy has a direct impact on cost and time reduction when locating faults compared to the fault locators of traditional protections that

generate errors much greater than kilometres or tens of kilometres. In addition, this system provides fault location in a few milliseconds, thus allowing it to be also used for selective blocking for faults in cables, of auto-reclosing function in mixed circuits (overhead lines), avoiding increased damage and risk both for the system and for people who may be in the vicinity.

Active electricity demand-side management Electricity Balancing Services

During 2020, Red Eléctrica de España has continued the line of work initiated in 2019 to allow the participation of demand and energy storage in the balancing services. The process, following the approval of the Conditions relating to balancing in December 2019, has culminated in December 2020 with the necessary adaptation of the Operating Procedures in the field of scheduling, balancing services, settlement and metering. As a result, demand can, from 26 January 2021, participate in system balancing services, also with aggregation via the commercial agent. In addition, all related systems and processes have been adapted over the course



of 2020, enabling the participation of these resources from the outset.

Similarly, during 2020, the figure of the Independent Aggregator was introduced in the Electricity Sector Act. In this regard, Red Eléctrica de España has set up a working group also to enable its participation in the balancing services envisaged in the roadmap for the Internal Energy Market in Europe (IEM) for the year 2022. This process is being addressed, as usual, by maintaining a constant dialogue with stakeholders, through the corresponding public consultations and information communicated in various forums.

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In addition to replacing fossil fuels with electricity, the electric vehicle offers flexibility to the electricity system thanks to the ability of users to manage the electricity demand for recharging their vehicles according to their needs.

Interruptible load service

Order IET/2013/2013, of 31 October 2013, introduced the incorporation of a new allocation mechanism for the interruptible load demand-side management service (interruptibility) based on an auction procedure. During 2020, no auctions for the provision of the Interruptible Load Service have been conducted following this framework, therefore the service has not had active providers in the peninsular system since 1 July 2020.

On the other hand, regarding the electricity systems of the non-peninsular territories, the providers of the interruptible load service (within the framework of Order ITC/2370/2017) provide Red Eléctrica with a valuable resource for the operation of the electricity systems of these territories.

Promoting electric mobility

In addition to replacing fossil fuels with electricity, the electric vehicle offers flexibility to the electricity system thanks to the ability of users to manage the electricity demand for recharging their vehicles according to their needs. In this way, vehicles can be recharged when electricity prices are lower or when users receive notifications from the electricity system.

The flexibility that the electric vehicle offers is now possible through a commercial agent

Balancing services are open to the participation of demand and energy storage as of 26 January 2021, thanks to the regulatory adaptation process carried out during 2019 and 2020. In this regard,

the flexibility of the electric vehicle can already be offered in balancing services, through a commercial agent. Its potential contribution will be boosted when the figure of the Independent Aggregator is implemented in balancing services, as foreseen in the Internal Electricity Market roadmap for 2022.

The electric vehicle, a tool in non-peninsular systems

The Red Eléctrica Group aims to anticipate the future and respond to some of the challenges presented by the mass adoption of electric vehicles. Specifically, during 2020, the Company has continued to collaborate with the Cabildo of Lanzarote (Island Council) and the mobility operator IBIL to develop a pioneering project on the island of Lanzarote that aims to demonstrate the contribution of the electric vehicle to the operation of isolated electricity systems such as the Lanzarote-Fuerteventura system.

Together with IBIL, during 2020, the specifications to be met by the pilot charging points have been developed and contact has been made with infrastructure manufacturers to start adapting the chargers to have them both in alternating and direct current.



6.5

Reduction of the carbon footprint

103-1 / 103-2 / 103-3



Key indicators in 2020

- **626,381 t CO₂ eq** Scope 1 and 2 emissions.
- **0.2%** SF₆ leakage rate.
- **47%** reduction in Scope 1 and 2 emissions compared to 2015.
- **79%** of electricity consumed generated from renewable sources.



2020 milestones

- Compliance with global reduction targets.
- Incorporation of the emissions of Red Eléctrica Andina, Red Eléctrica Chile and HISPASAT into the greenhouse gas (GHG) inventory of the Group.



Challenges for 2021

- Design of new emission reduction targets aligned with the aim of limiting global warming to 1.5°C.
- Definition of a new Action Plan to combat climate change.



Awards and recognition

- Inclusion in the CDP Leadership index [A list].



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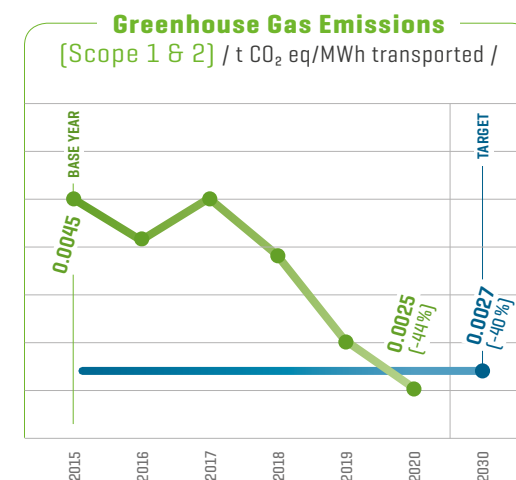
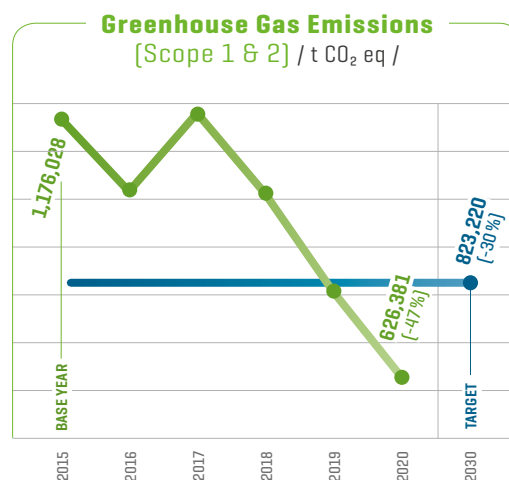
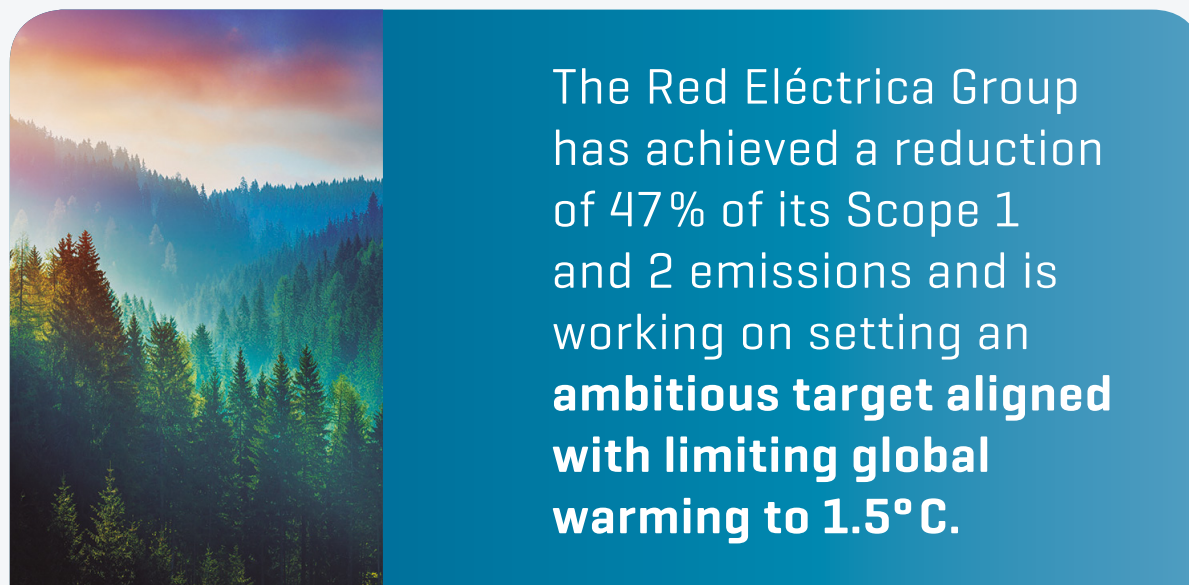


The Red Eléctrica Group maintains a firm commitment to reduce the emissions associated with the execution of its activities, although it is not subject to any applicable regulations in this regard.

The emissions reduction targets of the Red Eléctrica Group were approved in 2018 by the **Science Based Target initiative (SBTi)** and responds to a level of ambition needed to limit the increase in global warming to no more than 2°C.

The commitment set involves reducing Scope 1 and 2 emissions per MWh transported by 40 % in 2030, compared to 2015, which in absolute terms is equivalent to a 30 % reduction in emissions for the same year. In addition, a prior reduction target was set for 2020 of 10 % of Scope 1 and 2 emissions compared to 2015.

In 2020, 100% of the targets set have been met and the Group has begun to work on defining a new commitment to reduce emissions by developing a highly ambitious target that is focused on achieving **climate neutrality** and is aligned with the United Nations **Business Ambition for 1.5° C** initiative, driven by the United Nations and promoted by the UN Global Compact and its local networks, which the Group joined in 2019. The new targets will be published in 2021.

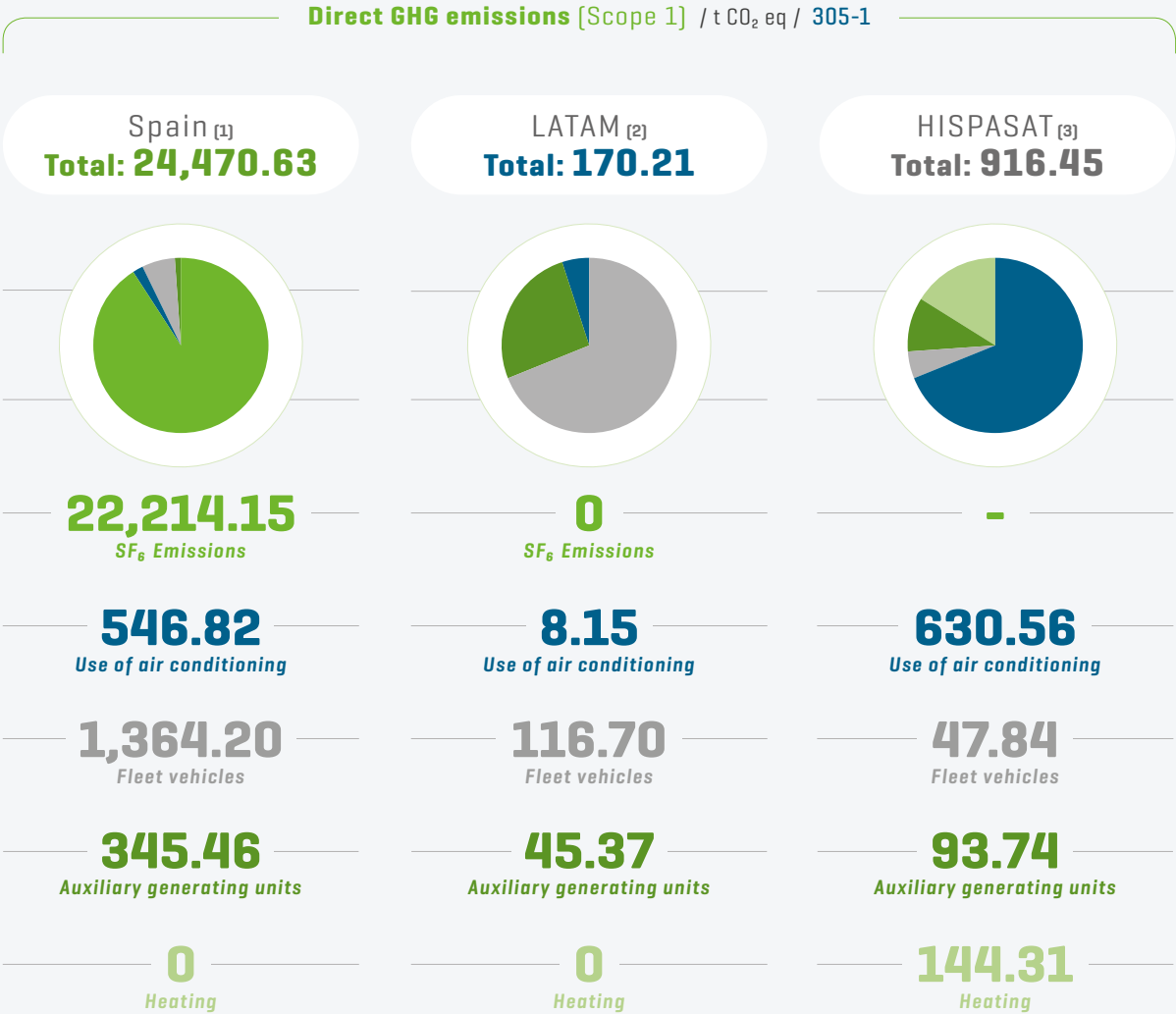


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Throughout this section, we present the partial targets included in the Climate Change Action Plan and their degree of fulfilment, as well as the main actions carried out in each area of action.

Calculation of the carbon footprint

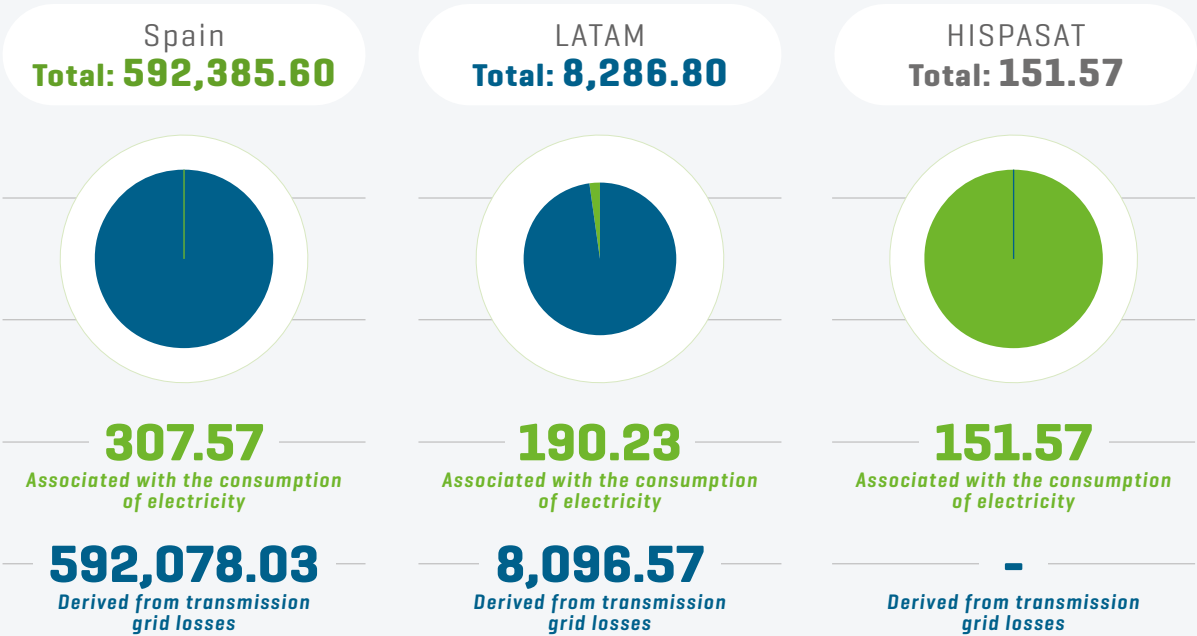
The Red Eléctrica Group prepares its emissions inventory based on the GHG Protocol methodology. Since 2013, this inventory has been subject to independent review in accordance with the ISAE 3410 standard. The Independent Assurance Report is included in the annexe to this report.



[1] Includes REE [Red Eléctrica de España S.A.U.], REC [Red Eléctrica Corporación S.A.], REI [Red Eléctrica Internacional], REINCAN [Red Eléctrica Infraestructuras en Canarias], REINTEL [Red Eléctrica Sistemas de Telecomunicaciones] y RETIT [Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología].
[2] Includes the Company's subsidiaries in Peru: [REA, REDESUR, TESUR, TESUR 2, TESUR 3, TESUR 4, REDENOR y CCNCM] and the Company's subsidiaries in Chile [RECH, REDENOR, REDENOR 2].
[3] Mainly, HISPASAT, S.A., and Hispamar Satélites, S.A. [Brazil].

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Indirect GHG emissions [Scope 2] ⁽¹⁾ / t CO₂ eq / 305-2



[1] Scopes similar to those indicated in the table of direct emissions.

Since 2020, the greenhouse gas (GHG) inventory includes all the subsidiary companies of the Red Eléctrica Group.



Noteworthy is the progress made by the Company in extending the GHG inventory to all the subsidiary companies of the Group, which in 2020 also includes the emissions of Red Eléctrica Andina (REA), Red Eléctrica de Chile (RECH) and HISPASAT.

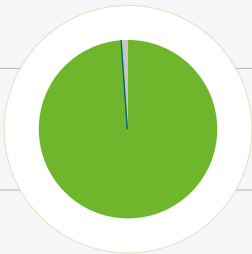
In addition, the Company has developed methodologies for **calculating the carbon footprint associated with the life cycle of the different types of facilities** built by Red Eléctrica, the application of which facilitates the identification of improvements and specific reduction measures that can be implemented on a case-by-case basis.

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Indirect GHG emissions [Scope 3] ⁽¹⁾ / t CO₂ eq / 305-3

Spain
Total: **352,198.58**

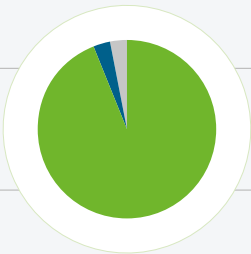


349,116.44
Purchase of goods & services and capital goods

1,220.95
Business travel and commuting

1,885.81
Other

LATAM
Total: **11,454.77**

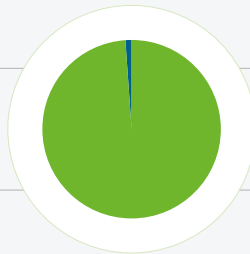


10,805.64
Purchase of goods & services and capital goods

354.75
Business travel and commuting

294.38
Other

HISPASAT
Total: **27,527.42**



5,731.28
Purchase of goods & services and capital goods

186.66
Business travel and commuting

108.37
Other

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.

Objectives of the Climate Change Action Plan

Specific SF₆ reduction target

- 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 de CO₂ eq.

Progress made in 2020 in regard to the target

- 29.8 % reduction in SF₆ gas emissions compared to 2015.
- 2016-2020 Cumulative emissions: 135,647 t CO₂ eq.

[1] Scopes similar to those indicated in the table of direct emissions.
Other: energy production, waste, transportation and distribution and leased assets.

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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:

Key actions

SF ₆ Gas inventory	Improvement in the procedures for the recording of leaks and the monitoring thereof.
Training	The Company has two legally certified centres that can provide training on SF ₆ gas handling. 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 new equipment with lower leakage rates. It is estimated that the renovations carried out in the 2015-2020 period have helped avoid a total of 3,165 tCO ₂ eq per year.
Improvement in leak detection and control	<p>The efforts made by the Company to reduce the leak detection and intervention times, as well as in the development of more effective leak repair methodologies, make it possible for SF₆ emissions to be kept at low levels, not exceeding an average emission rate of 0.2 %.</p> <p>The following innovation projects are noteworthy:</p> <ul style="list-style-type: none">· ‘Development of SF₆ leak repair methodology in GIS facilities’, which enables the repair of breakdowns/faults in GIS substations without the need to disassemble the damaged sections and this significantly speeds up the work.· ‘Implementation of an SF₆ leaked gas capture system in indoor GIS substations’ whose progress in 2020 was significant as a result of having identified different compounds with high affinity for SF₆ and whose behaviour and effectiveness have begun to be field-tested by means of a pilot project that will be carried out in 2021.· ‘Graphene-based SF₆ sensors’.
Search for SF ₆ gas alternatives	<p>Since 2017, the Company has been working on the various innovation projects that offer alternatives to SF₆ in GIS switchgear [GIS substations]. Red Eléctrica has acquired two 66 kV cells that use alternative insulating gas and that are installed in mobile generating units in the Canary Islands. During 2021, it is foreseen that the works for the connection of one of the units to the transmission grid of the Canary Islands will commence, with the aim of gaining knowledge and experience in these new technologies.</p> <p>Additionally, work has begun on the study of alternatives to SF₆ through the use of AIS switchgear and its application in the insular transmission grid systems.</p>

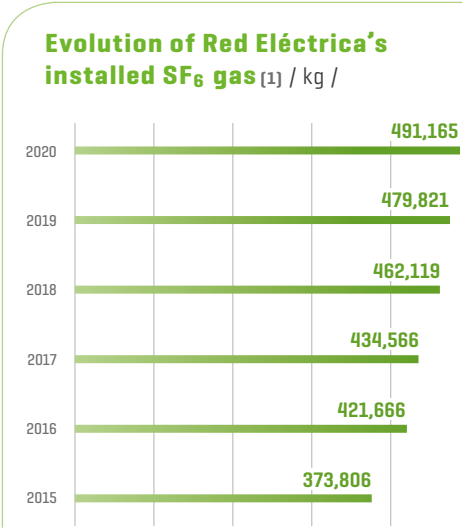
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In 2020, Red Eléctrica continued working in collaboration with the public administration and other entities in the search for solutions aimed at controlling and reducing these emissions within the framework of the voluntary agreement for the management of SF₆.

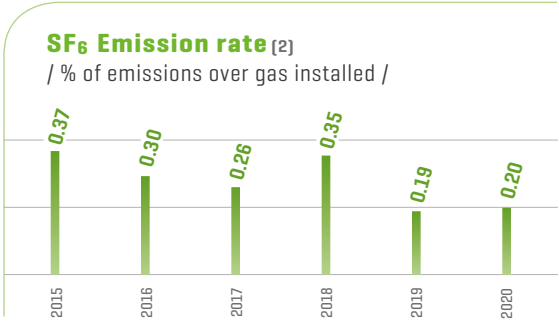


Red Eléctrica collaborates with the public administration and other entities in the search for solutions aimed at controlling and reducing these emissions within the framework of the voluntary agreement, signed in May 2015, between the Ministry of Agriculture, Food and Environment (currently known as MITERD) and the manufacturers and suppliers of electrical equipment that use SF₆, electricity transmission and distribution companies and waste management companies who handle this gas and the equipment that contains it, for a comprehensive management of the use of SF₆ in the electricity industry that is more respectful towards the environment.

Additionally, the Company participates in different international working groups focused on exchanging best practices regarding the reduction of GHG emissions and sharing experiences on alternatives to the use of gas.



⁽¹⁾ The increase in installed gas is mainly due to the commissioning of new facilities and the replacement of old equipment with SF₆ insulated equipment.



⁽²⁾ The rates reflected in the graph are calculated using real data collected in the field and include, in addition to leaks as a result of maintenance work, the estimated emissions corresponding to the end of the life cycle of the equipment. The maximum leakage rate for in-service equipment established in the Voluntary Agreement for the management of SF₆ signed in 2015 is based on the number of years the equipment has been in service. This annual rate is fixed at 0.5% for equipment commissioned as of 2008 (equipment installed prior to 2008 is allowed to have higher leakage rates). The low emission rates reflect the enormous effort of the Company in improving the management and control of SF₆ emissions. Specifically, the decline shown in recent years due to the breakdown repair work performed since 2018. In addition, during 2019 and 2020, there has been no accident that has led to a gas leak.

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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 different projects aimed at reducing the consumption of electricity in the different facilities of the Company.

Climate change action plan targets

Electricity consumption 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 2020 in regard to the targets

- Reduction of emissions associated with electricity consumption in work centres: 94 %.
- 22.6 % Reduction in electricity consumption in work centres in 2020 compared to 2015.

Note: Work centres of REA, RECH and HISPASAT companies are not included in the target. **Note on the effect of COVID-19:** In absolute terms, there is a net reduction in electricity consumption at work centres linked to the fact they have been used less. However, this reduction has been lower than would be expected, given that the application of certain hygiene measures, mainly associated with the use of HVAC systems and the ventilation of buildings, implies an increase in electricity consumption. On the other hand, it cannot be considered an impact associated with COVID 19 regarding the control centres, which represent the largest proportion of the Company's electricity consumption, which have operated normally and have even been reinforced with a third centre during the pandemic.

Energy 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.
- **Buildings with reduced energy consumption.** The buildings in which the control centre (CECORE) and the technology company, Elewit, are located, include a system that helps maximise the available geothermal energy and have construction measures that significantly reduce their electricity consumption.
- **Efficiency measures in buildings.** In 2020, the renovation of 2 work centres was carried out, integrating efficiency measures in lighting, HVAC systems, insulation and the installation of solar thermal energy for domestic hot water. Its estimated energy saving is **35,400 kWh per year**.

- Design of the main control building of the **Chira-Soria pumped-storage hydroelectric power station** in accordance with the criteria of **LEED Platinum** certification (US Building Council).

IT Systems

- **Renewal of IT equipment and systems** in accordance with maximum efficiency criteria. In 2020, a renewal of equipment (laptops, desktops and data storage systems) was carried out, representing an estimated reduction in annual electricity consumption of **3,416 kWh**.
- Application of **efficient use policies** in all end-user IT systems.
- Consolidation of the **use of collaborative communication platforms** that reduce work-related travel or commuting. This aspect has been especially relevant in 2020, due to the COVID-19 pandemic.
- Migration to and intensive use of **virtual servers** (since 2015), which improve energy efficiency if compared to physical servers.

Substations

- **Rationalising the use of lighting:** Since 2017, work is underway to improve remote lighting control systems with the aim of controlling and switching off the exterior/ outdoor lighting during night-time periods and that they switch on only when it is necessary. In 2020, these lighting control systems have been implemented in 22 new substations, which means an additional estimated saving in electricity consumption of 336,134 kWh per year. There are currently 426 substations whose night-time lighting only works when it is necessary, representing an estimated annual saving of **10,050,655 kWh**.

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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 consumption of its facilities. The majority of 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 79% of the electricity consumed in 2020. The remaining consumption corresponds to work centres that are under a rental/lease contract or that do not have an electricity connection, whereby they

Solar photovoltaic installation at the Arganda control centre(HISPASAT)

In 2020, the project was designed for the installation of a solar photovoltaic plant at the Arganda control centre (HISPASAT). The use of 100% of the energy generated will be for self-consumption, without generating surpluses. The expected coverage is 26.5% of the annual electricity consumption needs of this satellite control centre.

79 % of the electrical energy consumed in the Red Eléctrica Group comes from renewable sources (green energy or with a guarantee of origin [GoO]).

are directly fed by the transmission grid. At the moment, the work centres in LATAM (which have been included in the report in 2020) do not have this type of contract.

Regarding the use of renewable energy for self-consumption in work centres, headway is being made in the progressive incorporation of solar thermal energy installations for domestic hot water and three buildings have HVAC installations based on geothermal energy.

It should be noted that, during 2020, a technical, regulatory and economic feasibility study has been carried out for the incorporation of photovoltaic energy in corporate head offices and other work centres. In 2021, the focus will be placed on the buildings that have been identified as appropriate to incorporate this type of photovoltaic facilities.



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Sustainable mobility

The Red Eléctrica Group is working on the optimisation of work-related travel and in the reduction of the emissions associated with them.

Climate change action plan targets

Sustainable mobility targets [with respect to 2015 as the base year]

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

Progress made in 2020 in regard to the targets

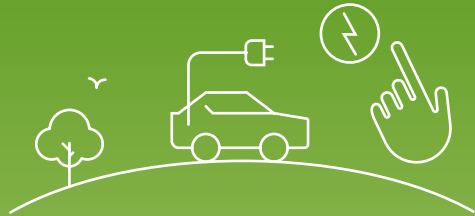
- Reduction of emissions associated with the use of Red Eléctrica's vehicles: 35.7%.
- 80% Reduction of emissions associated with work-related travel using motor vehicles.

Note: the situation arising from COVID-19 has led to a moderate decrease in the use of motor vehicles owing to reduced activity, although in relation to meeting the target, it should be noted that a 22.5% reduction in emissions had already been achieved in 2019 [use of Red Eléctrica vehicles]. In the case of business trips, the decrease in the number of trips has been very significant. However, it should be noted that the reduction target had already been met in 2019 [48% reduction in emissions from work-related travel made in motor vehicles].



The Company has a Sustainable Mobility Plan in place in order to incorporate a new culture of mobility within the Company. Among the most important measures developed in recent years, noteworthy are the following:

- Efficient management of fleet vehicles. The Company is committed to using the best technologies currently available [100% of the new vehicles incorporated into the fleet are either hybrid, plug-in hybrid or electric cars] and to optimize their use through the application of CARS (Agile, Responsible and Safe Driving System), which facilitates the use of efficient routes and promotes responsible driving. Since 2015 Red Eléctrica has maintained the 'Ecological Fleet Accreditation' in its 'Master' category [the most demanding one] received from the Fleet



ENERGY RATING

72%

Of the group's fleet of 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'.

Managers Association (AEGFA) and the Institute for Diversification and Energy Saving (IDAE).

- Measures to optimise work-related travel, through the incorporation of sustainability criteria in the Company's work-related travel policy. Of note is the implementation of a corporate fleet of electric vehicles for commuting during the working day, prioritisation of the use of efficient taxis and improvements in communication tools to

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reduce the need for travel [video conferences and platforms for remote access]. The latter have been decisive in facing the situation derived from the pandemic in 2020.

- 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, the Company has various electric vehicle charging points on their premises for use by employees.

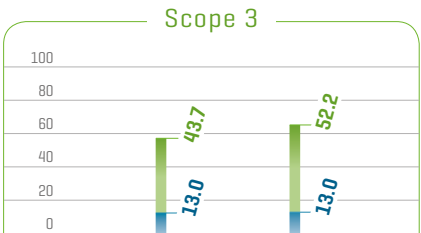
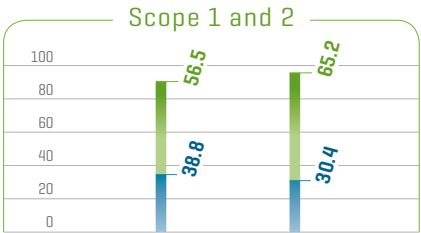
Carbon footprint in the supply chain

The emissions associated with the supply chain are those that have the greatest impact on the indirect emissions of the Company [Scope 3]. In 2019, a **Collaboration Program with suppliers** was launched seeking to achieve the following main objectives:

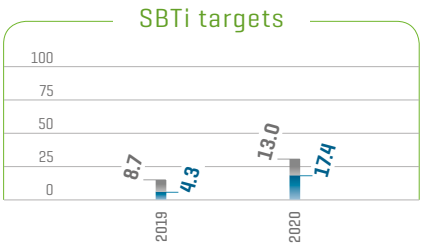
- Involve suppliers in the commitment of the Red Eléctrica Group, providing appropriate guidelines in order to promote changes in their management and promoting collaboration.
- Integrate more direct information in the calculation of Scope 3 emissions, to improve their analysis and monitoring.

Evolution of suppliers partaking in the collaboration programme

/ % /



■ Calculated (not verified) ■ Verified



■ Committed ■ Verified

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

To date, 23 of the Company's most relevant suppliers, who together represent around 47% of the emissions in the supply chain, have joined the programme. Thanks to this collaboration, participants provide annual information on their emissions, thus making it possible to improve the Group's emissions inventory.

Furthermore, 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, the deployment of different and specific development and collaboration programmes depending on the characteristics of each supplier. Work carried out in 2020 has focused on the calculation and verification of Scope 1 and 2 emissions, the calculation of Scope 3 emissions and the establishment of ambitious reduction targets, holding training workshops on these topics in which 14 suppliers have participated.

Offsetting of emissions

In addition to the measures aimed at reducing emissions, and with the goal of minimising the carbon footprint of the Red Eléctrica Group as much as possible, specific actions have been implemented to offset emissions.

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The ‘Red Eléctrica Forest’ project is detailed in the *Conservation of Natural Capital* [↪](#) section of this report and is carried out by the Company to help offset part of its emissions.

On the other hand, and for the eighth consecutive year, the company has acquired carbon credits from the voluntary carbon market to offset emissions derived from the daily commutes of its employees to their respective work centres. In 2020, **2,700 VCUs [Verified Carbon Units]** have been purchased in accordance with the VCS [Verified Carbon Standard] and CCB [Climate, Community & Biodiversity] Standard associated with the **Madre de Dios Amazon REDD** project aimed at the reforestation and avoiding deforestation in Peru.

These credits have offset all the emissions generated in the daily commutes of the Company’s employees [very reduced due to the particular situation of 2020] and the emissions associated with the use of fleet vehicles and shared leasing vehicles [included in Scope 1] of the entire Group, as well as those linked to the holding of the 2020 General Shareholders’ Meeting via remote means. The remaining credits will be used to offset other Company events during 2021.

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 are 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.

In 2020,
2,700 VCUs
were acquired
to offset
emissions
derived from the
daily commutes
of employees
and from the
fleet and shared
leasing vehicles.

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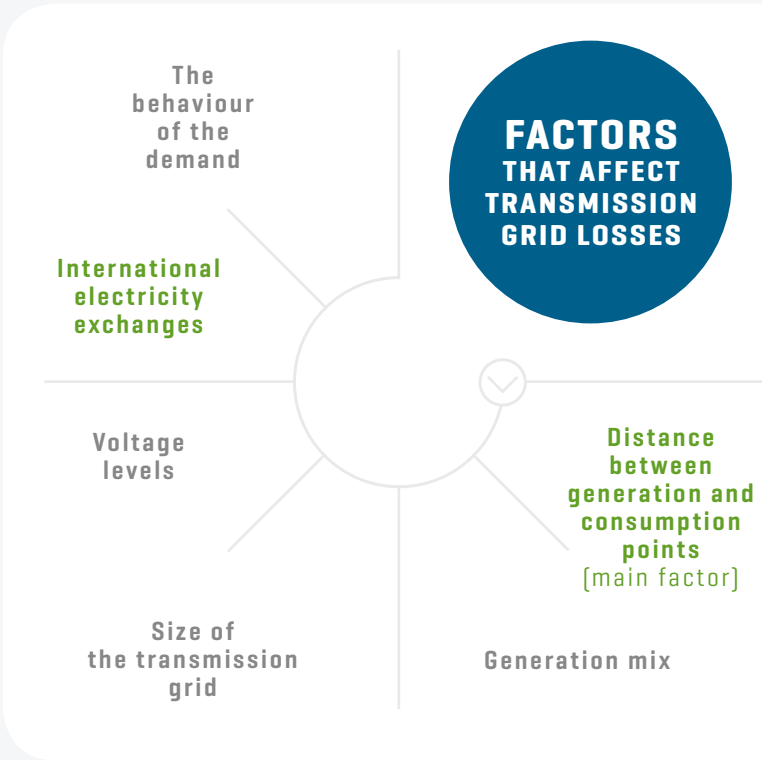
The transmission of electricity inevitably leads to energy losses in the grid. This means that, to satisfy a given final consumption, a slightly higher level of generation is required.

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

Red Eléctrica de España works to improve the aspects that depend on its management and that can have an influence on 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 that offer the best performance.
- Maintenance of the facilities in the best conditions to ensure their proper functioning.

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,

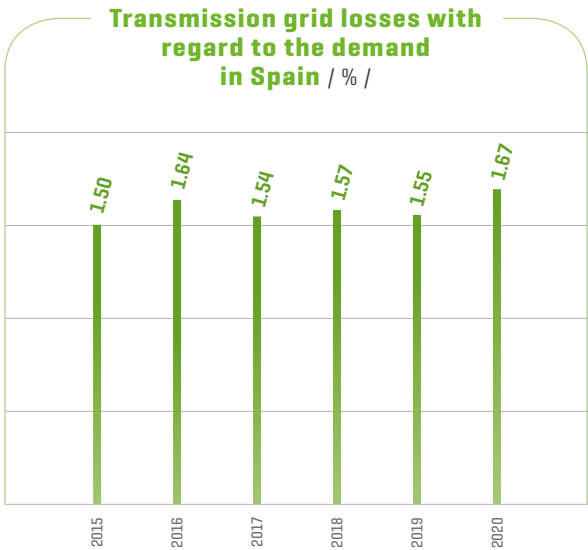


therefore, reduced losses. However, all these improvements have a minor impact on the evolution of energy losses while other aspects not controlled by Red Eléctrica have proven to have a greater overall impact on this aspect.

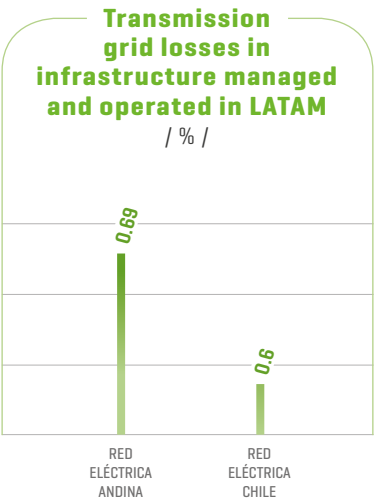
Increased losses are mainly due to the following: distances between generation and consumption points [losses increase notably when there are

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].

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Note: The increase in the % of these losses is mainly related to the increase in the share of renewables in the energy mix on the Spanish Peninsula, which has increased to 45.5% in 2020 compared to 38.8% registered in 2019.



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 in accordance with 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.

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Carbon footprint indicators

KEY TO THE COMPANIES INCLUDED [scope of the data]

- REE (Red Eléctrica de España S.A.U.)
- REC (Red Eléctrica Corporación S.A.)
- REI (Red Eléctrica Internacional)
- REINCAN (Red Eléctrica infraestructuras en Canarias)
- REINTEL (Red Eléctrica infraestructuras de Telecomunicación)
- RETIT (Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología)
- REA (Red Eléctrica Andina)
- RECH (Red Eléctrica de Chile)
- HISPASAT

Fuel consumption / 302-1

/ litres /

	2015	2016	2017	2018	2019	2020
Diesel ⁽¹⁾	450,752	712,853	567,942	462,169	443,251	409,252
Petrol ⁽¹⁾	23,799	49,768	52,124	201,470	250,643	246,415
Gasohol ⁽¹⁾						1,278
Biodiesel ⁽¹⁾	121	0	0	0	0	0
LPG Autogas ⁽¹⁾	33	0	0	0	0	0
Auxiliary diesel generating units ⁽²⁾	5,061	3,452	1,212	3,476	2,472	243,124
Heating oil ⁽³⁾						50,282

REA, RECH and HISPASAT consumptions are included in 2020.
[1] Includes fuel consumed by fleet vehicles and shared leasing.
[2] The data provided up until 2019 corresponded to the refuelling of diesel oil for the auxiliary generating units in the year indicated. In 2020, there has been a change in methodology: the data reflects the total fuel consumed in the year.
[3] This type of fuel is only consumed at HISPASAT facilities in Spain.

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Electricity consumption / 302-1

/ kWh /

	2015	2016	2017	2018	2019	2020
Total	16,169,682	15,540,936	15,177,175	14,583,566	14,051,381	18,254,864

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. This percentage dropped slightly in 2020, to 79%, due to the incorporation into the inventory of facilities in LATAM, which at the moment do not have a renewable energy supply contract.

Total energy consumption ⁽¹⁾ / 302-1

	2015	2016	2017	2018	2019	2020
Fuel consumption (joules)	$7.59 \cdot 10^{13}$	$8.41 \cdot 10^{13}$	$7.75 \cdot 10^{13}$	$7.66 \cdot 10^{13}$	$7.56 \cdot 10^{13}$	$10 \cdot 10^{13}$
Electricity consumption (kWh)	21,024,947	23,283,480	21,445,765	21,184,281	20,905,365	27,693,250

Note. 1 kWh = $36 \cdot 10^5$ joules; 1 litre of diesel fuel = $37 \cdot 10^6$ joules; 1 litre of gasoline = $34 \cdot 10^6$ joules; 1 litre of gas oil = $37 \cdot 10^6$ joules; 1 litre of biodiesel = $32,79 \cdot 10^6$ joules; 1 litre of LPG = $25,7 \cdot 10^6$ joules.

[1] Total energy consumption = fuel consumption + electrical energy consumption.

[2] The increase is linked to the incorporation of the companies REA, RECH and HISPASAT and to the change in the methodology for calculating the diesel consumption of auxiliary diesel generating units. In 2020, 52% of the direct energy consumed has been from renewable sources. In 2020, 52% of the direct energy consumed came from renewable origin.

Indirect energy consumption. Electrical energy / 302-1

	2015	2016	2017	2018	2019	2020
Transmission grid losses (MWh) ⁽¹⁾	3,943,023	4,339,590	4,112,547	4,202,825	4,088,490	4,190,759
Transmission grid losses (joules)	$1.42 \cdot 10^{16}$	$1.56 \cdot 10^{16}$	$1.48 \cdot 10^{16}$	$1.51 \cdot 10^{16}$	$1.47 \cdot 10^{16}$	$1.51 \cdot 10^{16}$

Note. The data reflected in this table includes the losses in the peninsular system and those of the Balearic Islands and Canary Islands systems. 2020 includes the energy losses of the facilities in Peru (REA) and Chile (RECH), which have amounted to 33,519 MWh.

[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.

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External energy consumption. Internal logistics / 302-2

	2015	2016	2017	2018	2019	2020
Fuel consumption [litres]	238,240	196,973	210,870	208,065	194,558	149,437
Fuel consumption [joules]	$8.82 \cdot 10^{12}$	$7.29 \cdot 10^{12}$	$7.80 \cdot 10^{12}$	$7.69 \cdot 10^{12}$	$7.19 \cdot 10^{12}$	$5.53 \cdot 10^{12}$

Applies to REE and REINTEL activities

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	2020
Electricity consumption per employee in Head office [kWh/employee] ⁽¹⁾	7,126	6,763	6,421	6,180	5,645	5,630
Transmission grid losses – peninsular and insular systems [MWh/MWh transported] [%] ⁽²⁾	1.503	1.642	1.538	1.566	1.548	1.667
Average consumption of vehicles for logistical use [external] [litres/100 km]	26.6	26.4	24.6	24.3	22.8	21.0

[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/per year	oules/per year
Efficiency measures in work centres: (lighting, HVAC systems, insulation of work centres, installation of solar thermal energy for domestic hot water).	35,400	$1.3 \cdot 10^{11}$
Efficiency measures in electricity substations: switching off of night-time lighting.	336,135	$1.2 \cdot 10^{12}$
Efficiency measures in computer IT equipment: renewal of desktops and laptops, data storage systems.	3,416	$1.2 \cdot 10^{10}$

Note. The estimated annual reductions derived from the measures carried out in 2019 have been included.

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Direct GHG emissions [Scope 1] ⁽¹⁾ / 305-1

/ t CO₂ eq. /

	2015	2016	2017	2018	2019	2020
SF ₆ ⁽²⁾	31,651	28,770	26,453	36,921	21,289	22,214
HVAC systems	840	610	709	545	450	1,185
Fleet vehicles	2,124	1,898	1,556	1,604	1,646	1,529
Auxiliary diesel generating units	182	222	275	202	229	485
Heating						144
Total direct emissions	34,797	31,499	28,994	39,272	23,614	25,557

In 2020, REA, RECH and HISPASAT emissions are included for the first time, representing a total of 1,087 t CO₂ eq. [No recalculation of the base year has been performed].
[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] ⁽¹⁾ / 305-2

/ t CO₂ eq. /

	2015	2016	2017	2018	2019	2020
Associated with electricity consumption ⁽²⁾	5,441	1,664	946	801	587	649
Derived from transmission grid losses ⁽³⁾	1,135,791	1,044,416	1,162,865	1,009,953	780,865	600,175
Total indirect emissions	1,141,232	1,046,080	1,163,812	1,010,754	781,452	600,824

In 2020, REA, RECH and HISPASAT emissions are included for the first time. [No recalculation of the base year has been performed].
[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] 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 602,705 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. The calculation of these emissions is calculated not only taking into account the emission factors corresponding to each system (Spanish mainland, Balearic Islands or Canary Islands), which are calculated by Red Eléctrica de España based on the annual generation balance, but also the emission factors corresponding to each country (taking as a reference the value provided by the IEA for Peru and the value published by the National Energy Commission in Chile). The decrease in emissions in 2020, despite having included the emissions of new companies, is due to several reasons. The most relevant is the decrease in the average peninsular emission factor [0.165 t CO₂/MWh in 2019 and 0.123 t CO₂/MWh in 2020], which mainly reflects the drastic reduction in the share of coal-fired power stations in the energy mix [reduction of 55%], the decrease in the participation of combined cycle [reduction of 25%] and the 6.6% increase in the share of renewable energy in the generation mix [mainly photovoltaic which increased its share by 68%].

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Other indirect emissions of greenhouse gases [Scope 3] / 305-3

/ t CO₂ eq. /

	2015	2016	2017	2018	2019	2020
Purchase of goods and services ⁽¹⁾	304,596	249,584	295,787	242,648	246,917	202,819
Capital goods	312,797	195,804	1,785,809	155,671	319,486	162,834
Energy production [not included in Scope 1 and 2]	1,092	674	517	431	462	709
Waste	96	91	134	96	62	217
Transportation and logistics ⁽²⁾	1,416	1,594	2,288	1,110	2,090	1,178
Work-related travel ⁽³⁾ ⁽⁴⁾	1,421	1,399	1,487	1,394	1,441	649
Commuting ⁽⁴⁾	2,894	2,926	3,918	3,895	4,545	1,114
Leased assets	117	82	0	33	33	184
Investments ⁽⁵⁾						10,622
Total indirect emissions [Scope 3]	624,430	452,153	2,089,939	405,278	575,036	380,326

In 2020, REA, RECH and HISPASAT emissions are included for the first time. [No recalculation of the base year has been performed].
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.

[1] For the correct interpretation of the data, it is necessary to consider that the emissions associated with the purchase of goods and services depend on the characteristics of the specific goods and services purchased each year [which entail different carbon emission intensities] and the financial amount earmarked for these purchases.

[2] Corresponds to the emissions associated with internal logistics and other emissions related to the transportation of materials.

[3] Includes trips made by train, plane, own vehicle, rental vehicle and taxi.

[4] The data reflects the situation derived from the COVID-19 pandemic, which entailed a drastic reduction in work-related travel and a situation in which teleworking has predominated.

[5] Incorporates the emissions associated with the Group's shareholding participation in the following companies: Transmisora Eléctrica del Norte S.A, Argo Energia Empreendimentos e Participações S.A. and Hisdesat Servicios Estratégicos, S.A.

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Greenhouse gas emissions intensity / 305-4

	2015	2016	2017	2018	2019	2020
Emission of SF ₆ /installed SF ₆ [%]	0.37	0.30	0.26	0.35	0.19	0.20
Emissions from fleet vehicles (kg of CO ₂ /km) ⁽¹⁾	0.27	0.16	0.14	0.15	0.16	0.15
Emissions (Scope 1 and 2)/revenue (t CO ₂ /million euros) ^{(2) (4)}	645	597	654	540	415	315
Emissions /revenue (t CO ₂ /million euros) ^{(3) (4)}	22.1	18.4	16.4	20.6	12.47	13.20
Emissions (Scope 1 and 2)/energy transported (t CO ₂ /GWh) ⁽⁵⁾	4.5	4.1	4.5	3.9	3.0	2.5

⁽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 as of 2018 include the activities of the REINTEL subsidiary. The data for 2020 also includes data regarding REA, RECH and HISPASAT.

⁽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 Spanish mainland, Balearic Islands and Canary Islands systems, and also the energy fed into the REA's and RECH's infrastructure.

Reduction of greenhouse gas emissions (GHG) / 305-5

Net savings	t CO ₂ eq.
Emissions savings by contracting electricity with Guarantees of Origin ⁽¹⁾	1,880
Reduction of emissions due to improvements in the delivery processes of equipment and materials (internal logistics) ⁽²⁾	32.6
Annual savings ⁽³⁾	t CO ₂ eq. / year
Efficiency measures in work centres: (lighting, HVAC systems, insulation of work centres, installation of solar thermal energy for domestic hot water) ⁽⁴⁾	1.3
Efficiency measures in electricity substations: switching off of night-time lighting ⁽⁴⁾	41.3
Efficiency measures in IT equipment: renewal of desktops and laptops, data storage systems and improvement in CECOEL IT systems ⁽⁴⁾	0.1
Reduction of SF ₆ emissions by replacing old equipment with equipment with lower leakage rates	26.3

⁽¹⁾ Electricity with Guarantee of Origin: 0 t CO₂/kwh.

⁽²⁾ Calculated excluding the impact of COVID-19 (the reduction in km done as a result of this situation has not been considered as savings).

⁽³⁾ Reductions associated with the measures carried out in 2020.

⁽⁴⁾ Energy efficiency measures do not translate into relevant emissions savings given that a high % of the energy consumed by the Company comes from renewable sources.



7

Responsible value chain

The Red Eléctrica Group
is committed to
extending its corporate
responsibility towards all
stakeholder groups, based
on transparency, integrity
and sustainability.



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Responsible value chain

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.*



Ethics and compliance

200



Economic results and financial strength

216



Employees

223



Responsible environmental management

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Supply chain

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Customer orientation

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7.1

Ethics and compliance

102-16 / 102-17 / 103-1 / 103-2 / 103-3



Key indicators in 2020

- **100%** of grievances lodged with the ethics manager resolved within the established time-frame.
- **No company of the Group** has been investigated or convicted of infringements related to criminal risks within the organisation or for non-compliance related to criminal risks.
- **100%** of grievances related to human rights were resolved.
- **53%** of employees trained in the protection of personal data.



2020 milestones

- Approval of the update of the Code of Ethics and Professional Conduct of the Red Eléctrica Group.
- Updating of the action guide that regulates the management of the compliance and whistle-blowing channel.
- Certification of the crime prevention and anti-bribery compliance system, in accordance with the UNE 19601 standards on crime prevention management systems and ISO 37001 on anti-bribery management systems.
- Implementation of the IT application to support the compliance system.
- Improvement of human rights due diligence mechanisms.



Challenges for 2021

- Updating of the Group's global compliance policy and implementation of the 2021 Communication, Awareness and Training Plan for the measurement and accreditation of the compliance culture.
- Implementation of the new monitoring plan for the crime prevention and anti-bribery compliance system.
- Review and update of the Guide for the prevention of corruption.
- Implementation of the global due diligence system regarding counterparty integrity.
- Design of measures to prevent negative impacts that could lead to a violation of human rights.



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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 professional conduct guidelines that are undertaken by all the people who make up the Company in the performance of their professional duties and responsibilities.

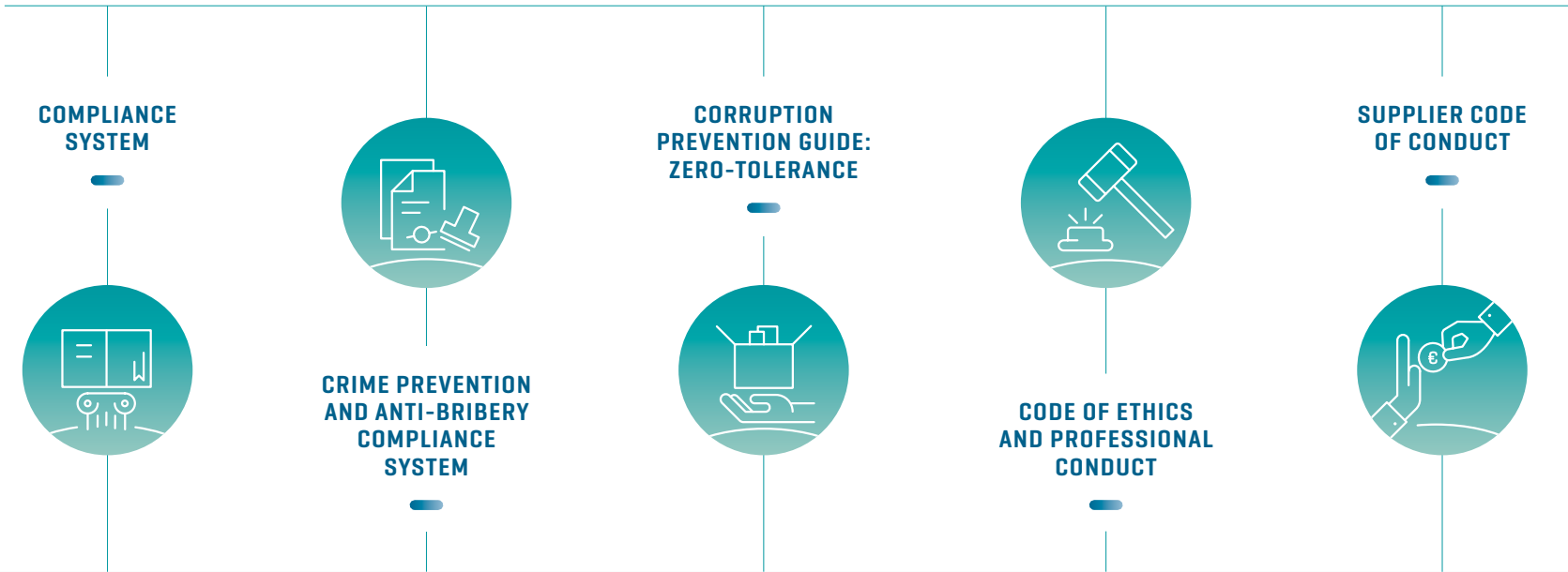
**Code of Ethics
and Professional Conduct**

The Code of Ethics and Professional Conduct of the Red Eléctrica Group aims to formalise the

commitment of the Group to ethical conduct, consolidating a responsible business model that ensures the creation of shared value, aligning the interests of the organisation with those of its stakeholders.

The current edition of the Code of Ethics and Professional Conduct of the Red Eléctrica Group, approved by the Board of Directors in May 2020, responds to the requirements and

Red Eléctrica Group integrity model



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The new version of the Code of Ethics and Professional Conduct is structured around fifteen principles that have been established taking into account the criminal risks associated with the activities of the Red Eléctrica Group.

recommendations on ethics management established by the United Nations [UN] (mainly through the Sustainable Development Goals, the 10 principles of the Global Compact and the Universal Declaration of Human Rights and the conventions that develop it), the Organisation for Economic Co-operation and Development [OECD], the International Labour Organisation [ILO] and Transparency International, among others.

Revision and updating of the Code of Ethics and Professional Conduct

The new version of the [Code of Ethics and Professional Conduct](#) is structured around **fifteen principles** that have been established taking into account the criminal risks associated with the activities of the Red Eléctrica Group. For each of the aforementioned principles, a guide regarding conduct related to or contrary to the Code of Ethics and Professional Conduct is established, to avoid the creation of situations favourable to the commission of a crime. The business conduct principles and guidelines are structured in three blocks, according to the relationship of the Red Eléctrica Group with the socio-economic environment, employees or the organisation itself.

The Red Eléctrica Group has benefited from the participation of Transparency International, a reference entity in the field of integrity, during the external review process of the new Code,

as well as of the Group's employees through an evaluation survey prepared for this purpose.

The approval of this new edition of the Code of Ethics and Professional Conduct has been accompanied by internal and **external communication actions**.

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.

As a consequence of the approval of the Code of Ethics and Professional Conduct, the Supplier Code of Conduct was reviewed and updated in 2020 to ensure the necessary alignment between the two documents.

Detailed information on the Supplier Code of Conduct is detailed in the [Supply Chain](#) section of this report.

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Ethics Manager
and Stakeholder Ombudsman

To ensure knowledge, application and compliance with the Code of Ethics and Professional Conduct, the Company appointed Carlos Méndez-Trelles García, General Counsel and Secretary of the Board of Directors, as **Ethics Manager and Stakeholder Ombudsman**.

The Company has an Ethics Manager and Stakeholder Ombudsman to ensure compliance with the Code of Ethics and Professional Conduct.

Duties and responsibilities of the Ethics Manager





The compliance and whistle-blowing channel on the corporate website enables queries, grievances or suggestions to be submitted to the Ethics Manager.

Compliance and Whistle-blowing channel

102-17

To promote the application of the [Code of Ethics and Professional Conduct](#), the Red Eléctrica Group has a compliance and whistle-blowing channel, available on the corporate website, through which queries, grievances or suggestions can be submitted to the Ethics Manager.

The Ethics Manager manages the Red Eléctrica Group's compliance and whistle-blowing channel in coordination with the Compliance area. Its operation is regulated in the channel management's guide, which has been updated in 2020 to adapt the channel to the Organic Law on Data Protection and Guarantee of Digital Rights and the European Directive on protecting persons who report breaches of EU law. In 2020, work was carried out on the implementation

of a new IT tool that incorporates the functional updates of the channel. The compliance and whistle-blowing channel is regularly audited and guarantees the confidentiality of users.

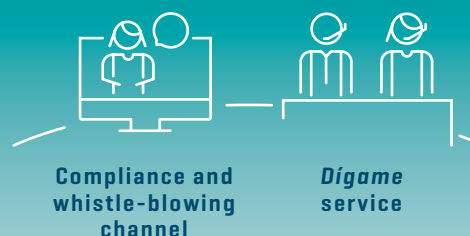
The Red Eléctrica Group has another channel for reporting non-compliance, grievances, enquiries and suggestions regarding ethical matters through the Dígame service in order to provide a reporting channel for requests from external stakeholders who are not aware of the aforementioned channel. This service will transfer to the Ethics Manager the requests received, preserving their confidentiality.

Through the compliance and whistle-blowing channel, 10 enquiries were submitted to the Ethics Manager in 2020, with a maximum resolution time of 10 days. The enquiries made were related to the following ethical principles:

- Prevention of corruption.
- Conservation and improvement of the environment.
- Respect for people and rights at work.
- Management of conflicts of interest.
- Protection of the confidentiality of information and personal data.

During 2020, 3 grievances were received in relation to compliance with the Code of Ethics and Professional Conduct and were resolved by the end of the year. None of the grievances relates

COMMUNICATION CHANNELS WITH THE ETHICS MANAGER



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to non-compliance of the organisation regarding criminal risk. More detailed information on these grievances can be found in the *Annual Executive Report on the management of the Code of Ethics and Professional Conduct 2020*, [G](#) which is published as part of the Annexes to this report. / 406-1

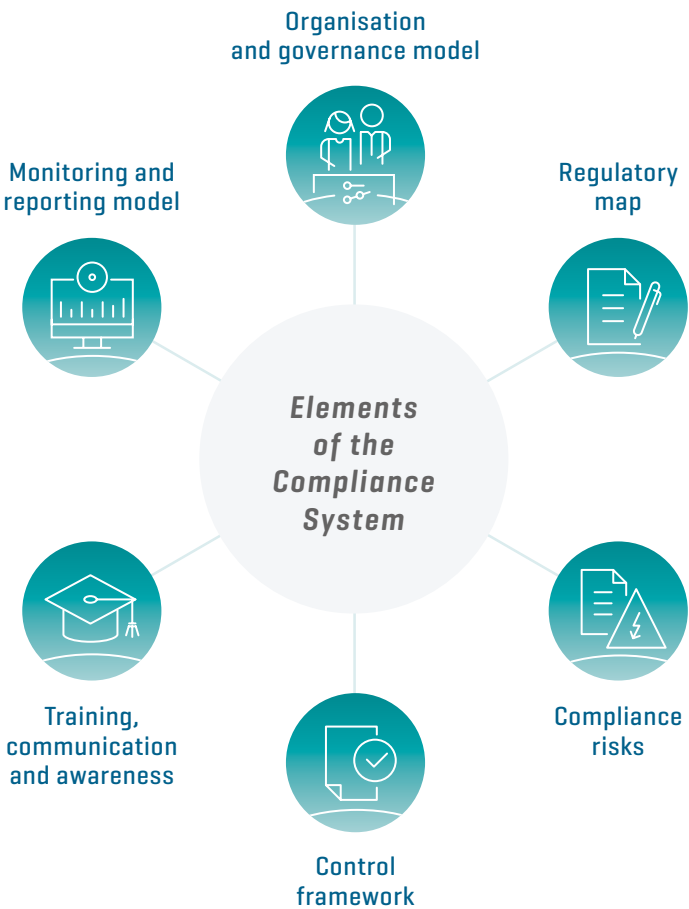
Compliance system

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.

The Red Eléctrica Group has a **Global Compliance Policy** approved by the Board of Directors, 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 and Professional Conduct.

The Company also has a Compliance area, as part of the Internal Audit and Risk Control Department, which is responsible for the design, development, implementation and monitoring of the organisation's global compliance system,

Elements of the Compliance System



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 and provide **due control** for their compliance.

Define and develop a **compliance risk map** for each of the defined regulatory areas.

Systematically identify, analyse and assess with uniform criteria the **key controls** that mitigate compliance risks.

Inform the control bodies of the Red Eléctrica Group of the status and evolution of compliance in each of the defined regulatory areas.

Promote a **corporate culture** based on ethics and compliance.

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with the objectives of promoting a global and proactive vision of compliance risks, and ensuring efficient control of these risks, guaranteeing the coordination and homogeneity of their management in the corporate sphere, improving internal control in the Red Eléctrica Group.



The Red Eléctrica Group continuously promotes a **culture based on ethics and compliance**, as a fundamental element of due diligence in the management of compliance risks.

Development of a compliance culture

Training and awareness are key factors for the development of a compliance culture within the Group. In this regard, the Company promotes 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 corporate integrity culture.

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**.

In addition, Red Eléctrica is a member of the **Spanish Compliance Association (ASCOM)**, whose main objective is to professionalise the compliance function in Spain and participates in the group of large companies that form part of the **Forética Transparency, Good Governance and Integrity Cluster**.

Counterparty integrity due diligence

The Red Eléctrica Group's Global Compliance Policy 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 counterparties, defined as those stakeholders

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The **global due diligence system for counterparty integrity** enables the assessment of the risks to which the Company is exposed to, in order to mitigate them through the establishment of appropriate control measures.



with whom it maintains or intends to maintain business relations of any nature.

The counterparty 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**.

In 2020, the Red Eléctrica Group designed a **global due diligence system for counterparty integrity**, to establish the criteria and measures necessary to provide the Red Eléctrica Group with an adequate selection and monitoring of counterparty

integrity. As an additional measure, the 'Risk Center Screening and Monitoring' tool of Dow Jones has been implemented as a support instrument, through which enquiries can be made regarding entities or individuals concerning non-compliance, illegal conduct or sanctions that may impact integrity.

The practical application of this model has focused on the supply chain, where actions have been carried out to ensure that the Company's relations with its suppliers are governed by integrity and transparency, key elements for maintaining the trust and reputation of the Group's companies among its stakeholders.

Further information is detailed in the [Supply Chain](#) section of this report.

Crime prevention and anti-bribery compliance system

The Red Eléctrica Group has a **crime prevention and anti-bribery compliance system** whose purpose is to identify the rules, procedures and tools established in the Group to avoid non-compliance with legal regulations with criminal relevance applicable to the Company and its personnel. The management and prevention of criminal risks that may affect it in accordance with its activity and business sector is thus incorporated into the due control exercised by the Red Eléctrica Group.

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In 2020, the **crime prevention and anti-bribery compliance system** of the parent company of the Red Eléctrica Group (Red Eléctrica Corporación) and its subsidiary Red Eléctrica de España was certified in accordance with UNE 19601 standards for crime prevention management systems and UNE 37001 for anti-bribery management systems.

**Corporate Crime Prevention
Compliance Committee**

The Corporate Crime Prevention Compliance Committee is both self-governing and

independent, and reports to the Board of Directors, through the Audit Committee, on the activities carried out by the same, as well as on the adequacy and effectiveness of the crime prevention and anti-bribery compliance system.

In 2020, no company of the Group was investigated or convicted of infringements related to criminal risks within the organisation or for non-compliance related to criminal risks. The Corporate Crime Prevention Compliance Committee has been informed of the matters

within its remit, has had free access to the documentation necessary to carry out its work and has had the cooperation of the various management areas of the Group to perform its functions.

**Monitoring of the Crime
Prevention and Anti-bribery
Compliance System**

During 2020, the design of Crime Prevention and Anti-bribery Compliance System Monitoring Plan was completed, which includes the activities

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 submitted with possible criminal implications, maintaining the confidentiality of all information received at all times.



**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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aimed at overseeing the correct functioning of the System and ensuring that the information on the levels of crime prevention and anti-bribery compliance risk faced by the organisation is kept up to date, so that those responsible for making decisions on the System do so in an informed manner. The Plan includes verification activities, monitoring and follow-up of the System, the results of which are set out in a table of indicators for appropriate monitoring.

One of the control objectives included in the Monitoring Plan is the oversight of the design and implementation of the **crime prevention and anti-bribery Compliance Map**, through the identification and assessment of the risks and control activities that mitigate these risks, as well as the verification of the design and operation of the monitoring activities by an independent entity.

In 2020, in accordance with best practices, external assessment was carried out by an international audit firm of recognised prestige, regarding the design and effectiveness of the key control indicators which help to mitigate the 9 priority crime prevention compliance risks: public corruption; business corruption; defrauding investors; subsidy fraud; fraud against the general budgets of the European Union; against spatial planning; against natural resources and the environment; fires; and

against workers' rights. The audit work concluded that the crime prevention compliance model meets adequate standards while maintaining a satisfactory level of control over the 9 risks under the scope being monitored.

Prevention of corruption and conflicts of interest 103-1 / 103-2 / 103-3 / 205-1 / 205-2 / 205-3

The Code of Ethics and the 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.

Code of Ethics and Professional Conduct

Compliance and whistle-blowing channel

Guide for
the Prevention
of Corruption:
zero-
tolerance

Guide for the
management
of conflicts
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 professional conduct guidelines contained in the Code of Ethics related to the main manifestations of corruption.

In 2020, in accordance with the behavioural guidelines set out in the Code of Ethics and Professional Conduct, which prohibits contributions to political parties or organisations, there were no donations, grants or loans to political parties made on behalf of the Group.

Furthermore, there have been no allegations of possible corruption, nor have any of the companies of the Group been investigated or convicted by any court of law for non-compliance related to corruption.

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 and Professional Conduct in this field, to detect and prevent potential conflicts of interest that may affect the management team. 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.

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The **Data Protection Compliance System** of the Red Eléctrica Group guarantees the **good governance of personal data** based on current legislation.

The Company also has a **Consultative Body on conflicts of interest** that is responsible for the implementation and proper application of the procedure for identifying, managing, and resolving conflicts of interest established in the aforementioned guide.

In 2020, the Consultative Body processed three enquiries regarding conflicts of interest submitted by three members of the organisation

in line with that set out in the Guide. In two of the cases, the Consultative Body declared that there was no real conflict of interest. However, in one of the cases, the situation externally appeared to be a conflict of interest; the resolution entailed adopting measures to safeguard the Group's interests. In the other case, the existence of a real conflict of interest was declared, and its resolution led to the adoption of measures to protect the Group's interests.

Protection of privacy

The Red Eléctrica Group has a **Data Protection Compliance System**, to promote and maintain a responsible and proactive attitude in the protection of personal data, guaranteeing the good governance of such data and preserving the trust of stakeholders.

In 2020, the Red Eléctrica Group extended the deployment of its **Data Protection Compliance System** to the companies of the Group that are not in Europe. With this action, the Company is committed to extending its commitment to the protection of privacy to all businesses and environments in which it is present.

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In 2020, the Data Protection Officer did not receive any complaints regarding breaches related to the protection of personal data and none of the Group companies have been investigated or convicted of infringements related to privacy regulations.

Similarly, a request has been received to exercise opposition and erasure ('right to be forgotten') of the processing of personal data, which was duly replied to on time, and the necessary technical measures were taken to provide an effective

response to the individual concerned to exercise their right, all in accordance with the Protocol for dealing with the General Data Protection Rights of the Red Eléctrica Group and the applicable privacy regulations.

Lastly, it should be noted that in 2020, 96 enquiries were received by the Data Protection Advisory Body, 90 % of which have been closed. The Advisory Body regularly monitors these enquiries to ensure their correct resolution.

Data Protection Governance Model

Party responsible

Function

Data Protection Officer
[DPO]

Ensure compliance with current data protection legislation and liaise with the data protection advisory body in this area.

Data Protection
Advisory Body

Support the proper functioning of the Data Protection Compliance System and propose improvements to the System within a legal, technical and organisational scope. The areas of Compliance, Legal Services, Comprehensive Corporate Security, Information Technology and Human Resources form part of this Advisory body, in addition to the role of the DPO itself.

Interlocutor
network

Deploy the culture of data protection within the Company, connecting the management areas with the fulfilment of the regulatory requirements in this field.



During 2020

96
ENQUIRIES
WERE
RECEIVED

BY THE DATA PROTECTION
ADVISORY BODY

of which 90 % have been closed

Development of the privacy culture

Through the annual activity plan of the data protection compliance system, Red Eléctrica promotes adequate training and awareness among its members on the relevance of the data protection compliance system within the integrity culture of the Company.



During 2020, the **training and awareness plan regarding privacy** continued. Since 2019, when the e-learning course on privacy was launched, more than one thousand Group employees have received training in this area. This course forms part of the specific training material for new employees joining the Company.

Proactivity in personal data protection

The Red Eléctrica Group has a conscious, diligent and proactive attitude towards the processing of personal data.

In line with the elements already mentioned, the Company has:

- A **privacy policy** that determines aspects such how personal data is processed, the rights of data owners are guaranteed, in addition to ensuring data security.
- A **specific methodology for risk analysis** of the processing of personal data, in order to assess these risks and establish security measures and controls that guarantee the rights and freedoms of citizens.
- A methodology for identifying, assessing, qualifying and responding to **security incidents** related to compliance with data protection regulations.



The Red Eléctrica Group has a conscious, diligent and proactive attitude towards privacy in the protection of personal data.

- A **protocol for managing and dealing with the General Data Protection Rights of citizens** regarding their right to access, rectification, erasure, opposition, portability and limitation of the processing of personal data.
- A **protocol for contracting** personal data processing agents.

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- An internal standard that regulates **privacy principles by design and by default** that incorporates in projects, activities and initiatives an approach oriented towards the principles of risk management and proactive responsibility that protects the rights of owners of personal data.
- A **monitoring plan** (that is completed on a three-year cycle) **for the control framework** of the organisational and legal measures of the data protection compliance system.
- Biennial **internal audits** to review the degree of the adequacy of the Red Eléctrica Group in terms of data protection and compliance with the benchmark regulations.

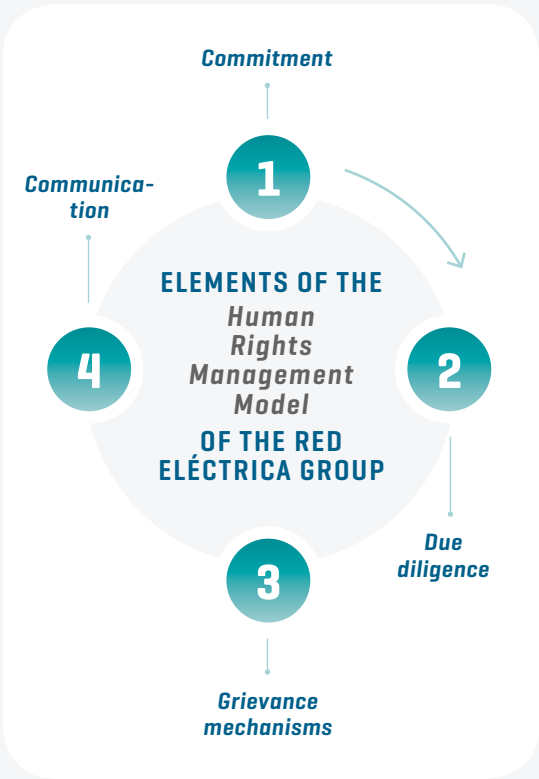
Human rights management model
Commitment to human rights
407-1 / 408-1 / 409-1

Respect for human rights is one of the ten principles underpinning the Group's 2030 Commitment to Sustainability and a key aspect considered in decision-making to contribute to the achievement of the United Nations Sustainable Development Goals.

The Company maintains an explicit and public commitment to respect human rights in the

development of its activity in all the territories in which it operates, with special attention to the freedoms and rights of vulnerable groups, such as indigenous populations, women, children and ethnic minorities, among others, and to promote the extension of this respect to its suppliers.

This commitment is formalised in the corporate values and in the principles and behavioural



Red Eléctrica's commitment to human rights is reinforced by its adherence to the **ten principles of the United Nations Global Compact, which enjoy universal consensus.**

guidelines established in the **Code of Ethics and Professional Conduct**. Similarly, the **Group's Sustainability Policy** sets the promotion and respect for human rights in the sphere of influence of the Group's companies, acting with

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due diligence, adequately managing the impacts of its activity or the activities of those with which it has a relationship and establishing appropriate mechanisms for compensation/offsetting measures.

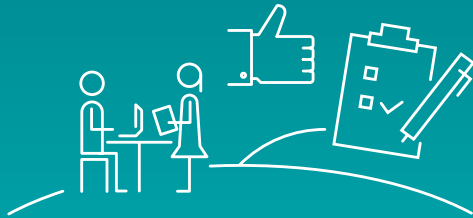
In the undertaking of these commitments, the Red Eléctrica Group takes into account the internationally recognised principles contained in the Universal Declaration on Human Rights and the binding provisions of the Declaration, the International Covenant on Economic, Social and Cultural Rights and the 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 detailed in the [Risks and impacts on the supply chain](#)  section of this report.

Due diligence process
411-1 / 412-1 / 412-3

Human rights management is addressed based on a continuous improvement approach. Thus, since 2013, Red Eléctrica has carried out **periodic due diligence assessments** to identify the impacts of its activities on human rights.



Since 2013, Red Eléctrica
has been carrying out

PERIODIC
EVALUATIONS OF
**DUE
DILIGENCE**

TO IDENTIFY THE
HUMAN RIGHTS
RISKS ASSOCIATED
WITH ITS
ACTIVITY

In 2020, the Company carried out a project to improve due diligence mechanisms regarding the identification and analysis of actual or potential negative consequences on human rights, specifically those affecting local communities in the areas of operation of the Red Eléctrica Group. Based on the evaluation of the impacts derived from the Company's relationship with its stakeholders, measures will be designed to prevent any negative impact that could lead to the infringement of human rights in its area of influence.

On the other hand, the certification of the corporate responsibility management system entails auditing all work centres in three-year cycles in aspects linked to respect for human rights. In 2020, as it was impossible to travel to work centres due to the health situation, the external audit of the management system has been carried out by remote means. In the case of the companies in Peru, 100% of the work centres were audited via video calls and communicated to stakeholders via telephone calls in accordance with the standards and guidelines certified in the corporate responsibility management system.

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.

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The Red Eléctrica Group has a Compliance whistle-blowing channel, accessible to all its stakeholders, as a formal mechanism for responding to enquiries and grievances regarding human rights.

Grievance mechanisms

The Red Eléctrica Group has a **Compliance whistle-blowing channel**, accessible to all its stakeholders, as a formal mechanism for responding to enquiries and grievances regarding human rights.

Additionally, the Company has other communication channels open to its stakeholders, where they can share their concerns regarding any matter in the area of human rights, such as the **Dígame service** that manages the enquiries and suggestions from external stakeholders and the **ASA** channel (Procurement Support and Helpdesk) for providing specific attention to suppliers.


In order to adequately manage stakeholder grievances about possible human rights violations, the Group has made progress in **improving the identification of the grievances received** through its three channels. With this information, it has been possible to identify those areas regarding human rights with the most significant impact due to the Group's activity.

In 2020, the Red Eléctrica Group received a total of five grievances regarding human rights violations through the Dígame service. 100 % of these grievances have been resolved.

Communication

The Red Eléctrica Group enables its stakeholders to partake in the Company's performance on human rights issues through the Sustainability Report. In 2020, the Company did not carry out any new 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

Furthermore, it should 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 Report is included in the **Annexes**  section of this report.



7.2

Economic results and financial strength



Key indicators in 2020

- **1.74%** average cost of debt.
- **5.3 years** average maturity of financial debt.
- **18%** proportion of variable-rate debt.
- **23%** of financing based on ESG criteria.



2020 milestones

- Red Eléctrica de España's inaugural green bond issue for a total of 700 million euros.
- Inaugural green bond issue of 400 million euros by Red Eléctrica Corporación.
- Strengthening of bank liquidity by 375 million euros during the pandemic.
- ESG bank financing in Peru for 30 million US dollars.



Challenges for 2021

- Reduction in the average cost of debt.
- Consolidation of a percentage of ESG financing above 25%.

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Evolution of the financial results

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

For yet another year, the Red Eléctrica Group has been able to maintain stable growth. The Company has obtained sound financial results and has significantly strengthened its main financial indicators, maintaining a clear focus on operational efficiency and the ongoing generation of value.

Financial strategy

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

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.

Sustainable financing

Since 2019, Red Eléctrica has had a **green financing framework**, through which it issues green financial instruments to finance and/or refinance projects that promote environmental progress. This framework is the result of the Company's commitment, even prior to the

Key Financial Indicators

/ m€ /

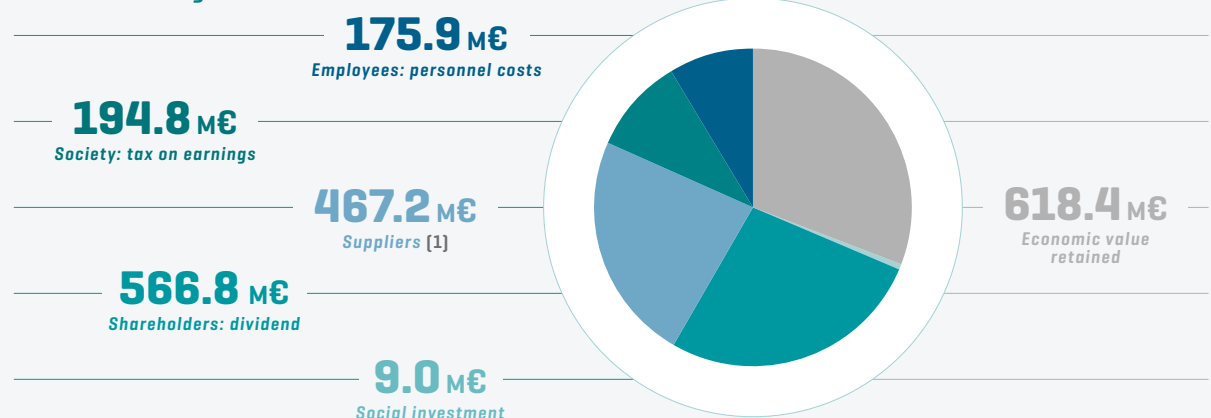
	2019	2020	Δ %
Revenue	2,007.2	1,985.8	-1.1%
Gross operating profit (EBITDA)	1,583.7	1,568.5	-1.0%
Net operating profit (EBIT)	1,082.2	929.0	-14.2%
Profit before tax	714.8	621.2	-13.1%
Net profit	10,868.4	10,929.5	0.6%
Non-current assets	3,585.2	3,492.0	-2.6%
Operating cash flow after tax	1,259.1	1,232.2	-2.1%
Total investment	1,870.4	895.0	-52.1%
Net Financial Debt	6,038.1	6,113.3	1.2%

Economic value generated and distributed / 201-1

/ m€ /

Economic value generated

Economic value retained



(1) Includes supplier costs, other operating costs and other capital suppliers: net financial costs.
Note: data included in the Consolidated Annual Accounts.

-	-	-	-	1	2	3	4	5	6	7	8	-
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definition of the framework, to the integration of environmental, social and good governance [ESG] criteria in its financing.

Red Eléctrica's green framework is aligned with the 2018 Green Principles of the International

Capital Markets Association and the Loan Markets Association. Furthermore, eligible projects are aligned with the European Union's draft taxonomy.

Criteria for the eligible green projects portfolio

Evolution of sustainable financing in Red Eléctrica



Category	Eligible green projects
Renewable energy	<ul style="list-style-type: none">Projects aimed directly at increasing the production of renewable energy.Projects aimed at integrating renewable energy.
Clean transport	<ul style="list-style-type: none">Projects aimed at improving the efficiency of the national railway system.

The Company's green financing framework has obtained a favourable opinion [Second Party Opinion] from the external agency Sustainalytics, which has confirmed its reliability and its positive impact on the environment.



In January 2020, Red Eléctrica's inaugural green bond issue was carried out for a total of 700 million euros.



In January 2020, Red Eléctrica's **inaugural green bond issue was carried for an amount of 700 million euros** and with a maturity of 8.5 years. The Group's efforts to make all its financing sustainable continued in 2020 with a new financial transaction in Peru for a total of 30 million US dollars, which also incorporates sustainability criteria.

The **Annexes** chapter of this report includes the **first Green Bond Report**, with detailed information on the financing obtained through the green bond issued and the environmental impacts associated with green projects.

Lastly, it should be noted that the reduction in the cost of its syndicated loan will remain in force until December 2021, as the Group has maintained the rating it received in the assessment of its sustainability performance by Vigeo Eiris in 2020.

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.

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Net financial debt at the end of 2020 totalled 6,113 million euros. The average maturity of the debt issued at the close of the year was 5.3 years.

The Group's liquidity position for 2020 is based on its robust capacity to generate cash flows, supported by undrawn credit facilities. As at 31 December 2020, the undrawn amount of these credit facilities is 1.93 billion euros [1.645 billion euros long-term and 285 million euros short-term]. With regard to the classification of financial debt according to maturity, short-term

debt is defined as all debt maturing within twelve months as of 31 December 2020.

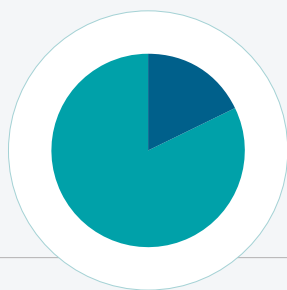
Credit rating

Red Eléctrica has been given a long-term credit rating of 'A-' with a stable outlook by both Standard & Poor's and Fitch a short-term rating of 'A-2' from S&P and 'F1' from Fitch. Standard & Poor's highlighted in its report the stable and predictable nature of Red Eléctrica's revenues and its high visibility.

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.

Financial debt structure: fixed rate vs. variable rate

/ % /

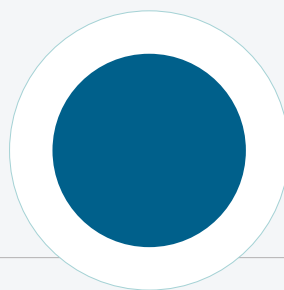


18%
Fixed rate

82%
variable rate

Financial debt structure: short-term vs. long-term

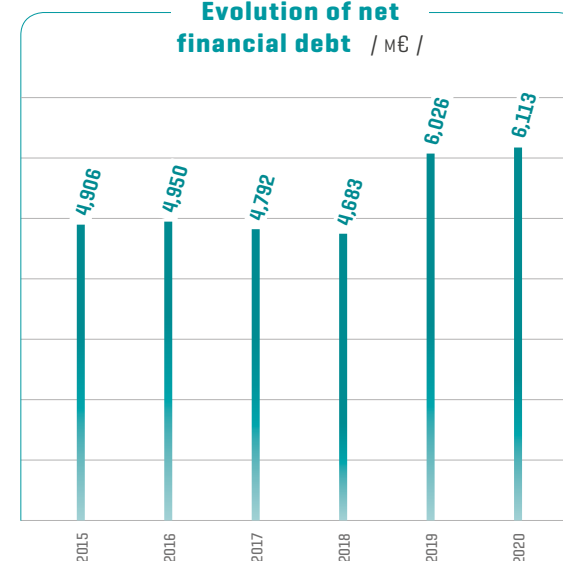
/ % /



100%
Long-term
debt

0%
Short-term
debt

Evolution of net financial debt / M€ /



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Shareholder return
Stock market performance

2020 was also marked, from a stock market perspective, by COVID-19. After continuing with the trends of the previous year for the first few months of the year, equity markets were shaken by the pandemic at the end of the first quarter of 2020, which caused them to fall back to those levels of several years earlier. Subsequently, the expansionary monetary policies implemented more forcefully by the main central banks and the announcements of strong support for economic recovery through the creation of new incentives and an increase in public spending, have made it possible for stock market indexes to recover gradually.



DIVIDEND YIELD

The gross dividend proposed to the General Shareholders' Meeting for 2020 is 1 euro per share,

**MAKING RED ELÉCTRICA'S
SHARES AMONG THOSE OFFERING
ONE OF THE MOST ATTRACTIVE
DIVIDEND YIELDS ON THE
SPANISH STOCK MARKET**

This recovery has enabled Wall Street to end the year on a positive note, with its main indexes setting new all-time highs in the final days of 2020. Of note was the 43.6% rise in the Nasdaq. Regarding the main European markets, these ended the year in the red, with noteworthy falls being registered in the British FTSE and the Spanish IBEX. The FTSE fell by 14.3%, possibly affected by the uncertainties associated with Brexit and the IBEX 35 index led the falls of the major European stock markets after losing 15.5% during the year, reflecting the serious effects of the pandemic on our economy, which is intricately linked to the services sector and, especially, tourism. The exception among the European indexes was the German DAX, which had gains of 3.5% for the year as a whole and also ended the year at record highs.

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Among the Asian stock markets, the Japanese Nikkei gained more than 15%.

In addition to this performance by geography, there was a clear differentiation by sector in 2020. Investors favoured stocks related to technology or pharmaceutical sectors or companies linked to renewable energy. On the other hand, sectors such as finance or oil and gas suffered severe setbacks during the year.

Red Eléctrica's share price

The Red Eléctrica share performed similarly to the Spanish stock market throughout the 2020 financial year, although its annual fall

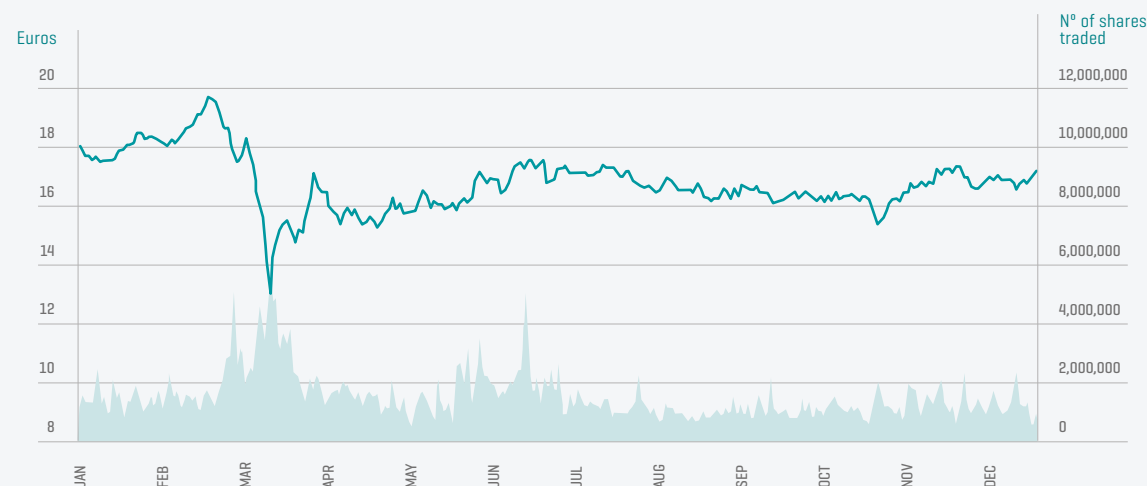
was more moderate. The share set an annual maximum price in the first weeks of the year, on 19 February it reached 19.74 euros, and the minimum occurred in mid-March, coinciding with the great setback suffered by the market, on 12 March, the share set its annual minimum at 13.105 euros. The closing price for the year was 16.775 euros, representing a decline of 6.4% in 2020 as a whole.

A total of 535.1 million Red Eléctrica shares were traded on the Madrid Stock Exchange during the year as a whole, 1% more than in the previous year and equivalent to 99% of the Company's shares. Purchases made in cash to 8.8823 billion euros, 9% lower than in 2019.

Main stock market indicators

	2019	2020
Share price (in €)		
Maximum	20.37	19.74
Minimum	16.74	13.105
Year-end	17.925	16.775
Market capitalisation at the close of the year (in m€)	9,699	9,077
Earnings per share (EPS) (in €)	1.327	1.148
Share price/EPS (No of times)	13.51	14.612
Dividend per share (in €)	1.0519	1.00

Share price performance and daily volume



Distribution of dividends

The gross dividend proposed to the General Shareholders' Meeting for the 2020 financial year is 1 euro per share, thus placing Red Eléctrica's shares among those offering one of the most attractive dividend yields on the Spanish stock market. On 7 January this year, a gross interim dividend payout of 0.2727 euros per share was made, with 0.7273 euros per share pending distribution as part of the gross complementary dividend.

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7.3

Employees



Key indicators in 2020

- **32.67%** of women in the management team.
- **0.86%** of people with disabilities.
- **0.96%** overall accident severity rate.
- **67 hours** of training per employee.



2020 milestones

- Implementation of the women's leadership programme.
- Implementation of the new talent differentiation process.
- New learning ecosystem (Virtual Campus).



Challenges for 2021

- Implementation of the Sustainable People Management model.
- Deployment of the Agile methodology.
- New strategy for attracting and retaining talent.



Awards and recognition

- 12th position among the 20 best companies in Europe according to the Equileap Global Gender Equality Report.
- In the Top 30 Companies with best practices in Diversity & Inclusion by INTRAMA.



-	VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	-	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	-	OUR RESPONSE TO THE COVID-19	-	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	-	ANNEXES
																									

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 and committed talent, employee experience and transforming the organisation into a healthy workplace that is considered a benchmark in this sphere.

The **ImpúlstaTE** project has continued to deploy its functionality, driving the transformation of the people management function to add value to the Group as a strategic partner of change and facilitate the achievement of its objectives through its various projects.

In this context, giving continuity to the strategic objectives of the Group, the adaptation of human capital is promoted to guide the Group's companies to be more digital and efficient, highlighting in 2020 the Corporate restructuring

process, by which 366 people from Red Eléctrica de España (REE) have moved to Red Eléctrica Corporación, the holding company of the Group, in order to provide corporate services to all its companies, thus strengthening the independence of the role of TSO (REE) and the operational and economic optimisation of the organisational structure, with a global approach, taking advantage of the synergies and knowledge of all the companies that make up the Group.

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



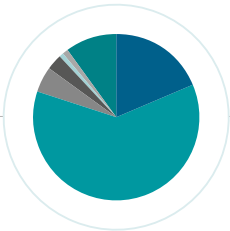
225

**Distribution of the workforce
by company**

19.1%
Red Eléctrica Corporación

69%
Red Eléctrica de España

4.9%
Red Eléctrica Internacional



2.9%
REINTEL

0.8%
REINCAN

0.1%
REDCOR

0.9%
RETIT (Elewit)

9.7%
HISPASAT

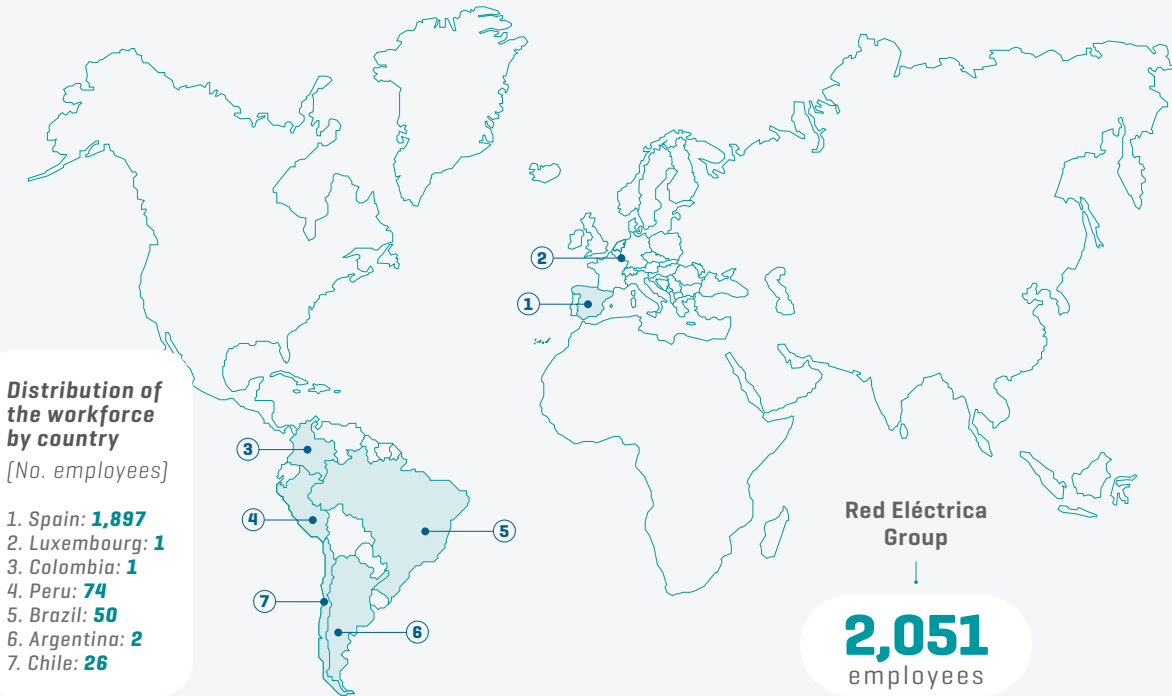
**A stable, committed and highly
qualified team
401-1**

As at 31 December 2020, the Red Eléctrica Group had a total workforce of 2,051 people. 92.5% of the total [1,897] carry out their activity in Spain and 7.5% [153] in Latin America.

With an average age of 45 years and an
average length of service of 16 years



Distribution of the Red Eléctrica Group workforce



-	VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	-	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	-	OUR RESPONSE TO THE COVID-19	-	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	-	ANNEXES
																									

The number of people in the Red Eléctrica Group's workforce remained at similar levels in 2020 to the previous year, with a decrease of 5 people.

The Red Eléctrica Group offers stable and quality employment, it is committed to employability and functional mobility as a lever for growth and professional development, which is also reflected in the low level of overall external turnover.

/ of the total workforce /

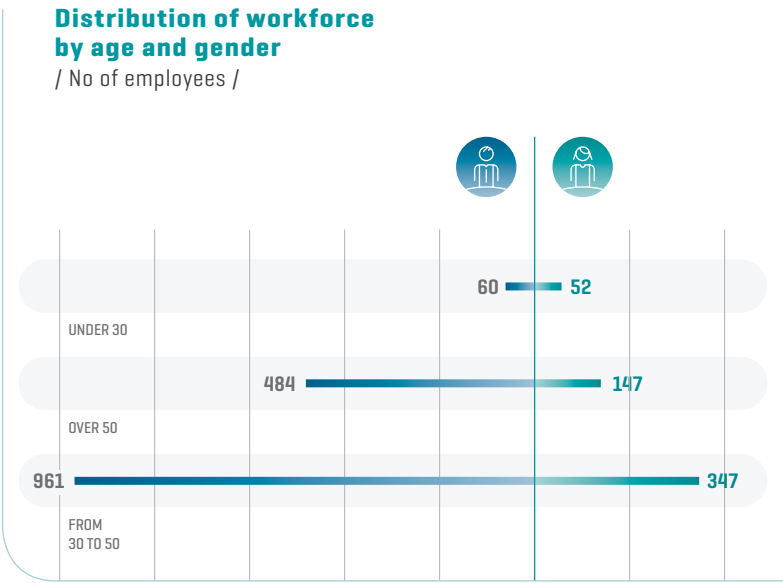
98%
Permanent positions

5%
Mobility ⁽¹⁾

0.5%
Overall external turnover



The Red Eléctrica Group offers stable, quality employment, with a commitment to employability and functional mobility.



⁽¹⁾ Does not include HISPASAT.

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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 and emotional] and facilitates and supports organisational and cultural transformation and new ways of working within the Company.

With this same approach, the Company has recognition programmes linked to the Strategic

Plan and the development of disruptive and innovative ideas that lead to improvements in the Group's processes, contribute to generating savings or that represent a new source of income, thus promoting the participation of all the Group's professionals.

The Red Eléctrica Group rewards its professionals according to principles of equity based on the level of responsibility of the position and

Red Eléctrica Group total remuneration model ⁽¹⁾



⁽¹⁾ Based on WorldatWork's total rewards compensation scheme.


228


professional experience, and its annual salary review processes differentiate according to the contribution made during the year and the result of achievements, but never on the basis of gender.

The active monitoring maintained by the Group on equal pay between men and women has allowed the gross pay gap to be reduced by one percentage point this year compared to the previous year.

Furthermore, in order to advance in transparency and in compliance with market recommendations

and best practices, it is important to take into consideration that the Red Eléctrica Group includes the total remuneration concepts and payments of its employees in the calculation of its gross pay gap, including this year for the first time, the concepts of expenses, overtime and expatriation allowances.

In the coming years, the Group will continue to work and develop actions that will allow it to continue to make progress in improving values.

Remuneration model

For non-managerial staff

It consists of a part of fixed remuneration within broad salary bands that allow for differentiated salary recognition and a variable payment or extraordinary bonuses that acknowledge the most outstanding contributions. In addition, non-monetary elements are included, which enable the personalised configuration of the professional's remuneration in kind.

During 2020, a results-oriented remuneration model has been consolidated, centred on a scheme that sets and monitors challenges, based on the deployment of the management team's objectives.

In addition to the above, the Company offers its professionals social benefits that are not legally required.

Management team

This includes an annual variable remuneration that values the contribution to the achievement of individual objectives related to efficiency, quality and other factors such as health and safety and sustainability. As part of this model, senior management has a deferred variable, the purpose of which is to attain maximum

motivation and commitment to the achievement of the Company's Strategic Plan.

*The Company also continues to promote **leadership objectives**, which link variable remuneration to the leadership model, as well as to the Company's strategy.*

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VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	OUR RESPONSE TO THE COVID-19	A BENCHMARK REPORT AT THE FOREFRONT OF REPORTING STANDARDS	RED ELÉCTRICA GROUP	STRATEGY	CORPORATE GOVERNANCE	COMMITMENT TO SUSTAINABILITY	ANTICIPATING CHANGE AND TAKING ACTION	DECARBONISATION OF THE ECONOMY	RESPONSIBLE VALUE CHAIN	CONTRIBUTION TO SOCIAL, ECONOMIC, AND ENVIRONMENTAL DEVELOPMENT	ANNEXES
												

Diversity
103-1 / 103-2 / 103-3

The mission of the **Red Eléctrica Group's 2018-2022 Comprehensive Diversity Plan** is to inspire and be a benchmark, both within the Group and in the social, work and personal environment, through a commitment to diversity of talent, social and labour inclusion and non-discrimination, addressing stereotypes and cultural barriers.

Gender Equality and
Equal Opportunities

Gender **equality** is one of the vectors included in the Comprehensive Diversity Plan. It is in keeping with the principles of equal employment opportunities, promotion of women into positions of responsibility, equal pay for men and women, the development 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 percentage of **women** in the workforce of the Red Eléctrica Group was 26.62% in 2020. Regarding the number of women in management positions, this increased for yet another year, reaching 32.67% in 2020 [32.10% in 2019]. It should be noted that these results almost achieve the target set for 2022. In addition, noteworthy

The Red Eléctrica Group has employees of 15 different nationalities.

was the important presence of women on both the Executive Committee, with 55.6% women, and on the Board of Directors, with 50% female Board members.

As for the indicator measuring **equal opportunities in internal promotion**, in 2020, this indicator stood at 1.38%, thus exceeding the target of 1.20% set for the year. With regard to **equal training opportunities**, this closed the year at 0.97%; noteworthy was the participation of Red Eléctrica de España in all the editions of the PROMOCIONA programme with one female manager taking part in 2020.

2018-2022 Comprehensive Diversity Plan

Objectives

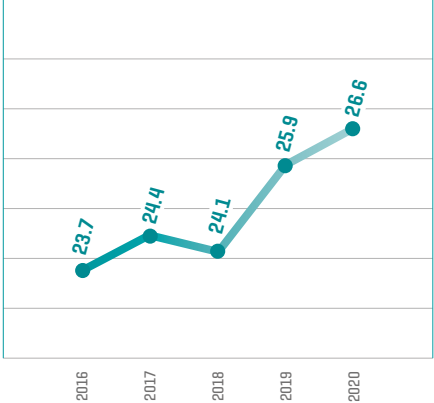
- Create for employees and the rest of the stakeholder groups a corporate culture favourable to diversity.
- Integrate diversity into all the Group's processes, especially in people management.
- Involve, raise awareness and promote the Group's mission and focus on diversity among collaborators and suppliers.
- 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 building a more diverse society.

Commitments

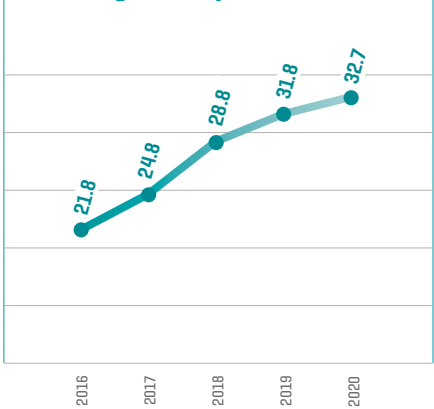
- Ensure that at least 35% of the management team are women.
- 0% pay gap.
- EFR A+ rating.
- Compliance with 70% of the General Law on the Rights of Persons with Disabilities in Direct Employment.



Evolution of women on
the workforce / % /



Evolution of women in
management positions / % /



Note. Scope of the data: REE+REC up until 2016; REE + REC + REINCAN + REI + REINTEL in 2017 and 2018 and the Red Eléctrica Group as of 2019.

Noteworthy actions promoting equality in 2020

Awareness-raising activities and training

- Celebration of the 2nd Women in REE Week, with daily actions aimed at raising awareness of the importance of women in society in general and in organisations in particular, and specifically, on the promotion of STEM careers in socially vulnerable adolescents, biases in organisations and the role of women in the rural environment, among others.
- Awareness-raising and communication campaigns against gender-based violence and on the International LGBTI Day and International Day of Persons with Disabilities.

Forums and participation in external working groups

- Working groups and forums on diversity and inclusion promoted by institutions such as the IE Business School, and EJE&CON, Spanish Association of Executives and Board Directors.
- Intergenerational health and well-being project of the Generation & Talent Observatory of the European University of Madrid.
- Gender equality and international relations working group of the Real Instituto Elcano.
- Women and Engineering Project, to promote the incorporation of women into STEM university degrees [science, technology, engineering and mathematics] with the Royal Academy of Engineering.
- Participation in the Woman Forward, Women Action Sustainability [WAS] and Women in a Legal World [WLW] conferences.
- Participation in the commemoration of FADEMUR's International Rural Women's Day 2020.

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 2020, the Company continued to carry out multidisciplinary actions [occupational health and

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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. The [Knowledge Management](#) subsection of this actual section provides further information on this initiative.

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.

Inclusion of people with disabilities

With regard to compliance with the General Law on the Rights of Persons with Disabilities [LGD], in 2020, the Group reached an equivalent



Key actions regarding disability

Employment generation. Acquisition of goods and services from Special Employment Centres.

Corporate volunteering

Plan familia a support programme that provides personalised assistance to improve the social and labour integration of disabled family members of employees of the Red Eléctrica Group.

Definition of an inclusive recruitment process

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.

Support for the Adecco Foundation’s **Employment for All Programme**.

Plan aflora, programme aimed at supporting employees who could be eligible for disability certificates.

People with disabilities

/ % /

2018	2019	2020
0.9	0.9	0.9 ⁽¹⁾

⁽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 [3.33% of disabled persons in the workforce] as well as HISPASAT [with 2.05% of people with disabilities in the workforce].

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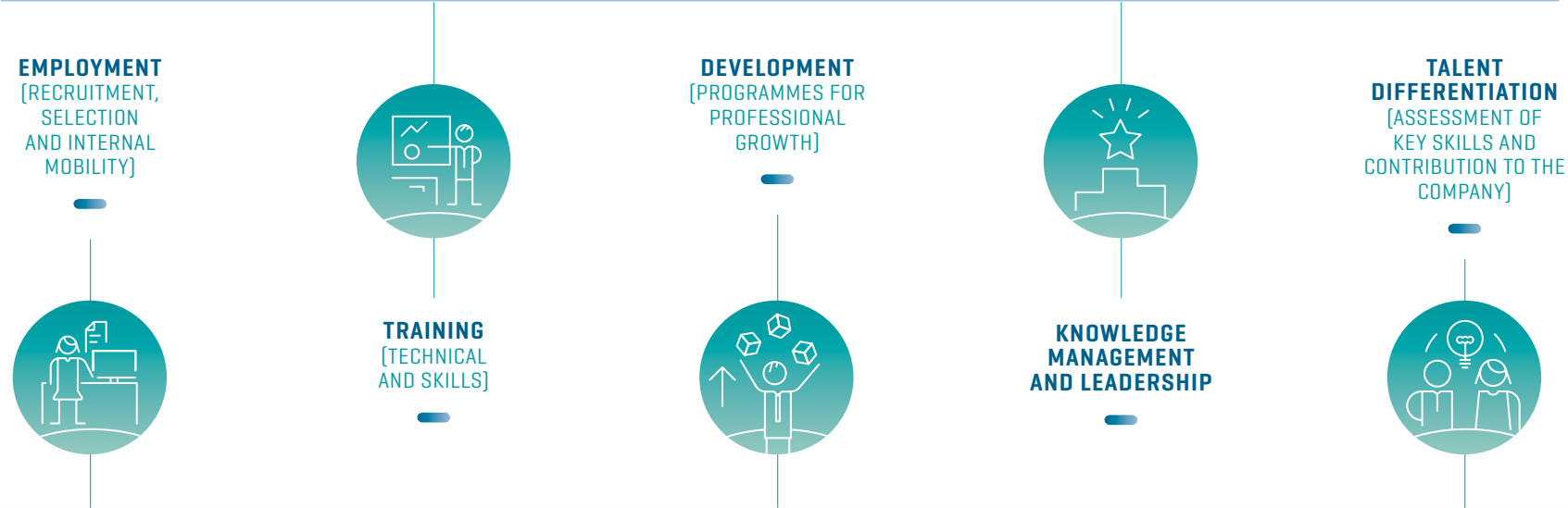
employment of persons with disabilities rate of 2.47% in Red Eléctrica de España. Of this percentage, 0.86% corresponds to direct employment and the rest to the application of alternative measures of exceptionality within the framework of the LGD. These measures encompass the contracting of goods and 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 to the

Group in the execution of the actions carried out within the annual diversity programme relating to disability and in turn contribute to social action.

Talent management
103-1 / 103-2 / 103-3 / 404-2

The talent management model aims to attract, surface, develop, train, transform and retain talent, as well as share knowledge.

Talent Management Model: courses of action



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Attracting, selecting and onboarding talent

As a result of the Red Eléctrica Group Transformation Project, and under the umbrella of *REtaTE* and *Imagina*, work has been carried out through the *ImpúlstaTE* initiative to achieve efficiency and to centralise the process for the attraction and incorporation of talent (recruiting, selecting and onboarding) through a single homogeneous tool for the entire Red Eléctrica Group. Additionally, a new induction plan has been implemented to facilitate the integration of new hires and to help improve the candidates' overall experience.

Transformational leadership

In 2020, the Company took a further step to evolve towards transformational leadership, defining a leadership model that embodies what is expected of a leader of the Red Eléctrica Group in terms of principles, values and behaviours.

After the model was defined, it was incorporated into the management team development plan, concentrating efforts on focusing development on what each manager needs in order to adopt the

new model successfully. In 2020, this initiative included the execution of informative sessions, a 360o feedback process, interviews regarding the results after the feedback process, a Red Eléctrica Group leader toolkit (guides and content platforms) and specific intervention actions both at team and individual level. Further information on the Transformational Leadership Model is detailed in the [Transformation: culture, digital and technological innovation](#) section of this report.

Sub-processes of the attraction of talent and onboarding process



Attracting talent

Redesigning the positioning of the Red Eléctrica Group as an employer, with the support of a new corporate website for professional careers, with multi-channel job offers and integrations with social networks, enhancing the brand and providing an interactive and improved candidate experience.



Recruitment and selection processes

Enabling a more centralised handling of recruitment and selection processes using a unique tool for the entire Group, allowing both internal and external processes to be managed, and improving the internal customer [employee] experience and management timescales.



New induction and integration plan

Providing both new and existing employees with a positive onboarding experience allowing them to learn more about the business and familiarise them with their new position within the organisation. This is accomplished through a multidimensional programme that includes key information about the Company and specific aspects of the position to be occupied by the employee.

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Leadership model



Knowledge management

The Red Eléctrica Group's knowledge management model serves to channel, manage and facilitate the generation of new knowledge that allows the Company to innovate. In 2020, the organisation consolidated the deployment of the model by sharing it with employees, including those in Red Eléctrica Andina [Peru].

The knowledge management model includes the **IMPULSORES - RE AVANZA** programme.

This initiative, geared towards sharing technical know-how, aims to enable experts in each area to disseminate and share their knowledge and experience, encourage debate and the exchange of ideas while creating a network of contacts that generates new shared expertise. RE AVANZA also enables the influence of new technologies on the Company's activity to be analysed and new possibilities to be identified.

Another relevant tool is the *Value of your Experience* project, whose main objective is to transfer the knowledge, core tasks and experience of the experts involved, who at the end of the process will take over the roles and responsibilities, to ensure the preservation and transfer of people's know-how and to ensure optimal performance in change processes.

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Training and development / 404-1

In 2020, the Company continued to consolidate 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.

At the same time, the new learning model has materialised, which reflects the *ImpúlSaTE* philosophy and is based on the employee experience, on the training offered and on a new management system, aimed at employees becoming the protagonists of their professional development and that leaders support them as part of their transformational role.

The *strategy and standardisation of learning* is a crucial element within the overall talent management model. The various training and development programmes are grouped into four lines: technical training, skills development, corporate training and training aimed at specific groups.

In 2020, the Company continued to consolidate the training model, aligning the contents with the three learning levers on which the Campus of the Group is based: business knowledge and technical training; strategy and leadership; and cultural transformation and innovation.

**Red Eléctrica Group training
in 2020**

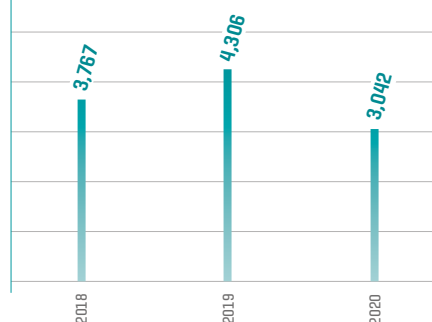




**Training hours per
employee.**
Red Eléctrica Group / 404-1



**Investment in training
per employee.**
Red Eléctrica Group



Key training actions during 2020

- *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.*
- *Digital training through the 'Digitall by Campus' program, available in the BeREDy App, where the entire organisation has access to tools, content and digital knowledge via a gamified training system focused on improving 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.*
- *TransformaRE Project, linked to the improvement of the efficiency of the work carried out in regional areas.*
- *Self-development ecosystem, where each employee can freely access a different methodology to improve their personal and professional performance depending on their learning preferences.*
- *Natural capital. Development of training materials and workshops on the Ecosystem Services Valuation Methodology for the electricity transmission grid to assess the impacts and dependencies of the Group's activities.*



- *Training on the Configuration of engineering elements for the Substation engineering department, supporting the functional transformation of the unit, increasing and internalising knowledge in order to cooperate in the fulfilment of REtaTE in terms of external cost savings.*
- *Implementation of the Agile methodology in the Procurement and the Human Resources Departments.*

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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.

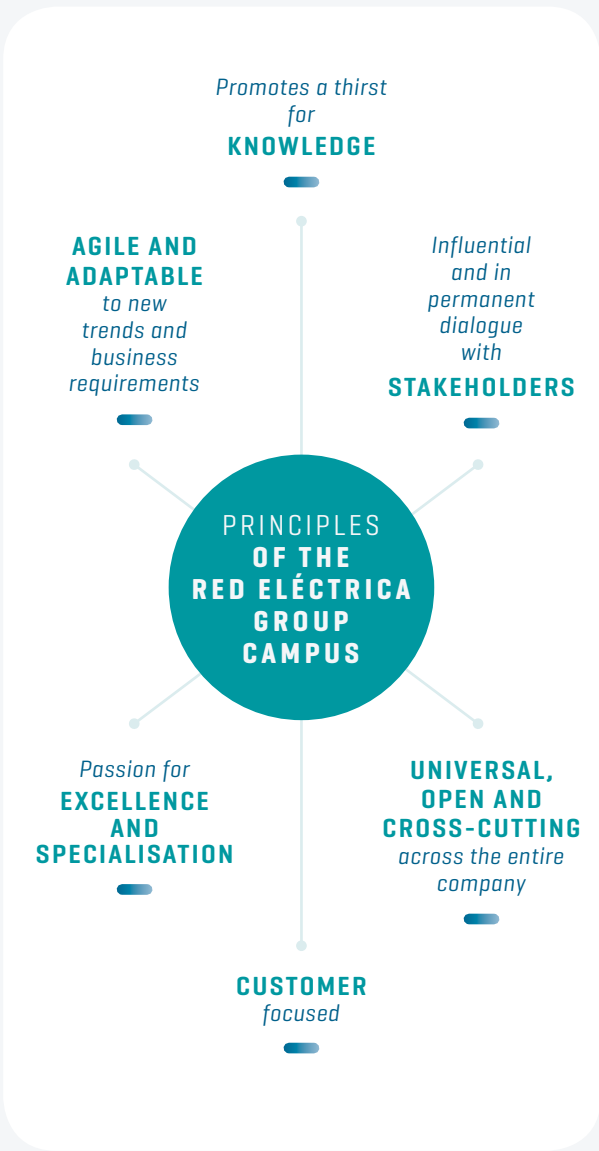
The Red Eléctrica Group Campus, whose motto [translated into English] is Believe, Create and Grow [C3 in Spanish], is structured around institutes with the capacity to transform and learn continuously through their permanent contact with the Company and the global environment:

- **Cultural Transformation and Innovation Institute;** focused on the development of competencies to drive transformation.

- **Strategy and Leadership Institute.**
- **Business Knowledge and Technical Training Institute;** linked to core business.

In March 2020, the **new virtual campus** was inaugurated as the Group's learning hub within the ImpúlsaTE philosophy.

The Red Eléctrica Group 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 programme. Its design has followed the guidelines of the CLIP certification tool [Corporate Learning Improvement Process] of the European Foundation for Management Development [EFMD].



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Assessment of contribution
and key skills / 404-3

Since 2018, the Red Eléctrica Group has had an **assessment model** that effectively separates the evaluation of contribution and the development of key skills, with the aim of increasing its objectivity and facilitating the alignment of all employees with the Group’s strategy.

In 2020, the **360° feedback** model was consolidated as a development tool, through which employees have been able to use multiple sources to learn about the evolution of their contribution or their skills.

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 favours an assessment of the most objective contribution based on results.

Lastly, as a result of the review and updating of the **key skills** included in the model, personal development plans (PDPs) have been developed, which 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 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 organisation’s reality during the talent differentiation process.

Talent differentiation process

During 2020, this process has been implemented, which allows for a **differentiation and segmentation** of people according to their talent, i.e., by an equal appreciation of differences in their current contribution to the organisation, as well as differences in the capabilities they possess and exhibit to sustain and improve this contribution.

The objectives of this process are:

- To identify those people who bring differential value to the organisation, and those who have capabilities to enhance said value in the future.
- Identify those people who are not contributing adequately to the organisation.
- Make differential and equitable investment decisions according to the talent of the people, and the influence that this investment can have on improving results.
- Develop the ability of managers to differentiate talent and make fair decisions on investment in people based on relevant evidence of contribution and capability. This investment is materialised in

Variables of the talent
differentiation model

Contribution

How the person contributes value through their work and the fulfilment of their duties and responsibilities to achieve the strategy and sustainability of the business.

Capabilities

Appropriate skills, knowledge, motivation and values to sustain and enhance contribution differentiating between those relating to their current level and role and those relating to a higher level and another role.

-	VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	-	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	-	OUR RESPONSE TO THE COVID-19	-	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	-	ANNEXES
																									

Internal mobility in 2020^[*]: 5 % of the workforce of the Group in Spain

[*] With the exception of HISPASAT.



the implementation of policies and actions that seek to improve:

- 1. The alignment of activity of the people with the Company's objectives.
- 2. The capabilities of professionals.
- 3. The motivation of people.

As a result of the decisions derived from the talent differentiation process, the agreed **Personal Development Plans** will be implemented to achieve the established objectives.

Mobility model

The main goal 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.

The Company has already consolidated an **Internal Mobility Plan** integrated into the Talent Management Model and the Professional Development Model, as well as the use of the **LinkRED** tool, which can be accessed by 100 % of employees to share their experience and interests with regard to the areas of development and mobility, showcasing their knowledge and expertise, as well as sharing their personal and professional interests.

During 2020, a new project has been developed with the aim of **transforming the internal mobility process** in order to manage mobility within the Group, in an **agile and efficient way**, taking into account the needs of the organisation and the professional development of the employees, thus improving their experience.

The main objective of this review of the process has been geared towards:

- **Promoting transparency:** transparent communication.

Objective, flexible and transparent criteria that facilitate the understanding of the mobility process by the organisational units and contribute to the reduction of current barriers.
- **Increasing efficiency:** reducing response times.

Prioritise mobilities and introduce mechanisms and tools that allow a faster response to the needs of organisational units and employees.
- **Improving the internal customer experience:** Increased satisfaction during the process of both employees and managers.



During 2020, 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].

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.

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.

Young Talent Programme– DescubRE

In 2020, a group of 11 people took part in the third 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 11 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 February 2020. 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.



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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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 eight regional transmission centres of the Company. At the beginning of the phase scheduled to be held at the Campus of this second edition of this degree course, COVID-19 prevention measures were adopted, and the programme was rethought, moving from a classroom-based format to a format that combined e-learning of the theory of the subjects with contents, mainly technical and health and safety, which form part of our Virtual Campus.

Students from the second edition of this degree course graduated in December 2020 with 20 people trained, 3 of them women, and it is foreseen that the Red Eléctrica Group will incorporate at least 75% of the students into the workforce in 2021.

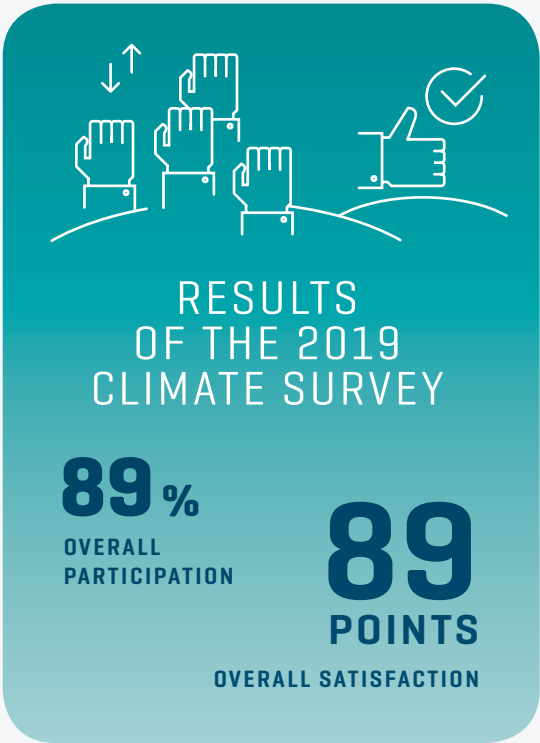
Dialogue and transparency

Social climate

At the beginning of 2020, the overall results of the Red Eléctrica Group's Climate Survey conducted in 2019 were communicated to the workforce via the intranet, and the management team shared the results for each area in face-to-face sessions in which constructive dialogue was encouraged.

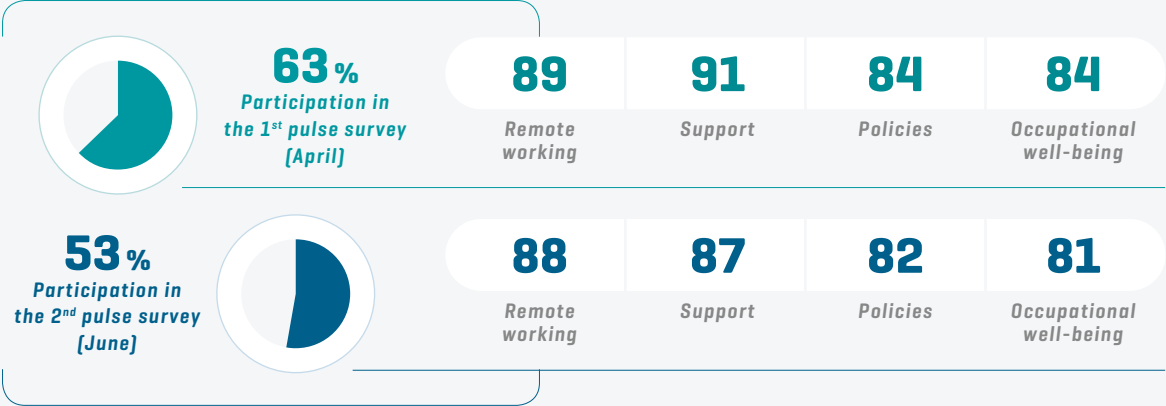
Throughout 2020, work was carried out on improvement plans, both those relating to each area and those related to Company as a whole.

In addition, two pulse surveys were carried out in 2020 to **measure the employee experience** resulting from the situation caused by the pandemic.



The results reflect highly positive levels in all categories, showing, in general, an excellent reception by employees of the decisions and measures adopted by the Company during the crisis.

Looking ahead to 2021, a new edition of the Climate Survey will be carried out and the feasibility of the pulse survey model to measure employee experience in a specific way will be studied.



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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

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 2020, negotiations on the 1st Collective Bargaining Agreement of Red Eléctrica Infraestructuras de Telecomunicación took place. These negotiations reached a consensus, and the 1st Collective Bargaining Agreement came into force on 14 September 2020.

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.

Similarly, during 2020, several meetings of the Inter-work Centre Committee of Red Eléctrica de España and other committees in which the social representation participates were held.

The majority of the workforce of the Group in Spain is covered by the collective bargaining agreement, excluded from its scope is: the management team and the employees who voluntarily and reversibly accept the proposal of the management of the Company to be excluded from the agreement.

In 2020, 19 grievances [settlement forms and lawsuits (1)] on labour practices received through



formal mechanisms were handled, of which 11 have been resolved, and 8 are still pending.

Regarding organisational changes, it should be noted that they are carried out according to current legislation. In this regard, those 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.

(1) Administrative procedures are not included.



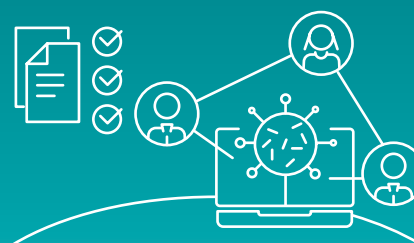
Internal communication is key to sharing objectives, engaging employees and improving the working climate, thus increasing pride of belonging.



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, which may be replaced by a mediation or arbitration procedure.

Internal communication

The Red Eléctrica Group considers internal communication instrumental to Company's mission and goals, involving employees in various projects and connecting people, thus increasing their pride of belonging.



CLOSER AND MORE DIRECT INTERNAL COMMUNICATION

In 2020, internal communication has been adapted to the circumstances brought about by the health crisis

This year, internal communication has been adapted to the circumstances brought about by the COVID-19 crisis in order to respond to the needs of a workforce that is working remotely.

Similarly, 2020 was the definitive year to boost the role of the management team as a channel of communication with their respective teams, entailing a closer and more direct one-to-one communication to offset the fact that employees were not in the office during COVID-19.

In 2021, these new new ways of communicating will continue to be promoted, improving the development of two-way communication and enhancing existing dialogue channels.

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Healthy workplace

103-1 / 103-2 / 103-3 / 403-1 / 403-8

The Red Eléctrica Group promotes best practices in occupational health and safety and well-being through the **Healthy Workplace Management Model** and with the commitment and leadership of the management team.

The model is deployed through a multi-year plan and **annual programmes** that aim to give continuity to the management model through continuous improvement and for the consolidation of the Red Eléctrica Group as a leading company in best practices in the field of occupational health and safety and well-being.

Consultation and participation

403-2 / 403-3 / 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 11th 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.

The meetings are held quarterly [in accordance with Law 31/95 on Occupational Risk Prevention] but may also be held whenever requested by any of the parties. At these meetings, all preventive and health activities are monitored, as well as the new applicable legal regulations, the review of processes and internal regulations, the analysis and monitoring of occupational health and safety results and programmes, and the monitoring of safety equipment and materials. The minutes of these meetings are available to all employees in a specific section on the miRED corporate intranet. This committee is also aware of the results of the internal and external audits carried out and the improvement actions implemented.

Healthy Workplace Model Principles

PHYSICAL WORK ENVIRONMENT

To provide the necessary means to carry out the functions related to the workstations where jobs are performed ensure the best health and safety conditions possible.



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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VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	OUR RESPONSE TO THE COVID-19	A BENCHMARK REPORT AT THE FOREFRONT OF REPORTING STANDARDS	RED ELÉCTRICA GROUP	STRATEGY	CORPORATE GOVERNANCE	COMMITMENT TO SUSTAINABILITY	ANTICIPATING CHANGE AND TAKING ACTION	DECARBONISATION OF THE ECONOMY	RESPONSIBLE VALUE CHAIN	CONTRIBUTION TO SOCIAL, ECONOMIC, AND ENVIRONMENTAL DEVELOPMENT	ANNEXES
												

In 2020, the committee held four meetings, fulfilling the planned objectives, but four informative meetings were also held at the request of the Company's representatives to explain and communicate each of the actions in the preventive framework that were being taken in relation to COVID-19.

On the other hand, to reinforce employee participation, there is an internal communication and enquiry channel, specific to this matter, through which suggestions, doubts and proposals for improvement related to safety are channelled.

Physical work environment
403-2 / 403-3 / 403-7

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.

10,285 occupational health and safety inspections were conducted in 2020 on work at facilities. More than 1,700 corrective actions have been generated, of which 85.34% have been resolved.



To minimise the risks involved in construction and maintenance work in electricity facilities, the Group places special emphasis on training, awareness, dealing with enquiries and employee participation (Health and Safety Committee, internal audits and working groups), improving behaviour and safety measures during the performance of work with both its own and with external personnel (contractors) and developing a series of actions in recent years aimed at reducing the accident rate during the execution phases of the work.

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. In this regard, in 2020, 10,285 safety inspections were carried out on works in facilities where incidents were detected in 11.26% of the inspections.

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As a result of all the activities carried out for the control and monitoring of the work, more than 1,700 corrective actions were identified, of which more than 85.34% have been resolved, with the remaining still pending closure.

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.

In addition, this year, the management team continued to carry out **internal safety audits** on construction worksites.

During 2020, work has been carried out to update the Action Plan for the improvement of occupational health and safety, establishing a new 2020-2023 horizon, to respond to the strategic challenge of being a Zero-Accident group, in which two main lines of work are established:

- **Culture in prevention:** Consolidating a preventive culture focused on the well-being of people working in Red Eléctrica facilities, promoting a safe working environment, reinforcing the communication of all aspects that contribute

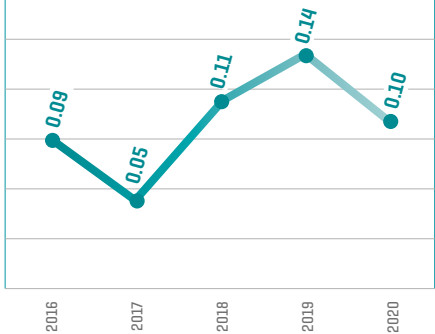
to a greater level of health and safety during the performance of the activity.

- **Innovation:** The Red Eléctrica Group has placed a special focus on innovation as a lever for digital transformation in the area of occupational health and safety. The Company manages innovation in health and safety by making the relevant technology available to people.

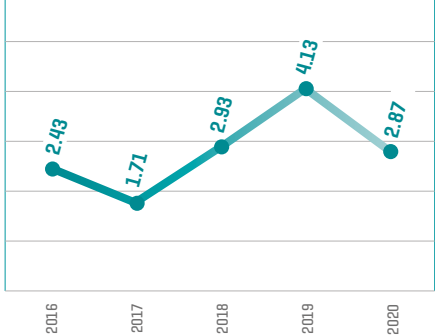
Innovation management is carried out by seeking an impact on health and safety processes and promoting the use of technology with the support of Elewit, the Group's technology company. In 2020, pilot projects were carried out with several start-ups that are experts in different enabling technologies, such as virtual and mixed realities, data analytics (Big Data), IoT (internet of things oriented towards bringing sensor-based solutions into the world of the connected worker) and Blockchain, applied to different use cases and proofs of concept.

In 2020, the main accident indicators for Red Eléctrica Group employees were 2.87 (frequency indicator) and 0.10 (severity indicator). The overall severity rate, including own staff and suppliers, of the Red Eléctrica Group was 0.96. In November 2020, the Company regrettably had a fatal accident involving a worker of one of the contractors, the causes of which are being investigated. This event has caused a spike in the value of the severity rate of contractors,

Accident severity
rate of the
Red Eléctrica Group



Accident frequency
rate of the
Red Eléctrica Group



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In 2020, the medical service has monitored all suspected or confirmed cases of COVID-19 involving employees, as well as following up on the close contacts of cases identified.




increasing it to 1.57, as its calculation was affected by a scale of *6,000 working days lost*, without which the trend would have been linear.

Monitoring and promotion of health and safety and well-being / 403-6

The Red Eléctrica Group carries out permanent preventive monitoring of the health of its employees. 2020 was marked by the pandemic and from the first moment of the crisis, the medical service assessed and monitored all suspected, possible, probable or confirmed cases of COVID-19, as well as following up on the close contacts of cases identified. The management of the employee’s health and that of potential cases and any close contacts has been carried out taking into account the changes and adaptations that have led to greater knowledge of the virus and its epidemiological behaviour, applying the ‘Red Eléctrica Group protocol for the management of COVID cases and related close contacts’, always aligned with the ‘Strategy for early detection, monitoring and control of COVID-19’ and the ‘Procedure for action for occupational health and safety risk prevention services when faced with exposure to SARS-CoV-2’.

This monitoring of COVID-19 cases and the following up of close contacts have made it possible to be fully aware of the situation of the Group’s workforce with respect to the pandemic

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**OCCUPATIONAL
HEALTH AND SAFETY
TRAINING**

In 2020, we implemented a

NEW MODEL

REGARDING TRAINING AND SKILLS
DEVELOPMENT IN OCCUPATIONAL
HEALTH AND SAFETY

and to be able to convey the cumulative data to the Company's management.

In addition, high-performance serological tests were initially carried out on critical workers responsible for essential services and subsequently on the rest of the workforce in accordance with the return-to-office plan.

Aware of the need to guarantee health and safety from a global perspective and assigning

a relevant role to the impact that the pandemic could have on people's well-being, a post-COVID-19 wellness plan was designed that includes initiatives aimed at physical and emotional wellness as well as social well-being.

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 habits. In 2020, previous campaigns have been continued, adapting them to the situation imposed by the pandemic, opting for online systems and thus extending them to everyone in the Group.

In the area of **psychosocial risk** management, being aware of the impact that the crisis could have on psychosocial health, in the first months of the pandemic, the 'Employee Support

**Main actions for health promotion and prevention
and the improvement of well-being in 2020**



*Medical examinations
Medical and nursing
consultations*



*Healthy
nutrition
consultations*



*Physical
examinations*



*Promotion
of physical
activity*



*Prevention
of cancer: colon,
prostate*



*Mindfulness
workshops*



*Stress
management*



*Flu
vaccinations*



*Physiotherapy
consultations*



*Energy space (yoga and
Pilates classes, and
other sports activities)*

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Programme’ was launched, which guaranteed virtual psychological assistance at all times via a telephone consultation, email or the use of an app. This service, which was for a temporary period and was available 24/7, made it possible to reach all Red Eléctrica Group employees, including those companies in Latin America, as of the month of March.

Other initiatives carried out from the perspective of emotional well-being were:

- Mindfulness workshops, consisting of 3 sessions of 2 hours each, in which people from different work centres participated and who expressed a high degree of satisfaction regarding the workshops.
- Best practices regarding digital disconnection with recommendations to minimise the impact on health as a result of working with IT equipment and new technologies.
- Help at home’ initiative, i.e., financial aid aimed at all employees to facilitate the purchase of IT and office equipment, both from an ergonomic and technological point of view.

- Urban camps during the summer for the children of employees with both on-site and online activities.

Training and awareness
403-5

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 in 2020 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

**Main training and
awareness-raising actions in 2020**

Training in occupational health and safety risk prevention

- Courses established in occupational health and safety training and competency model (AM012).

Nutritional campaign

- Online workshops on different areas of healthy eating during the lockdown.

Health and safety awareness training session in forestry work.

- 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.

Health campaigns in Chile and Peru

- Immunisation and quality of life campaigns through the support of a nutritionist.
- Reactiva programme with the aim of promoting healthy lifestyles through recreational and sporting activities. Institutional agreements with gyms and human development training centres for employees and their families.



In 2020, a new health and safety prevention model for the evaluation of suppliers was implemented to improve occupational health and safety performance in the execution phase of works.

improvement with respect to the previous model which was generically focused on the position held by the person.

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**.

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 that entail any kind of 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.

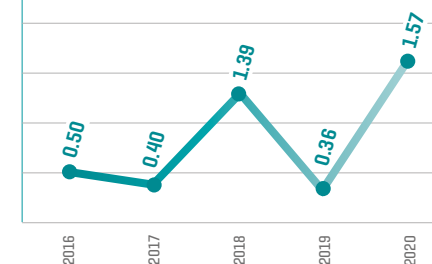
In addition, Red Eléctrica randomly requests from its suppliers proof of their employees' occupational health and safety training. It also requests proof of training in occupational health and safety for any new incorporations into the suppliers' database in the corporate occupational health and safety 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

**Accident frequency
rate in Red Eléctrica
Group contractors / EU17**



**Accident severity
rate in Red Eléctrica
Group contractors / EU17**



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Areas regarding work-life balance measures

Leadership and management styles

Quality in employment

Open workspaces and flexible working schedules

Family support

Personal and professional development

Equal opportunities



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.

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 2020 was the deployment of the targets set for the year, with an achievement of 89.5% of the goals. As a consequence, a favourable report was drafted in order to obtain the 'A' level of excellence of the Family Responsible Company [EFR] certificate. This management model is one of the fundamental pillars of the Healthy Workplace model and the Diversity model and includes more than 70 work-life balance measures.

Many of the measures contemplated in the scope of Red Eléctrica's Comprehensive Work-life Balance Plan apply to the rest of the Group's companies.

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 [ICADE-ICAI]. 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 to help other organisations to guide their active work-life balance policies, based on proven specific sectorial studies.



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.)
- REI (Red Eléctrica Internacional)
- REINCAN (Red Eléctrica infraestructuras en Canarias)
- REINTEL (Red Eléctrica infraestructuras de Telecomunicación)
- RETIT (Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología)
- REA (Red Eléctrica Andina)
- RECH (Red Eléctrica de Chile)
- HISPASAT
- REDCOR (Reaseguros)

Key employment indicators [1]

	2018	2019	2020
Total workforce	1,721	2,056	2,051
Women [%]	24.1	25.9	26.6
Men [%]	75.9	74.1	73.4
Women in management positions [%]	28.8	31.8	32.7
People with a disability [%]	0.9	0.8	0.9
Creation of net employment (Nº of job positions)	-20	335 <small>[3]</small>	-5
Average age	46	44.7	45
Average length of service [years]	17	15.1	15.6
Total turnover [%] <small>[2]</small>	3.7	2.9	0.5
Permanent contracts [%]	99.4	96.7	98

[1] Scope of the data: REE+REC+REINCAN+REI+REINTEL in 2018 and the Red Eléctrica Group as of 2019.

[2] Scope of the data: REE+REC.

[3] The incorporation of HISPASAT into the Red Eléctrica Group has been taken into account.

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Information regarding employees and other workers / 102-8

	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Workforce (n° of people)	1,306	415	1,721	1,524	532	2,056	1,505	546	2,051
Employees with permanent contracts (n°)	1,302	408	1,710	1,484	505	1,989	1,484	527	2,011
Employees with temporary contracts (n°)	4	7	11	40	27	67	21	19	40
Permanent contracts (%)	99.7	98.3	99.4	97.4	94.9	96.7	98.6	96.5	98.05
Part-time contracts (n°)	0	0	0	0	0	0	0	0	0
Workers from Temporary Employment Agencies (n°) (1)	8	6	14	2	1	3	4	0	4
Interns (n°) (1)	11	5	16	10	19	29	2	0	2

Note: Scope of the data REE + REC + REINCAN + REI + REINTEL in 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.

Workforce distribution by age, gender and professional group / 405-1

/ % /

	2018						2019						2020					
	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	60.0	40.0	81.5	18.5	0.0	0.0	64.4	35.6	78.3	21.7	0.00	0.00	62.50	37.50	70.86	27.14
Specialist/technical experts	63.6	36.4	78.0	22.0	87.5	12.5	56.3	43.7	77.6	22.4	87.7	12.3	55.34	44.66	76.85	23.15	85.74	14.26
Administrative personnel	0.0	0.0	7.1	92.9	30.0	70.0	0.0	0.0	10.9	89.1	27.9	72.1	33.33	66.67	15.09	84.91	28.57	71.43
Total	63.6	36.4	75.1	24.9	78.4	21.6	56.3	43.7	73.8	26.2	78.3	21.7	53.57	46.43	73.47	26.53	76.70	23.30

Note: Scope of the data REE + REC + REINCAN + REI + REINTEL in 2018; and Red Eléctrica Group as of 2019.

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Workforce distribution by age, gender and professional group / 405-1

	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Under 30	35	20	55	67	52	119	60	52	112
30 to 50	793	263	1,056	978	347	1,325	961	347	1,308
Over 50	478	132	610	479	133	612	484	147	631
Total	1,306	415	1,721	1,524	532	2,056	1,505	546	2,051

Note: Scope of the data REE + REC + REINCAN + REI + REINTEL in 2018; and Red Eléctrica Group as of 2019.

Number of employees broken down by age group and gender / 401-1

	2018						2019						2020					
	N° of new hires			Recruitment rate [%]			N° of new hires			Recruitment rate [%]			N° of new hires			Recruitment rate [%]		
	M	W	Total	M	W	Total	M	W	Total	M	W	Total	M	W	Total	M	W	Total
Under 30	5	2	7	14.3	10.0	12.7	34	19	53	50.75	36.54	94.64	14	13	27	23.3	25.0	24.1
30 to 50	19	5	24	2.4	1.9	2.3	46	22	68	4.70	6.34	7.56	39	22	61	4.1	6.3	4.7
Over 50	4	1	5	0.8	0.8	0.8	1	0	1	0.21	0.00	0.22	1	3	4	0.2	2.0	0.6
Total recruitment	28	8	36	2.1	1.9	2.1	81	41	122	5.31	7.71	8.59	54	38	92	3.6	7.0	4.5

Note: Scope of the data REE + REC + REINCAN + REI + REINTEL in 2018; and Red Eléctrica Group as of 2019.

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Employee turnover broken down by age group and gender / 401-1

	2018				2019				2020			
	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	5	8	14.3	40.0	4	3	6.0	5.8	3	8	5.0	15.4
30 to 50	13	3	1.6	1.1	20	6	2.0	1.7	22	3	2.3	0.9
Over 50	22	3	4.6	2.3	25	2	5.2	1.5	50	15	10.3	10.2
Total turnover	40	14	3.1	3.4	49	11	3.2	2.1	75	26	5.0	4.8

Note: Scope of the data REE + REC + REINCAN + REI + REINTEL in 2018; and Red Eléctrica Group as of 2019.

Employees with the possibility of retirement in the next 5 or 10 years / EU15 / %

	In the next 5 years (2020-2025)	In the following 5 years (2026-2030)
Management team	19	46
Specialist/technical experts	99	339
Administrative personnel	23	68
Total	141	453

Note 1: Scope of the data REE + REC + REINCAN + REI + REINTEL in 2018; and Red Eléctrica Group as of 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 ⁽¹⁾ / 405-2 / H-M

	2018	2019	2020
Management team	5.5	13.2	5.7
Specialist/technical experts	-5.0	10.6	9.9
Administrative personnel	0.4	4.8	4.5
Total ⁽²⁾	-0.6	10.9	9.8

Note: Scope of the data REE + REC + REINCAN + REI + REINTEL in 2018; and Red Eléctrica Group as of 2019.

(1) Average fixed salary + supplementary allowance. The Chairperson and CEO are excluded.

(2) Average total salary; in 2020, overtime, allowances and expatriation allowances are included in the calculation of average salaries. The data for 2019 is also recalculated under this same criterion.

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Maternity / paternity leave rates / 401-3

/ M-P /

	2018		2019		2020	
	Men	Women	Men	Women	Men	Women
Employees with the right to M/P leave [n°]	51	30	63	19	72	13
Employees who have taken M/P leave [n°]	51	30	63	19	72	13
Re-incorporations at the end of M/P leave [n°] ^[1]	51	25	61	16	68	11
Employees with M/P leave who remain on the workforce [%] ^[2]	100	83	97	84	100	80

Note. Scope of the data: Red Eléctrica Group.

^[1] The difference between the number of women and men returning from leave is due to 6 authorised leaves due to childcare.

^[2] 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.

Average hours of training broken down by professional group and gender / 404-1

/ hours /

	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Management team	64	67	65	41	48	43	87	102	92
Specialist/technical experts	74	88	77	82	70	80	69	60	67
Administrative personnel	24	39	36	15	28	24	57	34	39
Total	71	75	72	77	58	72	70	59	67

Note: Scope of the data REE + REC + REINCAN + REI + REINTEL in 2018; and Red Eléctrica Group as of 2019.



Percentage of employees whose work performance and professional development is appraised periodically / 404-3 / % /

	2018		2019		2020	
	Men	Women	Men	Women	Men	Women
Employees with a performance appraisal (%)	100	100	100	100	97	91

Note: Scope of the data REE + REC + REINCAN + REI + REINTEL in 2018; and Red Eléctrica Group as of 2019.

Employees covered by a collective bargaining agreement by country / 102-41 / % /

	2018	2019	2020
Employees in Spain	93	91	91
Employees in Brazil ⁽¹⁾	-	96	98

⁽¹⁾ In 2018, there were no Red Eléctrica Group employees in Brazil.

Occupational health and safety indicators / 403-2

	2018			2019			2020		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Average workforce	1,309	418	1,727	1,383	462	1,845	1,302	739	2,041
Hours worked (thousands)	2,213	706	2,919	2,275	871	3,146	2,220	1,260	3,480
Accidents with sick leave	8	1	9	10	3	13	9	1	10
Fatal accidents	0	0	0	0	0	0	0	0	0
Days lost due to accidents ⁽¹⁾	333	19	352	324	109	433	173	170	343
Accident frequency rate	3.62	1.42	3.08	4.28	3.69	4.13	3.52	1.08	2.87
Accident severity rate	0.15	0.03	0.12	0.14	0.13	0.14	0.07	0.18	0.10
Absenteeism rate due to common illness ^(a)	1.95	3.74	2.38	2.38	4.10	2.80	2.26	2.25	2.26
Absenteeism rate due to occupational illness ^(b)	2.06	3.79	2.48	2.48	4.18	2.89	2.29	2.34	2.31

Note: Scope of the data REE + REC + REINCAN + REI + REINTEL in 2018; and Red Eléctrica Group as of 2019.

⁽¹⁾ The calculation is based on 6,000 working days per fatal accident and 4,500 for total permanent incapacity.

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.

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.

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Occupational health and safety indicators of Red Eléctrica Group contractors / EU17

	2018	2019	2020
Average workforce	3,093	3,055	2,874
Hours worked (thousands)	5,349	5,282	4,942
Accidents with sick leave	35	35	26
Fatal accidents	1	0	1
Days lost due to accidents ^[1]	7,421	1,903	7,781
Accident frequency rate	6.54	6.63	5.46
Accident severity rate	1.39	0.36	1.57

[1] Calculation based on 6,000 working days per fatal accident and 4,500 for total permanent incapacity.

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7.4

Responsible environmental management

103-1 / 103-2 / 103-3



Key indicators in 2020

- **29.1 million euros** earmarked for environmental issues.
- **508.4 km** of lines marked with bird-saving devices in critical priority areas (66.5% of the total).
- **63%** of the Group's waste recycled.



2020 milestones

- Extending the reporting scope: incorporating information from Red Eléctrica Andina, Red Eléctrica Chile and HISPASAT into the relevant indicators.
- Analysis of the environmental viability of the infrastructure proposed for the next Electricity Planning for the period 2021-2026.
- Definition of the new Biodiversity Commitment: positive impact on biodiversity.
- Monetisation of the Circular Economy Roadmap.



Challenges for 2021

- Design of the Environmental Management System in REINCAN.
- Definition of the 2030 Biodiversity Roadmap.
- Progress in the implementation of the Zero waste project.



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*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.

Environmental management

The Annual Environmental Plan is articulated on three vectors: the environmental management of facilities, biodiversity and climate change and contains the main challenges and objectives to be achieved for each one of them.

Management system

In order to carry out a continuous improvement of environmental performance, Red Eléctrica de España S.A.U. and Red Eléctrica Andina have implemented an environmental management system certified according to ISO14001. In addition, Red Eléctrica de España S.A.U. also complies with the requirements of the EU Eco-Management and Audit Scheme (EMAS).

One of the fundamental elements of environmental management is the **annual Environmental Plan**,

the scope of which includes the entire Red Eléctrica Group. This Plan is divided into three vectors: environmental management of facilities, biodiversity and climate change and contains the main challenges and objectives to be achieved for each one of them. It also includes, in a global and cross-cutting manner for the entire Group, all voluntary actions scheduled for each year with the aim of contributing to the achievement of these challenges.

The fulfilment of the 2020 Environmental Plan was 75.5%, and the Plan comprised a total of 98 actions.

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Environmental expenditure

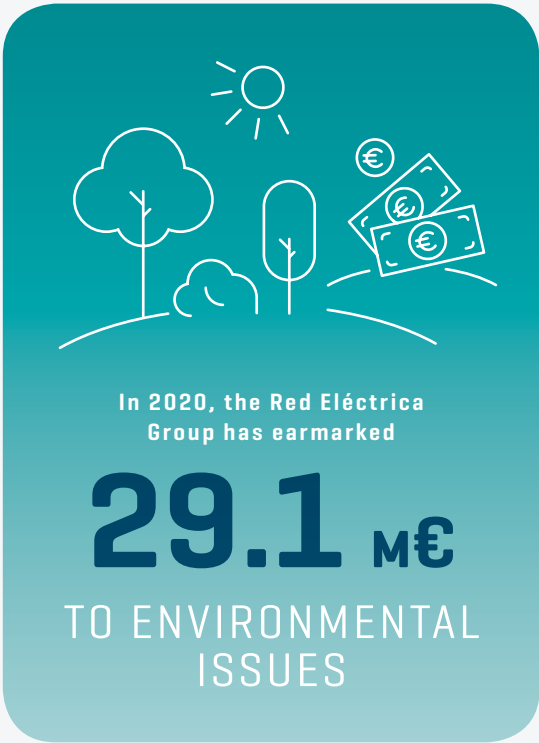
In 2020, the Red Eléctrica Group allocated **29.1 million euros** to environmental issues. In particular, ordinary expenditure for the protection and improvement of the environment regarding the management and operation of the electricity infrastructure business in Spain totalled 23.3 million euros. This amount was mainly dedicated to the protection of biodiversity, the prevention of forest fires, landscape integration, dealing with climate change and the prevention of pollution. The amount earmarked for environmental aspects associated with investment projects stood at 4.9 million euros, significantly higher than in previous years [1.7 million euros in 2019], due to the work carried out regarding future submarine links.

In relation to other activities of the Group [Red Eléctrica Andina, Red Eléctrica Chile and HISPASAT], a total of almost one million euros has been earmarked for environmental protection and improvement.

Extending of the 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.

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, part of the payment for the contracted work is conditional on the result of the environmental certification process of the works, which implies meticulous monitoring of the established environmental requirements.

Furthermore, with the aim of improving the environmental performance of the supply chain, Red Eléctrica is developing specific programmes and actions related to key environmental aspects for the Company: climate change [collaboration programme with suppliers for the reduction of Scope 3 emissions], biodiversity [carrying out a survey of more than 2,500 suppliers in order to diagnose the degree of progress and effort made by suppliers in this area] and circular economy. Some of these initiatives are outlined throughout this report.



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.

As of 2019, Red Eléctrica has worked on the feasibility analysis of the infrastructures proposed for the next Electricity Planning for the period 2021-2026, having evaluated the different alternatives and studied the complexity of their implementation within the territory.

During 2019 and 2020, Red Eléctrica continued to work on the feasibility analysis of the infrastructures proposed for the next Electricity Planning for the period 2021-2026.



Once electricity planning has been approved, which undergoes a **strategic environmental procedure**, the Company conducts a detailed study of the territory and defines, in coordination with the various public administrations and main stakeholders, the sites where the substations are to be located and the routes to be taken by the lines.

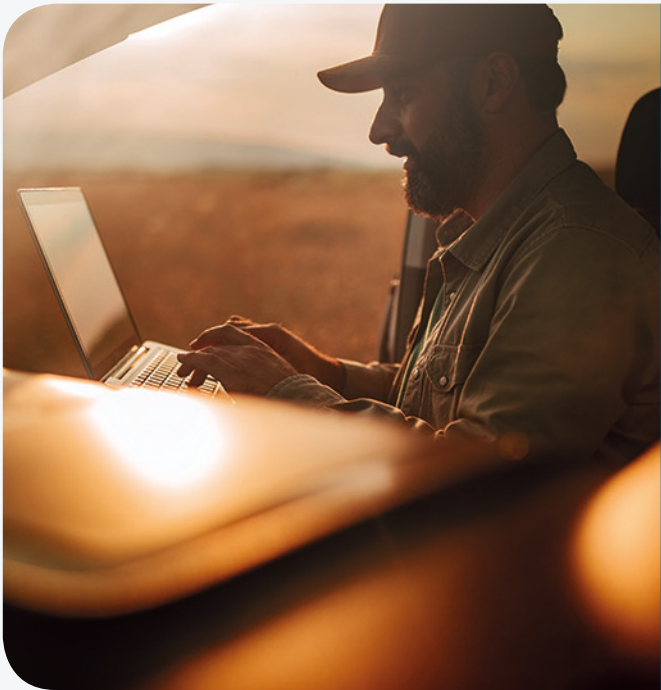
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Furthermore, in order to reduce the potential impacts of the infrastructure as much as possible, it is necessary to establish the appropriate preventive and corrective measures to be applied during the construction or maintenance phases.

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.

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 in the last 3 years 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 must be taken into account into the corporate mapping system when requesting permits to conduct maintenance work on facilities (more than 70 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 biodiversity protection measures aimed at the protection of habitats and the conservation of flora and fauna and those geared towards reducing potential impacts on the socio-economic environment. These actions are detailed in the following sections of this report.

Red Eléctrica carries out an environmental assessment and establishes a voluntary communication with the competent administration even though the law does not require a regulated procedure.

-	-	-	-	1	2	3	4	5	6	7	8	-
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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 Models* ↻ 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.

In 2020, more than 10 specific actions were carried out with different entities of the public administration with competencies in environmental issues [technical and informative workshops and visits to facilities], which contribute to improving their knowledge of the Company, facilitating the decision-making processes and strengthening relations and collaborative working.

Development and implementation phases for
transmission grid infrastructure

<p>Infrastructure proposal [Drawn up by REE]</p> <p><i>Environmental Feasibility Study</i></p> <ul style="list-style-type: none">· Analysis of all proposals from an environmental point of view.· Only includes environmentally viable projects.	<p>Transmission grid planning [Drawn up by MITERD]</p> <p><i>Strategic environmental assessment of plans and programmes</i></p> <p><i>Public consultation and participation of stakeholder groups through the submission of comments, suggestions and/or arguments.</i></p>	<p>Project design [New facilities and modifications]</p> <p><i>Prior dialogue with stakeholders before defining the project (Autonomous Communities, local councils and NGOs).</i></p> <p>Environmental Impact Assessment</p> <ol style="list-style-type: none">1 Prior consultation with stakeholders.2 Defining the alternative of least impact.3 Public information. Submission of comments, suggestions and/or arguments by stakeholders.4 Proposal for preventive and corrective measures.5 Publication of results. <p><i>Environmental authorisation.</i></p>	<p>Construction or modifications of facilities</p> <p><i>Implementation of preventive and corrective measures.</i></p> <p><i>Environmental monitoring (monitoring of preventive and corrective measures).</i></p> <p><i>Monitoring the work of contractors regarding compliance with environmental requirements.</i></p> <p><i>Environmental certification of works taking into account compliance with environmental requirements.</i></p>	<p>Maintenance</p> <p><i>Environmental monitoring programmes in the initial years of operation of a facility.</i></p> <p><i>Periodic inspections of facilities to verify compliance with standards and identify improvement measures.</i></p> <p><i>Application of environmental improvement measures.</i></p>
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Socioeconomic 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.

Agricultural activities are compatible with the lines, allowing all types of crops to be grown underneath them and enabling the free circulation of the machinery necessary for their 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.

Case study

Measures to protect the socio-economic environment for the 220 kV Caletillas-El Rosario line

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.

- Modification of access road to avoid division of the property (requested by the landowner and with authorisation from the local administration).
- Planning of work to avoid the grape-harvesting season.
- Cordoning off of fruit trees.
- Concreting work and the hoisting of 7 towers by helicopter to avoid opening access roads.
- Concreting work and the hoisting of a tower by helicopter to prevent the transit of heavy machinery along a track of historical value (requested by the local council).
- Execution of transversal channels to avoid damage caused by runoff water and streams.
- Restoration and replacement of boundary stone walls affected by the works.

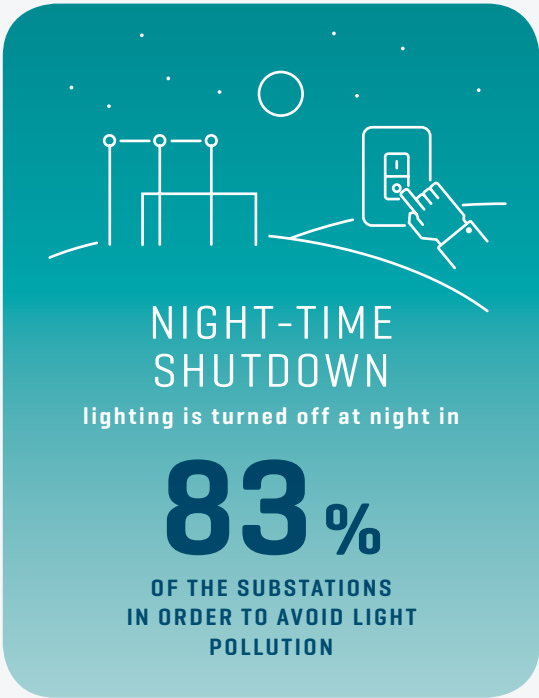
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Noise

On occasions, electricity substations can be a source of annoyance for neighbours, due to the noise generated by some of its elements. Red Eléctrica works on the implementation of the most effective measures for mitigating noise pollution.

In 2019, a noise analysis study was carried out on the 134 substations that have power transformers on-site, based on direct measurements and the use of predictive software, fed with data from the ACURED innovation project (2016-2018). In 2020, adjustments were made to some power transformers to reduce their noise emission levels, and measurements have been taken at 26 substations among those identified as most likely to generate nuisance in their environment. As a result, 3 facilities have been prioritised for measures to be undertaken in the coming years. In 2021, noise measurement work will continue and an acoustic screen will be installed at the Arkale substation.

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 implementing the necessary measures to be able to proceed with the nightly shutdown of the lighting of the substations and reduce potential light pollution as much as possible. Currently, lighting in 83% of the substations is switched off at night and work will continue over the next few years 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, it is, therefore, essential to move forward with this landscape integration initiative. This is possible thanks to the improvement of **tools for assessing the visual impact** of the facilities and the application of **integration measures** that allow the impact of the facilities on the landscape to be reduced.

The integration measures applied in 2020 include the restoration of the area affected by the maintenance work on the 400 kV Ascó Pierola line.

Assessment tools

- *Landscape analysis methodology.*
- *Methodology for the analysis of the visibility of electricity lines.*

Landscape integration measures

- *Standardisation and design of towers that blend better into the landscape.*
- *Restoration of affected areas.*
- *Landscape integration of substation buildings.*



This has been accomplished through the planting of 100 trees (white pine, holm oak, gall oak) and the replacement of landscaping plant species damaged by the underground channelling of the land section of the Lanzarote-Fuerteventura interconnection.

Additionally, noteworthy is the drafting of the preliminary project for the integration of the Itxaso substation (Guipúzcoa), which, in addition to the environmental and landscape recovery of the surroundings of the facility, proposes the improvement of the flow of the Santa Lucía river as it passes by it.

The facility design phase is supported by applications that combine weighted visibility maps with 3D environments, including buildings and vegetation, achieving a much more realistic result. This makes it easier to decide on the specific measures that can be applied in Special Landscape Areas.



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 a material of interest in the area. According to the results, the need for the continuous

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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.

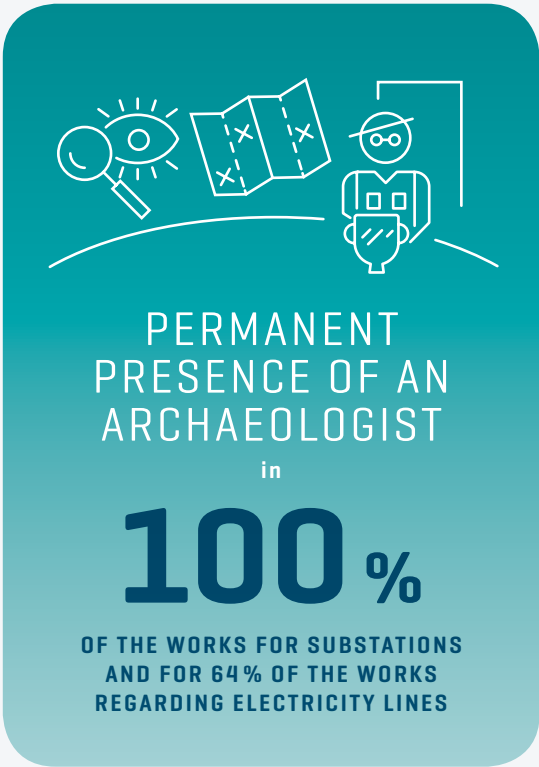
Specifically, in 2020 the drilling of boreholes was required prior to the opening of the trench for work on the 220 kV Beniferri-La Eliana underground line, in order to avoid affecting the Mestalla and Tragador de Fora irrigation channel, as it contains protected heritage elements.

Similarly, **archaeological supervision** was carried out during the year on 8 substation works and on 25 works related to electricity lines, with intensive supervision being necessary at all substations and on 16 of the lines.

It is worth noting that the Company began to work on the **ArqueoRED project** over 5 years ago, and the objective is to have the information regarding catalogued cultural heritage digitally mapped and standardised 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.

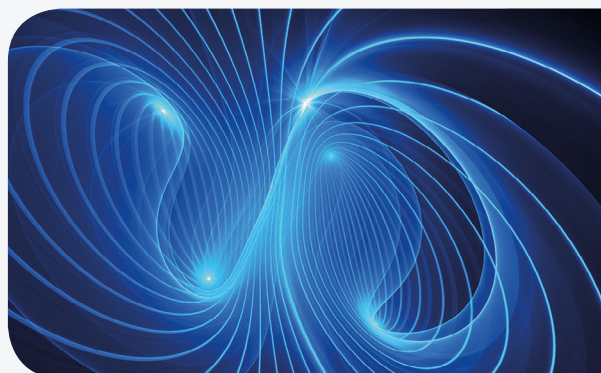


Electric and magnetic fields (EMF) 416-1

Thanks to the criteria applied by Red Eléctrica in the design of its facilities, the levels of electric and magnetic fields (EMFs) stay below those recommended by the Council of the European Union [The Official Journal of the European Communities 1999/519/EC: establishes exposure limit values for the general public in sites where they may remain for a period of time at 5 kV/m for electric fields and 100µT for magnetic fields]. The main criteria applied are the following:

- Construction of double circuits and transposition of phases in lines.
- Increasing the height of towers, thus increasing the safety distances.
- Establishing the minimum distance of electricity lines from population nuclei and isolated houses.

In order to verify compliance with the recommendation, Red Eléctrica has a tool that uses specific line parameters to precisely calculate the maximum EMF levels that said facilities could generate.



Red Eléctrica has assessed and validated compliance with the regulations on electromagnetic fields for 100 % of its facilities.

In 2020, this type of study was carried out for various projects to increase the power capacity of in-service facilities, such as the 400 kV Tajo-Litoral line or the 220 kV Pobla-Foradada line.

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 2020, it took measurements on one line, that has 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

In addition, the Company is fully aware that electromagnetic fields represent an issue for concern for those people living in the territories where electricity facilities are located and therefore it pays special attention to this issue and the following courses of action are carried out:

- Participation in national and international forums and working groups [ENTSO-E, CIGRE and EPRI during 2020] and collaboration with the administration [MITERD] and prestigious entities such as the 'Salvador Velayos' Institute of Applied Magnetism.

- Information is conveyed to stakeholders, by means of:

- The corporate website on Electric and magnetic fields can be consulted at <https://www.ree.es/en/sustainability/the-natural-environment/electric-and-magnetic-fields>.
- The publication of new developments in scientific research in this regard. In 2020, the https://www.ree.es/sites/default/files/04_SOSTENIBILIDAD/Documentos/REE_Campos_electricos_y_magneticos.pdf was updated.
- Responding to enquiries received through the *Dígame* Service.

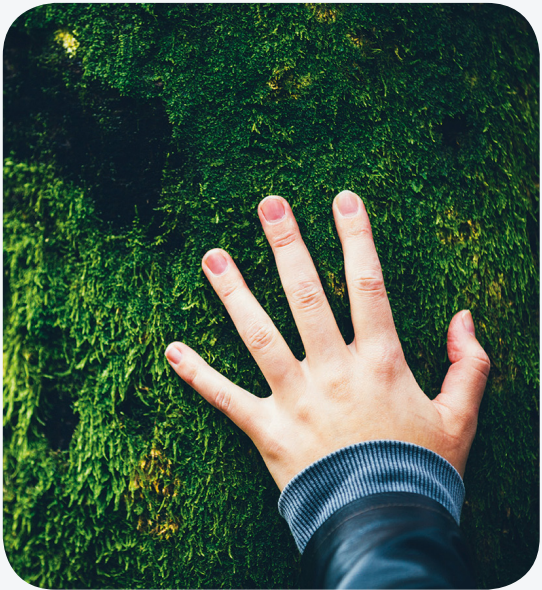
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Biodiversity

103-1 / 103-2 / 103-3

The protection and conservation of biodiversity have always been basic elements in the environmental management of Red Eléctrica. Within the framework of its 11 Sustainability Goals for 2030, the Red Eléctrica Group is committed to generating a net positive impact on the natural capital in the surroundings of its facilities, and as a first step towards advancing in this purpose, in 2020, the Company reaffirmed and reformulated its [Commitment to biodiversity](#).

The **multi-year Action Plan (2017-2021)** is currently in force, which includes the main biodiversity-related actions for this period. In addition, work has already begun on the development of a **2030 Biodiversity Roadmap** in order to define a strategy and designing the measures that will enable the Group to improve its relationship with natural capital and meet the target set for this horizon.



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:

- **Biodiversity Pact.** Red Eléctrica is part of the Spanish Initiative for Business and Biodiversity (IEEB) promoted by the Ministry of Ecological Transition since 2013.
- Working group between Red Eléctrica and the Sub-Directorate General for Environmental Assessment of MITERD.
- **International Union for Conservation of Nature (IUCN)** Centre for Mediterranean Cooperation: framework agreement (2018-2021).
- SEO/BirdLife (Spanish Ornithological Society) for the conservation and protection of biodiversity (2018-2021): framework agreement (2018-2021).
- **Participating in the Natural capital in the Spanish energy sector working group.**

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Biodiversity management

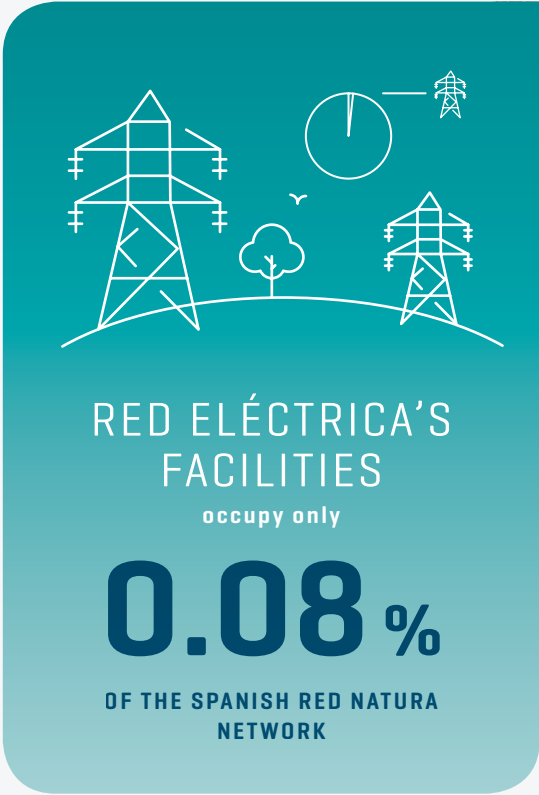
Biodiversity management is carried out taking into account the **hierarchy of impact mitigation**. The potential effects on biodiversity are associated with the presence of the facilities in the territory and with the construction and maintenance of the same. The main impacts are described throughout this chapter.

Hierarchy of mitigation actions regarding impacts on biodiversity

Avoid areas rich in biodiversity

Minimise impacts / Restore affected areas

Offset the impacts produced



Avoiding 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 zones 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 promotes 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.

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Biodiversity action plan (2017-2021)

Most relevant actions	Progress made in 2017	Progress made in 2018	Progress made in 2019	Progress made in 2020	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. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Design of a methodology for the analysis and responsible assessment of natural capital, based on ecosystem services and tested in a practical business case. 	<ul style="list-style-type: none"> Inclusion of the concept of Net-Zero or positive impact on biodiversity, linked to the design of offsetting actions in Environmental Impact Assessments. Delivery of 2 training workshops on the methodology designed in 2019. Commencement of the design of the 2030 Biodiversity Roadmap of the Group. Supplier survey conducted on biodiversity performance. 	<ul style="list-style-type: none"> Completion of the three proposed actions.
MAKE FACILITIES COMPATIBLE WITH BIODIVERSITY					
<ul style="list-style-type: none"> Birdlife: Multi-year line marking plan. 	<ul style="list-style-type: none"> 38 % of the critical priority area marked. 	<ul style="list-style-type: none"> 51 % of critical priority areas marked. 	<ul style="list-style-type: none"> 60.7 % of critical priority areas marked. 	<ul style="list-style-type: none"> 66.5 % of critical priority areas marked. 	<ul style="list-style-type: none"> 100 % critical priority areas marked by 2023.
<ul style="list-style-type: none"> Forested areas: Signing of agreements for the prevention of forest fires. 	<ul style="list-style-type: none"> 12 agreements in force. 	<ul style="list-style-type: none"> 13 agreements in force. 	<ul style="list-style-type: none"> 10 agreements in force and 3 in the process of being renewed. 	<ul style="list-style-type: none"> 12 agreements in place and 2 in the process of renewal. 	<ul style="list-style-type: none"> 21 agreements in force [nationwide].
<ul style="list-style-type: none"> Habitat of high ecological value: HÁBITAT Project. 	<ul style="list-style-type: none"> Obtaining field-validated mapping for 16 Autonomous Communities. 	<ul style="list-style-type: none"> Field-validated mapping for all the Autonomous Communities. 	<ul style="list-style-type: none"> Standardisation of the mapping of the different Autonomous Regions. Integration into the mapping database. 	<ul style="list-style-type: none"> Design of status/stress/response/ monitoring indicators of the influence that activities have on habitats. Guidelines formulated for the preservation and improvement of conservation status by type of priority habitats of community interest. 	<ul style="list-style-type: none"> Mapping designed, field-validated state of conservation and management plans for the conservation of the habitats identified in all the Autonomous Communities.

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Biodiversity action plan (2017-2021) / continued

Most relevant actions	Progress made in 2017	Progress made in 2018	Progress made in 2019	Progress made in 2020	2021 Goals
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 (focal species) underway.	· 14 birdlife projects in force, 13 of them focal species.	· 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.	· 864 hectares recovered. · Investment: 2,190,581.44 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.	· 2 hectares planted.	· Development of the Posidonia forest: 2 ha.
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 Red 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 s Shearwater Release project.	Corporate volunteering actions: 1) #stay in the nest. 2) #what is urban biodiversity and how to help by making nesting boxes. 3) #plant a new world from home.	· 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.		· Additionally: meetings with journalists, visit to the 'Red Eléctrica Marine Forest' and visit to the Marine Interpretation Centre (Majorca), and holding of a conference on birdlife.	Dissemination of projects in the press and via social networks, publication of brochures and videos, and participation in specialised forums and working groups.	· New informative products and participation in events related to biodiversity (at least 2 per year).

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Biodiversity action plan (2017-2021) / continued

Most relevant actions	Progress made in 2017	Progress made in 2018	Progress made in 2019	Progress made in 2020	2021 Goals
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.	· Vegeta Project · Prodint Project	· Minimum of three innovation projects implemented in the period.

New approaches to biodiversity management

Advancing with the commitment of the Red Eléctrica Group, which seeks to generate a net positive impact on biodiversity in the territories where the Company operates, requires working from new perspectives. For this reason, the Company has begun to work under the **natural capital approach**, which it understands as the inventory of the assets or natural resources of an ecosystem, biotic or abiotic (biodiversity, air, water, soil, minerals) that, combined or on their own, provide society with benefits: ecosystem services.

In 2019, the Company designed a **methodology and analysis of responsible valuation of natural capital based on ecosystem services**, the application of which will enable progress in quantifying effects and moving towards the desired positive impact.

During 2020, the methodology for the environmental assessment of projects has been updated, in which, among other improvements, the concept of net-zero or positive impact has been considered, linked to the actions to be carried out to offset possible impacts.

Additionally, the development of the project **‘Assessment of ecosystem services derived from the management of vegetation in the electricity transmission grid by means**

of grazing’ is noteworthy and it is carried out in collaboration with the University of Alcalá de Henares. In this study, an ecosystem services assessment methodology has been designed to complement the one developed in 2019, to analyse the balance of gains and losses in terms of natural capital associated with the maintenance of the vegetation through the use of livestock, growing in the safety corridors of electricity lines. After its application in a case study, it has been concluded that this practice enhances provisioning, regulating and cultural ecosystem services, which favours biodiversity and social well-being.

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Protection of habitats and the conservation of flora and fauna during works / 304-2 / 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 during the operation of the line. Red Eléctrica

incorporates numerous **preventive and corrective measures** in this respect.

Specific noteworthy measures in 2020

Protection and conservation of vegetation

- Helicopter-assisted hanging of several sections of the 400/220 kV incoming/ outgoing feeder lines in Soto de Ribera substation to avoid affecting native woodland (holm oak, chestnut and oak).
- Boom crane for the erection of all the towers on 5 new lines and the hanging by hand on 4 new lines.
- Hoisting by sections of 31 towers on the 220 kV José María Oriol-Los Arenales line.
- Passing the guide wire by hand over the river Nalón to avoid affecting the 'Alluvial forests of *Alnus glutinosa* and *Fraxinus excelsior*' habitats.
- Previous inspection to locate *Dryopteris anemula* and *Dryopteris guanchica*, ferns in danger of extinction. Once having located several specimens, action was taken so as to no affect the vegetation during works.

- Surveys and cordoning off *Caralluma burchardii* for its protection, an endemic species of cactus-like plant in danger of extinction according to the Canary Islands Catalogue of Protected Species.
- Protection of the Lesser water-plantain (*Baldellia Ranunculoides*) a type of flowering plant: preparation of a botanical study, modification of accesses and the marking off of specimens.
- Signposting and cordoning off of a population of *Chamaecytisus proliferus* (a small spreading native evergreen tree) located near infrastructure.
- Modification of the route of the line, increasing the height of the towers and reduction of the area of the worksites to avoid the felling of a native forest.

Wildlife protection and conservation

- Biological stoppages for 22 actions. Particularly noteworthy was the stoppage carried out between 15 February and 15 September regarding 20 towers on the 400 kV Gueñes-Itxaso line, due to it being in an area with Egyptian vultures (*Neophron percnopterus*), and the stoppage carried out on a tower on the 400 kV Aguato-Garaña line from November to April to avoid affecting the fauna present in the watercourses (salmon spawning grounds and species of interest such as otters, Iberian desman and native crayfish).
- Prior surveys of the terrain to avoid affecting Montagu's harrier nesting sites during the works.
- Relocation of the conductor cable to within the body of the tower itself to avoid its replacement in an area declared a special protection area for the Capercaillie (*Tetrao uragallus*) and being located within an area of the brown bear recovery plan.

- Intensive ornithological surveying prior to and during the 24-month construction and/or operation phases.
- Installation of refuges to bolster populations of wild rabbits in areas where Bonelli's eagle (*Aquila fasciata*) and Golden eagle (*Aquila chrysaetos*) both breed and feed.
- Monitoring of the tagging of 23 little bustards, in collaboration with the University of Lisbon, with the aim of identifying the characteristics of the preferred habitat for the species and the identification of the potential causes that alter its habitat.
- Placement of a drum-type nest for Peregrine falcons.

Hábitat Project (2015-2021)

This project aims to identify the priority habitats of community interest and other habitats of interest [included in other protection categories due to their endemic nature, scarcity or rarity], present in the area of influence of Red Eléctrica's facilities, as well as their state of conservation. The ultimate aim is to have information on the interaction of electricity transmission infrastructure with these habitats and use it in the decision-making process regarding maintenance, so as to promote habitat preservation through appropriate management actions.

In collaboration with the autonomous communities and experts in the field, the habitats of interest present in the area of influence of the facilities [50 m on each side of the lines for 100 % of the transmission grid] have been mapped and characterised. The digitalised information, once validated in the field, have been consolidated into a single nationwide layer compatible with the corporate geographic information system.

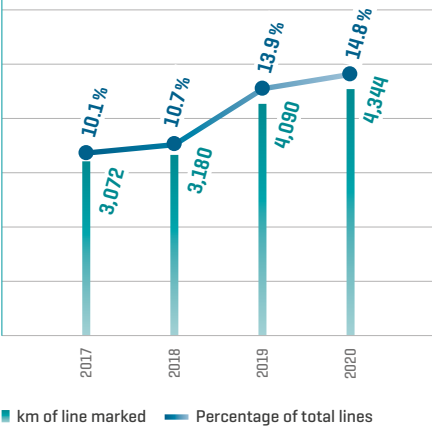
Besides, a system of indicators has been developed for the assessment of the effects, reflecting status/stress/response/monitoring indicators of the influence that activities have on habitats.

Lastly, an integrated proposal has been formulated for the management and improvement of the habitats of interest [for each type of priority habitat of community interest], consistent with the maintenance needs of the facilities.

Minimising the risk of collision

The main effect on the fauna of Red Eléctrica's facilities is the risk of birdlife colliding with the grounding cables that protect the lines from electrical discharges during storms. The main measure to reduce this risk is the **marking of the grounding cables** by means of devices that increase their visibility. / 304-2

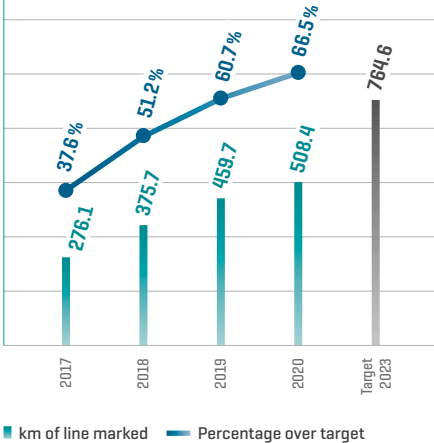
Marking of lines with bird-saving devices



Note: Cumulative data at the end of each year. This data refers to the stretch of line, i.e., the length of the lines 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 REA [Peru], corresponding to 3.72 % of the total number of lines. There are no lines marked in RECH [Chile].**

Marking of lines with bird-saving devices in critical priority areas. 2016-2023 Plan



Note: Cumulative data at the end of each year. This data refers to the stretch of line, i.e., the length of the lines regardless of the number of circuits they carry. In addition to the transmission lines marked in Spain.


[1] The target value fluctuates slightly each year, depending on the variations in Red Eléctrica de España's facilities (new lines and modifications to existing ones). The percentage of line marking refers to the target value defined in each of the years.

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up sensitivity maps [areas where these species may be found and which must be considered for the definition of new power line routes] and risk maps [sensitive areas where there are also factors that influence the probability of accidents occurring]. Based on this information, the **2016-2023 multi-year line marking plan** has been defined, which prioritises actions on the sections of line with the greatest potential impact on birdlife. It is expected that the progressive marking of

Compatibility of the facilities with marine fauna

In 2020, a study was carried out on the impact of submarine cables on cetaceans and sea turtles, which consists of making an inventory of these species in the surroundings of the submarine cables, studying their interaction with the activities of Red Eléctrica, identifying the potential impacts on them and designing preventive/corrective measures to minimise the effects.

the lines will reduce the potential risk of collision with the electricity transmission grid to 26.7%. Information on bird collisions in 2020 is included in the [Environmental management indicators](#)  section. / 304-2

Red Eléctrica is also working on other relevant projects in relation to preventing birdlife collisions, including studies aimed at analysing the effectiveness of different models of bird-saving devices.

Fire Prevention

In addition to projects aimed at optimising the treatment of vegetation, Red Electrica allocates numerous resources to minimising the risk of fires associated with its activities, having created a specific interdisciplinary working group to develop improvements in this area. During 2020, a review was carried out of internal regulations and work criteria [mainly its adaptation to the yearly calendar to reduce/avoid actions in times of risk] and various communication materials were generated to increase the information available and encourage the involvement of people working in the Company.

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**. Currently, there are 12 agreements in force, with a further two in the process of being renewed, with a budget of 9,600,000 euros. The Company aims to establish this type of agreement with all the relevant public administrations in Spain.

In order to compensate for the loss of native vegetation as a result of the felling works carried out for the opening up of the safety corridors for new electricity lines, the Company has set up the **'REE Tree-felling Offsetting Forest Project.'** The project began in 2019 with the signing of an agreement for the restoration of 53 ha of an area that had been burned in the municipality of Altura [Castellón], a zone that corresponds to 50 % of the area of native forest affected by the construction of new facilities in 2018. The project will be completed in 2021.

Fire prevention innovation projects

Vegeta

Prodint

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Contribution to biodiversity conservation

304-3 / 304-4

The Red Eléctrica Group actively contributes to the conservation of biodiversity, implementing various environmental improvement measures and promoting different projects for this purpose.

In general, initiatives focus on those aspects of biodiversity most closely related to the impacts of the Company's activities. 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).

In addition, Red Eléctrica has launched various projects aimed at determining and enhancing the capacity of infrastructure as a biodiversity reservoir and a generator of natural capital.

More information on the actions aimed at improving the conservation of biodiversity is included in the [Conservation of natural capital](#) ↻ section of this report.

Conservation of endangered species: 2020 projects

- 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.
- 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 Imperial Eagle population (*Aquila adalberti*) [2] [3] in Doñana.
- Effects of global change on Iberian Egyptian Vultures (*Neophron percnopterus*) populations [1] [4] in Catalonia.
- Reintroduction of the Osprey (*Pandion haliaetus*) [1] in the Marjal de Valencia Natural Park.
- Nesting platform for Iberian Egyptian Vulture (*Neophron percnopterus*) [1] in an electricity tower in Extremadura.
- Monitoring actions for the conservation and protection of the Montagu's harrier (*Circus pygargus*) [1], Marsh harrier (*Circus aeruginosus*) and Hen harrier (*Circus cyaneus*) species in Extremadura.

[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.

BIORED

The electricity transmission grid as a biodiversity reservoir and a generator of natural capital

This initiative aims to identify, diagnose and assess the effectiveness of electricity lines (tower bases and safety corridors) and substations as biodiversity reservoirs that facilitate the connectivity of fauna between the different protected natural areas.

In this context, Red Eléctrica has carried out some pilot projects:

- Biotransporte project.
- Naturaleza en Red.
- Life Boogi Bop project.



Circular economy

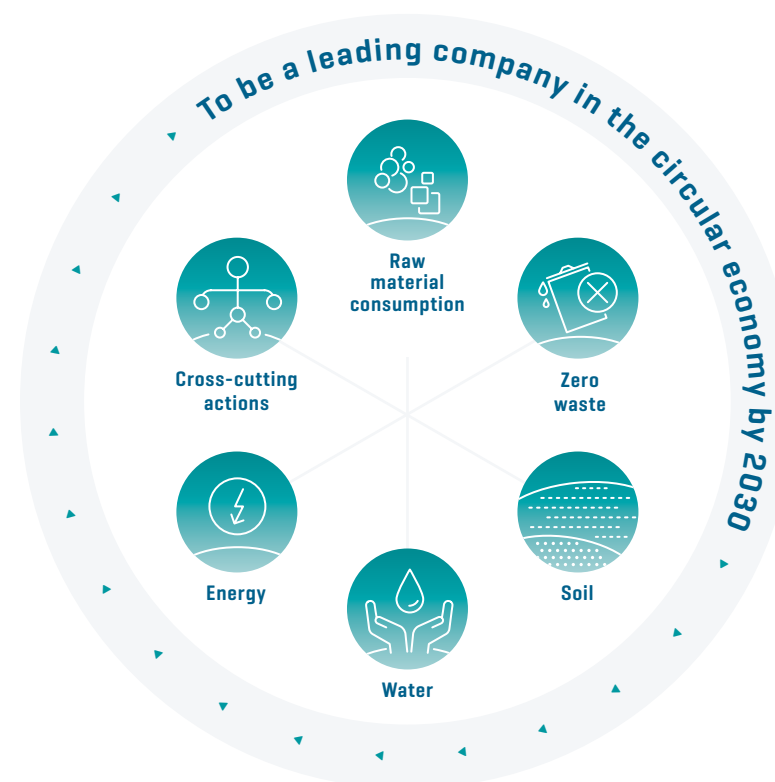
103-1 / 103-2 / 103-3

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**.

The commitment of the Red Eléctrica Group in this area was materialised in 2019 with the preparation of a **Circular Economy Roadmap** that will allow it to be a leading company in the circular economy in 2030. This is one of the 11 Sustainability Goals that the Company has set for the 2030 horizon.

The Roadmap establishes the objectives to be achieved and the different actions to be carried out in order to progress towards their fulfilment. During 2020, a **monetisation** process was carried out to quantify, under a single, objective criterion, the impacts derived from the implementation of each of the measures it contains and of all the actions as a whole. In the assessment, both the impacts on the Company's profit and loss account (financial perspective)

Circular Economy Roadmap



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and the impacts on the environment and society [sustainability perspective] have been considered. This work facilitates the prioritisation of the measures by 'identifying those with the greatest benefit', as well as their monitoring and influence.

It is worth mentioning that everything related to energy is included in the framework of the Climate Change Action Plan and is detailed in the *Reduction of the Carbon Footprint* ↪ section in this report.

Consumption of raw materials

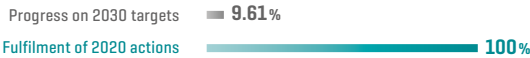
Noteworthy is the development of the **DIN2020** project, which establishes the criteria for the homologation of equipment, materials and construction solutions applicable to the

Progress on the objectives of the Circular Economy

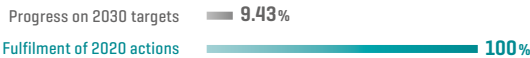
Consumption of raw materials



Zero waste



Soils



Water



Cross-cutting actions



Objectives of the 2030 roadmap Materials

- 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)
- Material savings associated with the new DIN2020 standard.

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development of the 2021-2026 Plan. The engineering and construction solutions integrated into this project are characterised by the promotion of efficiency, mainly associated with the saving of materials. The application of the new criteria to the development of the planning as a whole will lead to a reduction of more than 4.5 million tonnes of excavated earth and more than half a million tonnes of concrete.

Zero waste

Objectives of
the 2030 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)
- Reduction of waste generation associated with the new DIN 2020 standard.

In 2020, 63 % of the total waste was recycled, regenerated or recovered.

PREVENTIVE OR
CORRECTIVE MAINTENANCE
Tasks

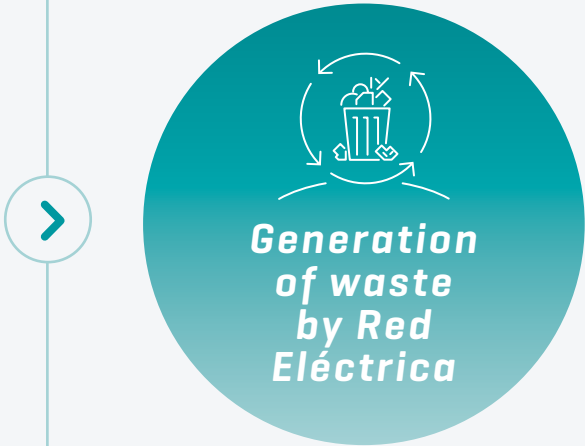
Revisions, changes of parts, oil renewal, etc.

Action
IN THE CASE OF ACCIDENTS

The containment measures used in the event of leaks or spills and the clean-up work can involve a large amount of waste.

FACILITY
Improvements

Renovation of obsolete switchgear, adaptation of accident prevention systems, etc.



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Noteworthy zero waste projects

Zero waste to landfill

Red Eléctrica began in 2018 to design zero waste to landfill models for its facilities. In 2020, the model applicable to all Red Eléctrica buildings in Spain was developed, and in 2021 the awareness campaign will be carried out to begin with the implementation of the same.

Sustainable treatment methods for soils and groundwater affected by dielectric oils or hydrocarbons

Work is focusing primarily on bioremediation, as a technology that, in addition to detoxifying the soil, restores its ecological functions. In this regard, the aim is to identify bacterial cultures with maximum degrading capacity for those substances used by Red Eléctrica.

Reduction of excess stock

During 2020, a review of the stock in the Company's warehouses has been carried out and its usefulness has been defined, having acquired a commitment to reuse any stock, up until 2036, that can still be used. The stock catalogued as 'useful', but which the Company is not planning to use, will be sold for reuse by a third party.

In addition to these measures and to **minimise 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 gave 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 have been carried out at 23 sites (six of them in 2019).

Objectives of the 2030 roadmap 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.*

Soils

In 2020, an emergency intervention service has been implemented regarding land-based environment that allows a prompt and effective response to accidental spillages and the urgent recovery of possible environmental damage at the site of the incident, thus minimising possible risks and damage to the environment.

Furthermore, 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.

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Water

The Company is working on 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.

Objectives of the 2030 roadmap Water

- *Reduction of water consumption in all work centres to 6.5 m³/employee/year.*
- *REINCAN: 100 % reuse of water consumed on-site [work has not yet started].*

Cross-cutting actions

Globally, and to optimise 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.



Objectives of the 2030 roadmap Cross-cutting actions

- *Integration of circularity criteria in all activities, incorporation in 100 % of the internal regulations.*
- *Management of 100 % of projects with digital tools.*

Red Eléctrica is working on the implementation of digital technologies and the integration of circular criteria in all its activities.

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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.]
- REI [Red Eléctrica Internacional]
- REINCAN [Red Eléctrica infraestructuras en Canarias]
- REA [Red Eléctrica Andina]
- REINTEL [Red Eléctrica infraestructuras de Telecomunicación]
- RETIT [Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología]
- RECH [Red Eléctrica de Chile]
- HISPASAT

Total water withdrawal by source / 303-3 / 303-5

	2018	2019	2020
Head Office [m³]	10,479	10,196	3,217 ⁽²⁾
Other work centres [m³]	12,088	10,151	23,888
Total of all work centres [m³] ⁽¹⁾	22,566	20,347	27,105

Scope of the data: REE+REC+REINCAN+REI+REINTEL. Data for 2020 includes REA+ RECH + HISPASAT.

[1] The figure has a coverage of 83.5% in terms of personnel, including collaborators.

[2] Of the total reported in 2020, 12,802 m³ correspond to the companies incorporated in the same year.

Note 1. The water consumed comes from the **municipal water supply network (88.6%), wells (14.07%), cisterns (17.32%)**. 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. 86% 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

REE ⁽¹⁾	2018	2019	2020
Km of line in Red Natura/total km of line [%]	15.1	15.58	15.51
Number of substations in Red Natura/number of substations [%]	5.75	5.69	5.74
Surface area of facilities in Red Natura/total Surface area in Red Natura [%] ⁽³⁾	0.08	0.08	0.08

REA ⁽²⁾	2020
Km of line in protected areas/total km of line [%]	3.05
Number of substations in protected areas/number of substations [%]	0
Surface area of facilities in protected areas/total Surface area in protected areas [%] ⁽³⁾	0

Scope of the data: REE + REA+ RECH.

No RECH facilities are located in protected areas.

[1] Red Natura (Natura 2000 Network) includes: SCI [Site of Community Importance] and SPA [Specially Protected Areas for birds].

Note 1. The most updated database published by MITERD is used to calculate the indicators.

Note 2. The mapping of facilities in service is improved and updated annually, which may result in some variations in the calculations that are not related to the increase or decrease of facilities.

[2] Protected areas according to legislation: National Reserve and buffer zone.

[3] Area occupied by lines, substations and submarine cables. The area occupied by the lines has been calculated assuming an occupation of 20 metres on each side of the line. It is necessary to take into account that the occupation is overhead; there is only real occupation in the case of the towers. The area occupied by the submarine cables has been estimated at 1 metre on each side of the line.

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Description of the most significant impacts on biodiversity / 304-2

Most relevant impacts on vegetation

- 400 kV Baza-Caparacena line: 350 m² affected area with inventoried presence of *Clypeola eriocarpa*, a 'vulnerable' small plant species in the Andalusian Catalogue of Threatened Species.
- 220 kV Incoming and outgoing feeder lines in Puente-Bibey: felling of small oak trees in an area of 40 m².
- 220 kV Beniferri-La Eliana line (underground): felling of 5 orange trees and an olive tree in the Turia Natural Park.
- 220 kV Caletillas-El Rosario line: occasional clearing of Paris daisy *Argyranthemum frutescens*, a species native to the Canary Islands.
- 400 kV Senmenat-Vic-Bescanó line: pruning and felling of vegetation on 1.8 ha of forest land (holm oak, chestnut, oak, Douglas fir, holly and undergrowth) in the Plan for Areas of Natural Interest of Catalonia of Les Guilleries-Savassona (ZEC - Special Conservation Zone and Specially Protected Area in the Red Natura 2000 Network). The damage occurred during work associated with the repair of damage caused by a storm.
- 400 kV Asomada-Carril line. Affecting 15 m² in a Red Natura 2000 protected area, Site of Community Interest (SCI) Sierra de Almenara, due to a fire generated after the passage of a maintenance vehicle.

Scope of the data: REE.
Note: in addition, 2 fires have been registered in 2020, affecting 135 m² of grassland and scrubland that do not contain any species of environmental interest.

Most relevant impacts on the marine environment

- 400 kV Tarifa-Fardioua submarine cable: spillage of 7,037 litres of dielectric oil due to failure of the outer sheath. This was located in Moroccan waters in the Strait of Gibraltar at a depth of 200 metres. The area is not catalogued with any type of environmental protection, although UNESCO considers the Strait of Gibraltar as a Mediterranean Intercontinental Biosphere Reserve.
- New 132 kV Majorca-Menorca 2 submarine cable: during construction, the Posidonia oceanica seagrass meadow was affected because the established technical contracted width for the line was exceeded (0.5 m). The technical width was exceeded in one section leading to an increase in the area affected. Recovery measures are being carried out on an area of 2,386 m², in Red Natura 2000, SCI Canal de Menorca.

Scope of the data: REE.

Impacts detected in 2020 regarding endangered species

Species	No. of birds affected
Southern grey shrike [<i>Lanius meridionalis</i>] ⁽¹⁾	5
Iberian Egyptian Vulture [<i>Neophron percnopterus</i>] ^{(2) (4)}	1
Red kite [<i>Milvus milvus</i>] ⁽³⁾	1
Cory's shearwater [<i>Calonectris diomedea</i>] ⁽²⁾	13
Bearded vulture [<i>Gypaetus barbatus</i>] ⁽³⁾	1
European Turtle Dove [<i>Streptopelia turtur</i>] ⁽¹⁾	1

Scope of the data: REE.
A total of 241 birds have been affected, 235 by collision and 6 by other causes (3 electrocutions), only the endangered species are reported.
[*] Electrocution (the rest of the cases were collisions).
⁽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
Note: a sanction proceeding [for environmental liability] opened in 2020 as a consequence of the collision of an imperial eagle [*Aquila adalberti*] ⁽¹⁾ ⁽³⁾ that occurred in 2019 and was reported in the corresponding sustainability report is currently pending resolution.

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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 MITERD (Spanish Catalogue)	Classification according to the IUCN red list
<i>Aegypius monachus</i>	Black vulture	Vulnerable	Near threatened (NT)
<i>Aquila adalberti</i>	Imperial eagle	In danger of extinction	Vulnerable (VU)
<i>Aquila fasciata</i>	Bonelli's eagle	Vulnerable	Least concern (LC)
<i>Ardeola ralloides</i>	Squacco heron	Vulnerable	Least concern (LC)
<i>Aythya nyroca</i>	Ferruginous duck	In danger of extinction	Near threatened (NT)
<i>Botaurus stellaris</i>	Euroasian bittern	In danger of extinction	Least concern (LC)
<i>Burinus oedicnemus distinctus</i>	Stone curlew (West Canarian)	Vulnerable	Not evaluated (NE) - Species endemic to the Canary Islands
<i>Calonectris diomedea</i>	Scopoli's shearwater	Vulnerable	Least concern (LC)
<i>Chersophilus duponti</i>	Dupont's lark	Vulnerable	Vulnerable (VU)
<i>Chlamydotis undulata</i>	Houbara bustard	In danger of extinction	Vulnerable (VU)
<i>Ciconia nigra</i>	Black stork	Vulnerable	Least concern (LC)
<i>Columba bollii</i>	Bolle's pigeon	LESRPE (Spanish List of Specially Protected Wild Birds)	Least concern (LC)
<i>Columba junoniae</i>	Laurel pigeon	Vulnerable	Near threatened (NT)
<i>Cursorius cursor</i>	Cream-coloured courser	LESRPE	Least concern (LC)
<i>Dendrocopos leucotos</i>	White-backed woodpecker	In danger of extinction	Least concern (LC)
<i>Falco peregrinus peregrinoides</i>	Barbary falcon	In danger of extinction	Not evaluated (NE) - Species endemic to the Canary Islands
<i>Fringilla teydea subsp</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	LESRPE	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>Lanius meridionalis</i>	Iberian grey shrike	LESRPE	Vulnerable (VU)
<i>Marmaronetta angustirostris</i>	Marbled duck	In danger of extinction	Vulnerable (VU)
<i>Milvus milvus</i>	Red kite	In danger of extinction	Least concern (LC)
<i>Neophron percnopterus</i>	Griffon vulture	Vulnerable	Endangered (EN)

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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

[continued]

Scientific name	Common name	Classification according to MITERD (Spanish Catalogue)	Classification according to the IUCN red list
<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	LESRPE	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</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' 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 species registered, those identified as threatened are included in this indicator. In addition, species for which accidental collisions were identified in 2020, although not listed as focal species (Scopoli's shearwater (*Calonectris Diomedea*), Iberian grey shrike (*Lanius meridionalis*) and European turtle dove (*Streptopelia turtur*), have been included in the list.

-	-	-	-	1	2	3	4	5	6	7	8	-
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Waste broken down by type and method of disposal / 306-2

Hazardous waste (kg)

Waste management method ^[2]	2018	2019	2020
Reuse	14,840	0	0
Recycling	1,491,163	293,670	212,551
Regeneration	535,600	818	4,748
Energy recovery	9,323	0	0
Removal	985,949	252,612	19,355
Total ^[1]	3,036,874	547,100	236,654

Scope of the data: REE + REC + REINCAN + REI + REINTEL. Data for 2020 includes REA+ RECH + HISPASAT.

Non-hazardous waste (kg)

Waste management method ^[2]	2018	2019	2020
Reuse	0	30,400	23,110
Recycling	1,349,467	534,994	411,342
Regeneration	3,700	0	0
Energy recovery	220	625	200
Removal	171,463	152,968	360,011
Total ^[1]	1,521,150	718,987	794,664

Scope of the data: REE + REC + REINCAN + REI + REINTEL. Data for 2020 includes REA+ RECH + HISPASAT.

[1] 2020 includes the waste managed in all the companies of the Group for the first time, so it is not comparable with that reported in previous years. The waste generated by REE represents more than 95 % of the hazardous waste and more than 70 % of the non-hazardous waste generated in the Group. In the case of REE, there has been a reduction of 322t of hazardous waste (225t managed in 2020) and 155t of non-hazardous waste (564t in 2020), due to the limitation of maintenance actions and renovation and improvement projects resulting from COVID-19. In addition, hydrocarbon-contaminated soil waste has been reduced due to the decrease in the number of accidents.

[2] Waste management corresponds to that which appears in the legal documentation for its management thereof. The amount of waste to be recycled was 63 % [included in the generic category of recycling: reutilisation, recycling, composting, anaerobic digestion and regeneration]. The reduction in this percentage with respect to 2019 (68 %) is associated with the increase in the generation of hazardous waste that cannot be recycled.

306-4 Waste treatment of used SF₆ gas, which is out of specification, generated in Spain which consists of the regeneration of the gas for its subsequent reuse, is carried out in France. This means that 1.34 % 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 2020, 1,964 Kg of equipment contaminated with PCB was managed.

Leaks and spills in 2020 ^{[1] [2]} / 306-3

Oil or hydrocarbon leaks and spills during equipment use and maintenance

1	2	3	4	5
0	2 ^[3]	6 ^[4]	1 ^[5]	0

Scope of the 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] There have been two accidental spills classified as minor:

- Spill of 8-9 litres of oil from a voltage transformer affecting a floor area of 6 m². The affected area has been cleaned up.

- Spill of diesel oil from the oil tank of a generator at the Moraleja Head Office building. There was a spill of 200 litres of diesel oil which impregnated approximately 4 m² of the concrete floor of the generator room in the basement area. The spill reached the lower floor (garage) and generated a diesel oil stain of less than 1 m² on the floor. The clean-up work has been completed.

[4] There have been six accidental oil spills classified as significant:

- Spill of 917 litres of oil from a reactor. The oil was contained in the collection tank and did not affect the substation floor.

- Spill of 120 litres of oil due to the breakage of a circuit breaker affecting a surface area of 25 m². The clean-up work has been completed.

- Spill of 900 litres of diesel oil due to an error during the refuelling of emergency generator sets, affecting an area of 10 m² of unpaved ground around the equipment. The clean-up work has been completed.

- Spill of 400 litres of oil from a reactor. Of the oil spilt, 75 litres reached the ground, with the rest remaining on the reactor itself and its base structure. It affected 8 m² of floor space. The area has been cleaned up.

- Spill of 40 litres of oil due to the explosion of a current transformer on the ground, affecting some 20 m². Work is being carried out to clean up the area.

- Spill of 100 litres of oil from the explosion of two voltage transformers affecting a surface area of 80 m². Clean-up work is in the planning phase.

[5] There has been an accidental oil spill classified as a major accident:

- Spill of 7,037 litres of oil due to the breakage of the outer sheath of the 400 kV Tarifa-Fardoua underwater cable [cable 4] which was pending repair after a previous break located some 4.5 kilometres off the Moroccan coast and at a depth of some 200 metres, in Moroccan territorial waters. The fault has been sealed. The strong currents in the area have made it impossible to detect oil on the surface and to cordon off the affected area.

No accidents of a serious nature occurred in 2020. No spillage has been included in the organisation's financial statements.

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Non-compliance with environmental laws and regulations in Spain / 307-1

Type of infringement	2018		2019		2020	
	No. of cases	Amount (€)	No. of cases	Amount (€)	No. of cases	Amount (€)
Fire risk (lack of maintenance of vegetation or the abandoning of material)	•	•	1	270	•	•
Unauthorised felling and pruning	2	1,451	2 ^(*)	1,667 ^(*)	1	10,800
Obstruction of waterway / Unauthorised works in protected areas	•	•	1	4,800	•	•
An electricity line crossing over a livestock route without authorisation	•	•	•	•	•	•
Total	2	1,451	4^(*)	6,737^(*)	1	10,800

Scope of data: REE + REC + REINCAN + REI. Information updated in 2020. Closure of two open cases in 2019.

Non-compliance with environmental legislation and regulations - LATAM

Type of infringement	2019			2020		
	No. of cases	No. of proceedings	Amount (€)	No. of cases	No. of proceedings	Amount (€)
Incorrect waste management	4 ^[1]	4 ^[2]	27,097	•	•	•
Works without authorisation	•	3 ^[3]	37,772	•	•	•
Administrative error	•	2	3,912	•	•	•
Total	4	9	68,781	•	•	•

Scope of data: REA.

[1] Each proceeding groups together a variable number of infringements.

[2] One of the infringements exceeds 10,000 euros.

[3] Two infringements exceed 10,000 euros.



7.5

Supply chain

103-1 / 103-2 / 103-3



Key indicators in 2020

- **7.6** points in overall supplier satisfaction.
- **7.86** increase in efficiency in terms of CO₂ emissions in the overall set of logistics services.
- **309** participants in anti-corruption and diversity training programmes for suppliers.
- **133** travel warrants provided to suppliers to authorise their travel needs to deliver essential supplies during the COVID-19 scenario.



2020 milestones

- Approval and publication of the new Supplier Code of Conduct.
- Definition and implementation of the Supplier Integrity Due Diligence Model.
- Management of the supply chain during the COVID-19 scenario, intensifying monitoring and identifying alternatives to facilitate the guaranteed continuity of suppliers.
- Definition of the Workplace Safety Management Model for the supply chain as part of the Red Eléctrica Group's procurement process and its application in two pilot projects.



Challenges for 2021

- Implementation of the new supplier assessment model for sustainability (new ESG scoring).
- Assessment, training and development of suppliers regarding human rights.
- Roll-out of implementation of the Workplace Safety Management Model for the supply chain.
- Updating of the General Conditions of Contract of the Red Eléctrica Group.



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The Red Eléctrica Group, aware of the relevance that suppliers have in the carrying out of its function, is committed to collaborating on **developing common goals** that improve the efficiency of processes and generate mutual benefits. For this, in its daily management, the Company promotes the values and commitments acquired in matters of ethics and compliance, working conditions, environment and occupational health and safety, guaranteeing that all its suppliers also undertake these.

Responsible management of the supply chain

The Company has a responsible management model based on the **principles of non-discrimination, mutual recognition, proportionality, equal treatment, transparency and free and fair competition.**

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 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.

The Red Eléctrica Group has voluntarily participated in various initiatives and professional associations

The Red Eléctrica Group actively participates in the **Responsible Purchasing Commission** led by the *Club de Excelencia en Sostenibilidad*.



that strengthen the extension of its commitment to sustainability to suppliers, among which it is worth highlighting that acquired with the **principles of the United Nations Global Compact.**

The team responsible for managing the supply chain of the Company 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.

In addition, the Company organises various internal training sessions, either on the global procurement process or on a specific process should any department/area request it.

The Supplier Code of Conduct

The Company, aware of the importance of the actions of its suppliers in its value chain, tries to transfer the basic sustainability criteria to those who supply goods or services, criteria based on the 10 principles of the Global Compact, which include the United Nations guidelines on human rights, labour conditions, the environment and the fight against corruption.

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The **Supplier Code of Conduct** 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.

In 2020, the Company initiated a **review and update** of the Supplier Code of Conduct in order to transfer to the supply chain new sustainability criteria (environment, ethics, occupational health and safety, well-being and diversity), to adapt it to best practices in relation to due diligence with third parties and ensure its alignment with the update of the Code of Ethics and Professional Conduct of the Red Eléctrica Group, approved in 2020. Eight areas of the Company have participated in this process and have received advice from the benchmark entity in the field of integrity, Transparency Internacional.

The main new features included in the Code refer to aspects and concepts in the areas of cyber security, data protection, disability and diversity, climate change, circular economy and reputation. It also includes a new section on supplier responsibility and the management of non-compliance with the Code, with possible actions taken depending on their severity.



In force since June 2020 and approved by the Executive Committee, the new document has been disseminated internally to all employees of the Company, as well as externally through different channels (corporate website, through a campaign, via the incorporation of a link in tender documents, etc.).

During 2020, in order to verify correct compliance with the Supplier Code of Conduct, social audits were carried out on 45 suppliers. As a result of these audits, 38 action plans have been agreed with 18 of them, enabling the development of the supplier and verifying the improvement implemented. The results of these audits, and their corresponding findings, are shared internally, emphasising the detection of major non-conformities so that these are resolved in due time and form. If this does not happen, the supplier may be blocked (which did not occur this year). This situation is reversible once the non-conformity is satisfactorily resolved by implementing the corresponding action plan.

The new Supplier Code of Conduct includes new developments in the areas of cyber security, data protection, disability and diversity, climate change, circular economy and reputation.

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Model for the responsible management of the supply chain

Framework

LAW
31/2007

CODE OF ETHICS AND
PROFESSIONAL CONDUCT

SUPPLIER
CODE OF CONDUCT

PROCUREMENT
POLICY

SUSTAINABILITY
POLICY

GUIDE FOR THE
PREVENTION OF CORRUPTION

INTERNAL
REGULATION

Levers for ongoing improvement

STRATEGIC PLAN OF THE
RED ELÉCTRICA GROUP

TRANSFORMATION AND RESOURCES
MASTER PLAN (CORPORATE DEPARTMENT)

PROCUREMENT
MASTER PLAN

AUDITS

ASSESSMENTS

CUSTOMER AND SUPPLIER
SATISFACTION SURVEYS

OBJECTIVES
AND PROJECTS

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 + Dígame + Compliance and 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 said 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.

Free and fair competition

- Selection of candidates taking into account the need to ensure sufficient competition.
- Ensuring free and fair competition throughout the award process.

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A responsible management, model requires correct information management, and for this reason, the Red Eléctrica Group works continuously on the evolution and adaptation of its IT systems, with a dual objective:

- Make them more accessible and operational for suppliers (publication of the supply tree, questionnaires, translation of PRORED, etc.).
- To increase the quality of the analyses that enable us to identify and prioritise areas for improvement (incident management, subcontracting authorisation, etc.).

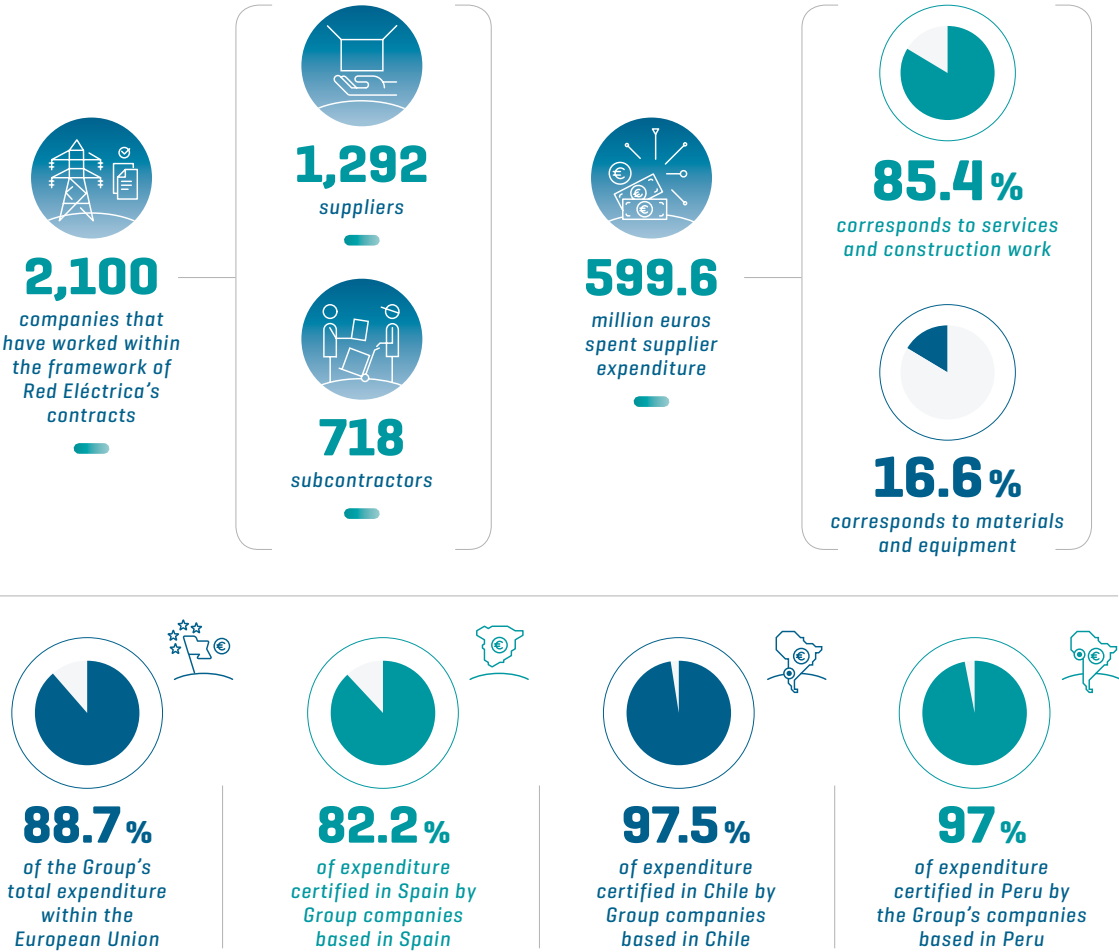
Supply chain

102-9 / 204-1

Description of the supply chain

Red Eléctrica is a driving force for growth that favours the business, industrial and social development of its environment by creating employment throughout the supply chain.

The supply chain of the Red Eléctrica Group



-	-	-	-	1	2	3	4	5	6	7	8	-
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Comprehensive purchasing management phases

In 2020, **reverse logistics** was boosted for the works carried out for the Group through the reuse of 64% of the stock that was in this situation at the end of 2019. This type of initiative has favoured a significant reduction in inventory days, as well as a return in sustainability terms. The remaining 34% has been managed as scrap and as materials with a second useful life. The Company is also working on efficient delivery routes, real-time tracking of deliveries, as well as planning and coordinating movements of personnel. This led to an efficiency of 9.08% in 2020 in terms of CO₂ emissions in the overall set of logistics services. The actions carried out have led to an increase

of 7.86 percentage points compared to the previous year. This reduction is driven by the aforementioned endogenous factors described above, spearheaded by the Group and its logistics operator. However, the situation arising from the state of emergency and its impact on road traffic should be taken into account.

In addition, the supply optimisation model has been implemented in Latin America, enabling the optimal management of spare parts needed by the subsidiary companies in Peru and Chile, the possible interchangeability of spare parts between countries/companies, the most ideal location for sourcing and storage, as well as enabling the identification of spare parts that can be supplied from Spain.

Risks and impacts on the supply chain
308-2 / 414-2

Among the initiatives that the Red Eléctrica Group tackles within the framework of responsible management of the supply chain, noteworthy is the **identification of impacts that supplies have on sustainability**. Such impacts can then be included as possible sustainability requirements to be demanded from suppliers.

The Company has defined an **impact matrix** for the supply of equipment and/or materials, as well as for the supply of construction works and services. In total, **twenty 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 environmental sphere.


Comprehensive purchasing management

1. Planning

2. Purchasing management

3. Distribution and logistics

The supply chain **impact matrix** identifies **20 types of sustainability impacts**: seven in the area 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	<p>Risks and impacts regarding ethics and working conditions</p> <ul style="list-style-type: none"> · Reputation · 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. 	<p>Risks and impacts regarding Occupational Health and Safety</p> <ul style="list-style-type: none"> · Accidents in the workplace. · Work-related illnesses. · Inadequate training or experience / information. · Legal / regulatory non-compliance. 	<p>Risks and impacts regarding the environment</p> <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. 	<p>Risks and impacts due to non-compliance with legislation</p> <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. 	<p>Risks and impacts due to non-fulfilment of deadlines or incidents in the performance of the work</p> <ul style="list-style-type: none"> · Inability of suppliers to complete the execution of the works. 	<p>Risks and impacts associated with the supplier's country of origin</p> <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. · Certified quality system (ISO 9001). · Implementation of the Integrity Due Diligence Model for suppliers. · Due diligence guidelines on integrity due diligence with counterparties. Criteria for determining inherent risk. · Contracting of an information search service regarding integrity. · Assessment of the likelihood of compliance with criminal prevention, privacy and cyber security regulations by a supplier. 	<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 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 per 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"> · Incorporation of supplier location in determining inherent risk within the supplier integrity due diligence model.

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The main risks are controlled by means of the management systems that are in place and the audits carried out periodically, after which recommendations and improvements are identified, which are the analysed internally and subsequently implemented in order to continuously improve the processes.

In the event of the identification of a high impact, the Company can establish an action plan with the supplier, closely monitoring its implementation and reserving the right to take action with the supplier if necessary.

The identification and prioritisation of risks and impacts of the supply chain has allowed the Company 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.

In response to the risk of non-compliance with a regulation or law by suppliers, the Red Eléctrica Group has compliance mechanisms such as the Code of Ethics and Professional Conduct, the Supplier Code of Conduct, the General 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.



Noteworthy actions regarding risk

Compliance culture for the control and monitoring of corruption and bribery.

- *Definition and implementation of the integrity due diligence model for suppliers.*
- *Drafting of an integrity due diligence action guide with counterparties.*
- *Definition of the criteria for determining the inherent risk of suppliers.*
- *Implementation of due diligence instruments [contracting of an information search service regarding integrity].*
- *Definition and implementation of the integrity incident management model.*
- *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 criminal matters, cyber security and privacy.*

Transparency of the identified risks.

- *Suppliers can access the results of their company's assessment in terms of compliance with criminal prevention, privacy and cyber security.*
- *Suppliers can access recommendations to help them increase the level of legal certainty regarding compliance and thus mitigate risks.*

Culture of privacy and proactivity in the protection of personal data.

- *Sensitivity training and awareness-raising actions among suppliers, encouraging them to have a conscious, diligent and proactive attitude towards the processing and handling of personal data.*

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In 2020, the Company defined a workplace safety management model for the supply chain as part of the procurement process and successfully implemented it in 2 pilot projects [cyber security operations and international travel assistance service].



The Company's compliance system is described in the [Ethics and compliance](#) section in this report.

In 2020, the Company defined a **workplace safety management model** for the supply chain as part of the procurement process and successfully implemented it in 2 pilot projects [cyber security operations and international travel assistance service], resulting in a reduction of the inherent risk after incorporating security requirements in the minimum criteria for contracting the affected supplies.

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 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 the Red Eléctrica Group, including the commitment to extend them to their own supply chain.

Suppliers with non-conformities in the social audit process are given a certain period of time to remedy the deficiencies detected. Conducting these audits allows the Company to verify that the supplier has complied with all requirements in order to minimise risk in the areas of human resources, environment, quality, occupational health and safety risks and corporate social responsibility. As a result of these audits, improvements or action plans are agreed upon that encourage the development of suppliers and whose monitoring allows the Company to measure their evolution and verify the improvements implemented but it can also be decided to disqualify a supplier temporarily or permanently.

In the case of subcontracting by the supplier, the supplier shall be responsible for ensuring that its subcontractors also carry out their activities in compliance with all the above principles.

The Company's human rights management model is detailed in the [Ethics and Compliance](#) section of this report.

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Management of suppliers

Supplier qualification

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The purpose of Red Eléctrica in this phase is to attend to the qualification requests of all companies. The requirements to be demanded from suppliers vary depending on the supply:

- For recurring supplies, which, due to their nature, allows a definition of unambiguous requirements to be drawn up and the Company considers it necessary, 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.

The Company carries out a constant **review and update process of 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.

In addition, the Company makes the **supply tree** available to suppliers and companies aspiring to become providers in which all the supplies or services the Company needs are published with their corresponding profiles. This information is in PRORED and is accessible from the corporate website, which allows them to know in advance the minimum requirements before starting the qualification process, start a registration and manage the qualification files, as well as being able to update their business and contact details at any time, in a single space. This space will help improve the agility and transparency of the communication between the supplier and the Red Eléctrica Group, guaranteeing that the supplier is fully aware of the Company's expectations. It will also allow simple tasks to be managed directly by the suppliers themselves. In 2020, the Company made a special effort to start offering this information in English, as a way of making it more user-friendly and improving communication with non-national suppliers.

In 2020, a new **supplier registration questionnaire** was implemented, following a process of review, simplification and updating of



SUPPLIER QUALIFICATION

New supplier registration
questionnaire

**AIMS TO STREAMLINE SUPPLIER
REGISTRATION, SIMPLIFY THE
PROCESS AND IMPLEMENT BEST
SUSTAINABILITY PRACTICES.**

the previous one, in which work was carried out closely not only with the areas responsible, but also with other companies in the sector to take into account the global vision, as well as having been validated by Forética, an external entity specialising in this area. Its main objective has been to make registration by the supplier more efficient, simplify the qualification process and gather best practices in terms of supply chain

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In 2020, a new module was implemented which allows the semi-automatic management of subcontracting, improving the control of this service requested by suppliers.

sustainability, by incorporating them into the questionnaire that suppliers must complete. In addition, in some of the questions, evidence will be requested from the supplier that they are obliged to provide.

Furthermore, within the framework of the comprehensive corporate security management model, the Company includes, in the new updated forms, questions about the supplier's capability to provide certificates regarding corporate security: current certificate of the Information Security Management System [ISO/IEC 27001] and current certificate of the Business Continuity Management System [ISO 22301].

Active scouting process for suppliers

As part of its diversification strategy, the Company has an active supplier scouting process for those supplies where it needs to expand its supplier portfolio. This search is carried out both within Spain and abroad.

In 2020, this process was carried out for 29 supplies. The suppliers engaged were supported during the process to facilitate their registration in PRORED, which has allowed 61 new suppliers to be incorporated into the portfolio.

Subcontracting

The Company, 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 for suppliers must comply with the same requirements demanded of the previously qualified suppliers who were awarded the contract.

In 2020, a **new module** was implemented in PRORED that allows the **semi-automatic management of subcontracting** requested by suppliers, which has improved control over subcontracting in the Red Eléctrica Group, gaining agility in the management of this process by allowing the average management time for subcontracting requests to be 0.8 days from the time the documentation submitted by the supplier is validated (1.51 days in 2019).

Supplier monitoring and development

The objective of the Company in this area is to verify both the performance of suppliers within the framework of contracts with the Group and continuous compliance with the requirements demanded at the time of qualification.

In addition, the PRORED space allows for the business, technical, legal and social responsibility monitoring of suppliers as well as the management

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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. It also 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 evaluating the test purchase order.

Communication with suppliers

The Company offers its suppliers **various communication channels** to facilitate and improve its service. Among them, noteworthy is the [ASA](#) channel (Procurement Support and Helpdesk) which manages enquiries, doubts and grievances/claims from suppliers associated with the supply processes, as well as providing clarification regarding the content of the Code of Conduct for Suppliers. In 2020, a total of 2,305 supplier enquiries were managed, with an average turnaround time of 0.19 days for handling the requests from the various stakeholders, well below the established turnaround target of 1 day. In addition to this channel, the Company has the *Dígame* service and the Compliance and whistle-blowing channel, available to any stakeholder.

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. During the COVID-19 scenario, the monitoring of the financial status of suppliers has been adapted, taking into account the sector to which they belong, their ability to meet their obligations and the detection of non-payments. Similarly, constant

communication has been maintained with them to ascertain their overall 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.

Technical monitoring

- In 2020, in collaboration with the different areas responsible for the contracts, 49 technical incidents affecting 40 suppliers were managed, and 10 plans with improvement actions were defined to rectify the incident and develop the supplier. In this process, 1 supplier was issued a warning, 4 suppliers were blocked, and 4 suppliers were disqualified.
- Establishing **key performance indicators and service level agreements**.

During the COVID-19 scenario, communication was bolstered further with those suppliers that account for 80% of the current contracted expenditure, identifying the state of health of their employees and their capacity to restart temporarily suspended work, processing travel warrants for 133 suppliers in order to facilitate their mobility and the continuity of the manufacturing process.

Social responsibility monitoring

- In order to verify compliance with the Supplier Code of Conduct, during 2020, Red Eléctrica carried out **business audits** on 45 suppliers. As a result of the audits, 38 action plans were agreed upon with 18 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.

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In 2020, the Company dealt with more than 2,000 enquiries from suppliers with an average turnaround time of 0.19 days for their management.



The Red Eléctrica Group has a **communication model** and a **global communication manual** that establishes the appropriate protocols and channels with the Company's supplier. These are made available to all employees of the Company on a recurring basis with the aim of conveying the same messages to the supplier in the same format, ensuring compliance with the principles of uniformity, equity, proportionality and transparency.

In addition, the **corporate website** has a specific section for [suppliers](#), which includes the applicable regulations and processes, as well as other information of interest for the supply chain, such as: training programmes developed for suppliers (anti-corruption, diversity, etc.), the holding of workshops with providers, results obtained in supplier perception studies. Furthermore, relevant news that may be of

interest to them is published, which includes information on both the processes and new developments in any area of sustainability that may have an impact on the supplier.

Another noteworthy aspect is the meetings that the Company holds with key suppliers to provide mutual feedback and to foster more close-knit ties. These meetings are attended by the representative of the technical area, the procurement area and the person responsible for supplier management. These meetings provide a global vision of the current status of the business activity, future possibilities, the commercial relationship, a view of supplier risk assessment, a review of the most relevant issues and the exchanging of the most important concerns and priorities in the field of sustainability.

During the health crisis caused by COVID-19, the Company maintained continuous and fluid communication with its suppliers, providing them with all the information necessary for the correct performance of their work. During this period, the Company was heavily involved in the management of the supply chain. It is also worth highlighting the interaction it maintained with its critical suppliers during the weeks when only essential services were operating. More detailed information can be found in the [Our response to COVID-19](#) section of this report.

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280 people from approximately 160 suppliers have participated in the training programme on diversity developed by the Red Eléctrica Group in collaboration with the Spanish Network of the United Nations Global Compact.



Furthermore, the Red Eléctrica Group, aware of the importance of promoting green or sustainable purchases, has signed and [published an open letter](#) to suppliers **[Greener choice]**, which is signed by all the purchasing managers of the European TSOs, with a view to promoting in the market a greater drive towards the manufacture of 'sustainable' equipment and solutions that can reduce the impact on the environment.

Supplier training and development

The Red Eléctrica Group offers its suppliers free online training provided by experts on different topics, such as ethics in the supply chain, carbon footprint, risk management in the supply chain, cyber security, etc.

During 2020, suppliers participated in webinars on the role of cyber security in business continuity, COVID-19 and supply chain disruption, the importance of sustainability in the supply chain, the management of sustainable, ethical and responsible procurement, etc., with a special focus on risk management and supply chain disruptions and the improvement of sustainability standards in the supply chain. In this way, suppliers were able to acquire greater knowledge on these issues, share best practices and success stories, as well as resolve doubts in real time.

Noteworthy, also in 2020, is that the Company launched, in collaboration with the Spanish Network of the United Nations Global Compact,

a training programme on diversity, with the aim of helping suppliers to integrate a culture of diversity and zero-tolerance to any type of violence or harassment, achieving real equality of opportunities for all people within the framework of the 2030 Agenda. Furthermore, these sessions have allowed the Company to convey its vision, principles and approach to diversity to the Group's suppliers.

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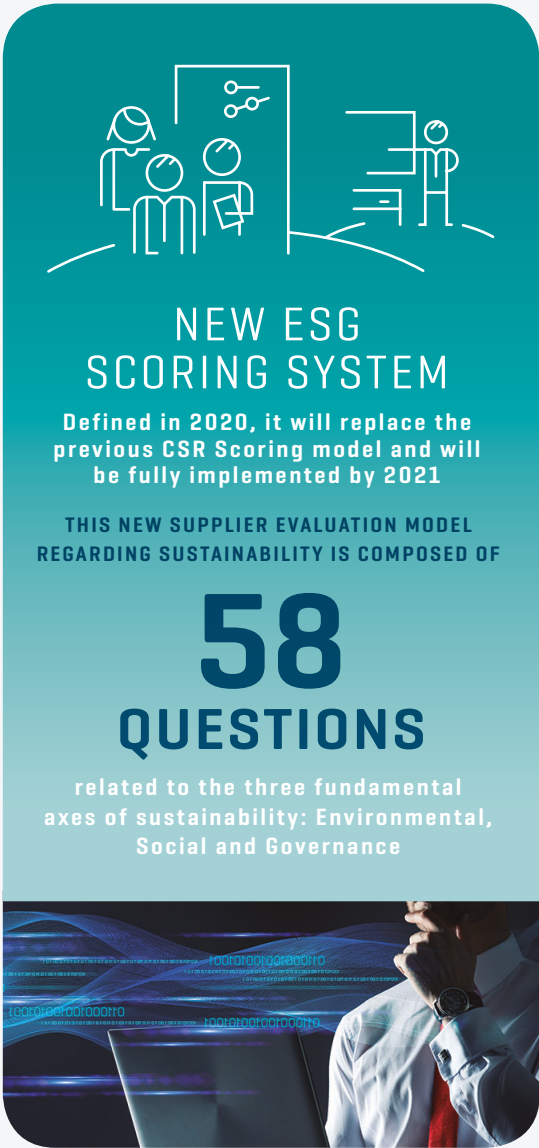
Upon completion of sessions, suppliers will be able to understand the barriers faced by these groups and how to manage equality and diversity within their organisations. In addition, they have been provided with support materials to be able to expand their knowledge in this area.

This training, which is scheduled to end in March 2021, has been well received by the high number of participants who have attended the sessions so far. During 2020, there were **280 attendees** from approximately **160 suppliers** who benefited from this initiative, with an average overall satisfaction score of 9 points out of 10.

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.

New ESG Scoring

In 2020, a new supplier assessment model regarding sustainability was defined to replace the previous CSR Scoring System. This new model is organised around three key



sustainability pillars, summarised in the acronym ESG [Environmental, Social and Governance].

The new scoring system, which is expected to be fully implemented by 2021, consists of a **58-question survey**, some of which will require the mandatory submission of supporting documentation or evidence if the answer to any of these questions is 'yes', which will allow suppliers to be assessed in terms of sustainability.

This new evaluation model will give added value to the supplier, as it will allow them to identify areas for improvement and to prioritise their efforts in sustainability.

Supplier development guide on sustainability

In addition, the Red Eléctrica Group makes a **Guide available to all its suppliers** on its corporate website regarding **sustainability**, which acts as a tool that can help to incorporate sustainable aspects into the providers 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.

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- The identification and management of their company's stakeholders.
- The drafting of a sustainability report.

The Red Eléctrica Group continues to work on **campaigns aimed at the continuous improvement of its suppliers**, constantly defining new actions (training for its providers, etc.) to favour the drafting of the aforementioned aspects and their dissemination to the entire supply chain for their adoption.

Dissemination of sustainability goals throughout the supply chain

As part of the objective of spreading its commitment to sustainability throughout the supply chain, the Red Eléctrica Group focuses on health and safety, the environment, diversity, ethical behaviour and working conditions.

In this respect, the Company monitors the **severity and frequency of accidents among its contractors** and implements measures to ensure the occupational health and safety of all the people who carry out their activities in the organisation's facilities, as shown in the [Workplace safety in the supply chain](#) ↪ subsection of the Employees section of this report.

In terms of the natural environment, the Red Eléctrica Group remains committed to the **fight against climate change** and continues to work with suppliers to **reduce its carbon footprint**. In this regard, during 2020 work continued on the collaboration programme with suppliers which was implemented the year before for the **reduction of emissions** with the aim to:

- Engage suppliers in the Company's commitment,
- Obtain accurate information from suppliers and incorporate it into the calculation of the Company's emissions inventory,
- Determine the degree of maturity of the supply chain in this field,
- Define targets for reducing emissions associated with the supply chain.

For more information, see the [Reduction of the carbon footprint](#) ↪ section in this report.

Similarly, the Red Eléctrica Group continues to work on all the initiatives included in the **2030 Circular Economy Roadmap** of the Red Eléctrica Group, which establishes and prioritises, aligning itself with the agents in the value chain, measures to reduce the consumption of raw materials in manufacturing, by substituting them for recycled, renewable or biodegradable materials and the reuse of these at the end of

their useful life. This has led to a reduction in expenditure [107,000 euros] and the generation income [270,000 euros] for the Company, as a result of the implementation of the procurement levers, resulting in a reduction in valued (new) and non-valued (recovered) stock. Another aspect to highlight is the identification of circularity criteria to be included in the specifications and the analysis of tenders and technical specifications in which it makes sense to incorporate these criteria.

During 2020, work was carried out in order to have a snapshot of the carbon footprint impact of the materials supplied to Red Eléctrica. Thanks to this approach, it is possible to articulate initiatives for the reuse of materials, taking into account not only financial efficiencies, but also environmental criteria for decision making.

On the other hand, equipment and materials that reach the end of their useful life in the Company are treated as a priority with a focus on sustainable recovery, with the aim of them being reused. This type of initiative, as opposed to waste management scenarios, is a substantial improvement.

This information is detailed in the [Responsible environmental management](#) ↪ section in this report.

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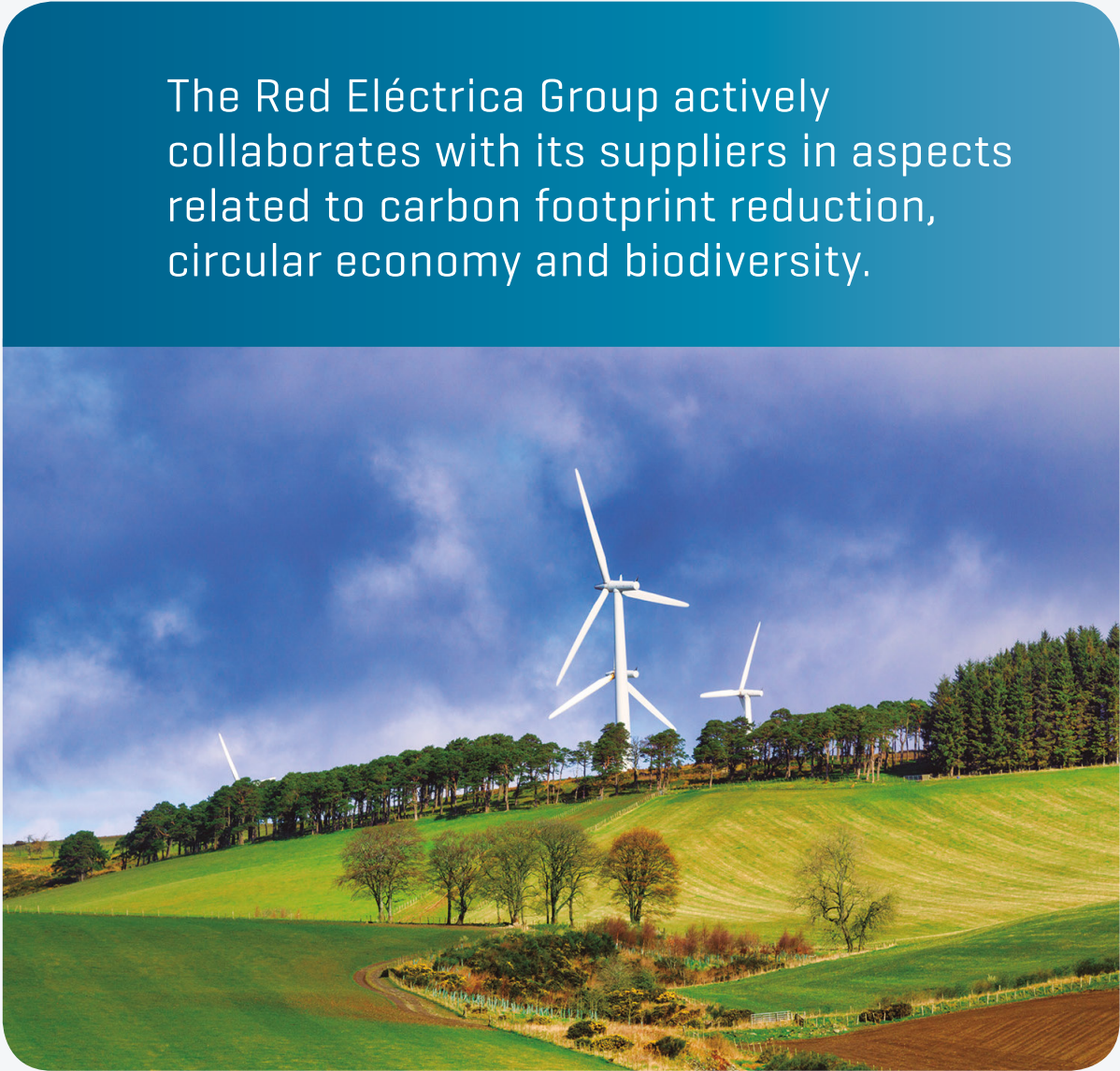
Additionally, in 2020, a campaign was promoted to **determine the level of commitment to biodiversity** of its suppliers, how they are incorporating it into their business strategy and to what extent the Red Eléctrica Group, through its commitment to biodiversity, has been able to influence it.

Supplier perception survey

In 2020, the Company once again conducted the supplier perception survey, highlighting the **notable increase in the sample** of suppliers chosen (increase from 170 suppliers in 2018, to 338 suppliers in 2020) and the high level of participation (61.8%), which equates to a total of 209 suppliers (172 in online mode and 37 via interviews).

The overall level of satisfaction of the 209 participating suppliers was **7.6 points out of 10**. Although this is lower than the value of the previous survey (7.8), in general, the perception of the Company's management and its degree of compliance with requirements and expectations is satisfactory (63.6% of those surveyed gave a score of 8 or higher).

This survey shows how suppliers have evaluated the supply chain and the corporate reputation of the Red Eléctrica Group, as well as identify the most relevant aspects for suppliers in the field of



The Red Eléctrica Group actively collaborates with its suppliers in aspects related to carbon footprint reduction, circular economy and biodiversity.

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SUPPLIER SATISFACTION SURVEYS

THE OVERALL SATISFACTION LEVEL OF
THE LAST SURVEY CONDUCTED IN 2020 WAS

7.6

highlighting the notable increase
in the samples of suppliers chosen and
the high level of participation
[61.8 %], which equates to a total
of 209 suppliers



sustainability. The providers have indicated the accessibility to Company personnel, the reliability of information and credibility of the Group within the sector as strong points, as well as its collaborative spirit and professionalism of its employees when dealing with suppliers.

On this occasion, an additional question was also included on the Company's performance during the COVID-19 health crisis, which was rated positively by providers, with an average score of 7.9.

The results, the main conclusions of the perception survey and the proposed action plan have been disclosed internally throughout the Company, through the various communication channels and by holding multiple specific outreach sessions with the aim not only of sharing and analysing these results in detail, but also of compiling internal reflections and proposals for improvement.

As a consequence of the results obtained and once analysed from different perspectives, the Company has defined an action plan with initiatives for improvement, focusing on those aspects which, based on the perception of the suppliers surveyed, the organisation has deemed appropriate to strengthen and improve. The three main courses of action are:

- Supplier training and development, through the holding of specific forums.

- Strengthening communication and dialogue.
- Encouraging collaboration with suppliers, through the creation of spaces for sharing knowledge, best practices and the search for synergies and joint solutions.

The Red Eléctrica Group, in its continuous quest for transparency of its processes and establishing close-knit ties with suppliers, externally discloses to all participating suppliers the results obtained, the comparison with previous years and the action plan defined. As a final step, it monitors the report provided and the improvement plan, compiling their perception of the work carried out and, more specifically, of the actions included in the improvement plan. Periodically, the Company conducts internal monitoring of the implementation of the improvement plan, in order to ensure that all the actions included in the plan are correctly implemented.

7.6

Customer orientation

103-1 / 103-2 / 103-3



Key indicators in 2020

- **8.7 points** out of 10 for customer satisfaction regarding Red Eléctrica de España.
- **More than 2,000 customers** in Red Eléctrica de España, with more than 3,326 requests for access and connection to the grid managed.
- **52,222 km** of dark fibre optic network in Spain.
- **119 permanent HISPASAT customers** and more than 1,250 television and radio channels distributed by HISPASAT.



2020 milestones

- Connection to the LIBRA and IGCC European platforms.
- New Customer Space on the website and new Customer Service Portal.
- Award of a Madrid-Portugal dark fibre optic ring for submarine cable connectivity.
- Development of broadband expansion project in rural Segovia.
- Manufacture of the new Amazonas Nexus satellite.



Challenges for 2021

- FSkar project for the exchange of information on the financial settlement of deviation mechanisms between systems.
- Continue to listen to customers' needs, the provision of services and the data made available to clients.
- Prospecting for new fibre business associated with 5G technology.
- Expansion of REINTEL's product portfolio.
- Progress in the strategic lines included in the new HISPASAT Strategic Plan.





Red Eléctrica de España has more than 2,000 customers and has managed more than 3,326 requests for access and connection to the grid.

Red Eléctrica de España: transparency, neutrality and proactivity in customer management

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 [MITERD] 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.

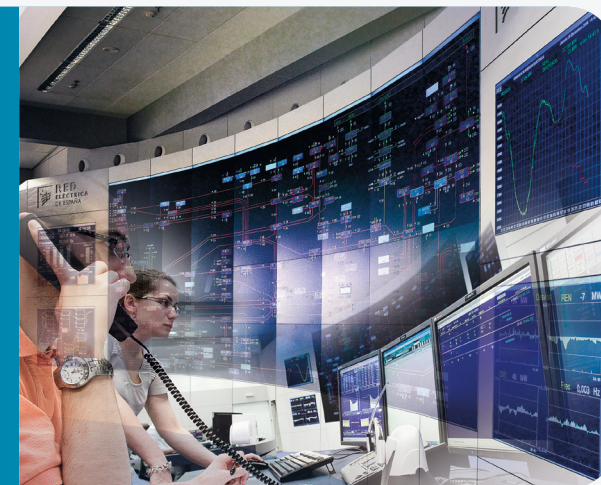
- **Participants in the electricity market and holders of generation and demand dispatch.** 655 market participants, taking part in the organised markets or executing bilateral

contracts with the physical delivery of energy, and all parties participating in the technical and economic dispatch of the non-mainland territories. The group of customers includes producers, traders, direct consumers and representatives of these groups.





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.



- **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; the Joint Allocation Office (JAO, S.A.), the company that performs the functions as the European Single Allocation Platform (SAP) and those agents/entities that purchase long-term capacity rights in these auctions, among others.

- **Other groups.** Requesters of local operation and maintenance services, and those carrying

out discharge processes or changes to the routes of high-voltage electricity lines.


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 the Company's activities.

Red Eléctrica de España has a **System Operator's Code of Conduct**, revised in 2019 and 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 the Company, as well as with the other persons and/or entities with which it has relations.

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.

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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 No 9.1 'exchanges of information with the system operator' approved by the Ministerial Resolution of 11/12/20.

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 <https://www.esios.ree.es/en/balance-responsible-parties> and a public website <https://www.esios.ree.es/en>. 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.

redOS 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 takes place every two months by the operators of the Spanish and Portuguese electricity systems (REE and REN, respectively) and 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.

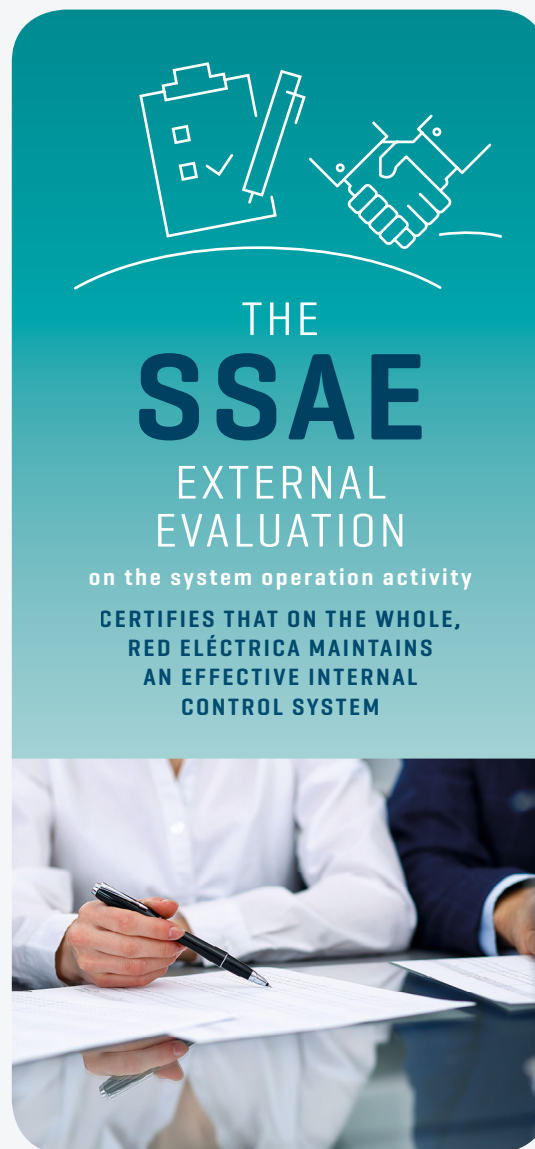
Reporting to ACER

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.



Four years after the renewal of the **e.sios public website**, following the launch of the ENTSO-E Transparency Platform, Red Eléctrica de España has initiated a process for the review and improvement of this website. Thus, during 2021, a series of actions will be carried out that seek cohesion to strengthen further the Company's commitment to transparency with a view to the full implementation of the Internal Energy Market in Europe.

In relation to **ENTSO-E's transparency platform**, it should be noted that in early 2021 it will have a new module to validate EIC codes, thus guaranteeing the quality of the information provided and avoiding data redundancies. Improvements in cyber security are also being implemented. ENTSO-E is continuing to develop the platform to support the FSkar project for the exchange of information on the financial settlement of deviation mechanisms between systems and also to comply with the publication requirements of the Implementation Framework for the European balancing platforms. Both projects should see their first publications in June 2021. The new user interface will not be available until the end of 2021 to accommodate a further restructuring of the platform architecture.



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 [CTSIOEI], 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, on the whole, Red Eléctrica de España maintains an effective internal control system over these processes for the different geographical areas under analysis (Spanish mainland, Balearic Islands, Canary Islands, Ceuta and Melilla). In November 2020, the assessment process under the SSAE standard was launched for the 2019 financial year.

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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 2020, under the **SERCLIENTE** initiative, Red Eléctrica de España continued to carry out actions aimed at boosting interaction with clients [electricity generators, consumers, distributors, market agents/traders, promoters, associations, among others] 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 2020

Proactive role: forums and conferences

• **2nd ‘Moving forward with our clients’ Conference.** The Company has continued dialogue with more than 40 drivers of change, including electricity generators, consumers, distributors, market agents/traders and representatives, which make up a sample of all Red Eléctrica de España’s clients, part virtual, part in-person event. Through the use of active listening dynamics, attendees were asked about the most important moments in the experience journey within the framework of the energy transition, identifying, for each of them, specific actions to be carried out to improve their experience. In addition, the Customer space on the corporate website and the Client Services Portal were presented (both currently only available in Spanish). These two projects were developed in response to the questions raised at the 2019 event.

• **Forums with our clients.** The Company has continued to hold forums with its customers to share information and update them on the progress of the different services offered by the system operator and the evolutions foreseen in the development of the energy transition. Overall, there were more than 20 forums, which, due to the health crisis, were held via remote means. The forums covered aspects such as the participation of the demand in balancing services, the secondary control service, the evolution of the tertiary control service, future quarter-hourly scheduling, non-frequency ancillary services, the voltage control service and the harmonisation of the settlement of deviation mechanisms, among others.

Our commitment to clients

Red Eléctrica de España made public its commitment to customers. ‘Connected to what really matters’ is the mission statement of an initiative whose purpose is to continue listening to clients and to provide them with the best response possible in terms of their priorities. The three pillars of the commitment are:

- Explore the essentials.
- Build on dialogue.
- Bring the future closer.

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Main initiatives in 2020 / continued

New specific communication channels

In November 2020, and after several years of work, Red Eléctrica launched a new channel for customers to improve their experience and enhance the provision of services, with the following value proposition:

- **Customer Space on the corporate website [currently only available in Spanish].** This new section, dedicated to clients, brings together in a unique, prominent and easily accessible space, all the useful information to access the Company's services. Customers can access this information according to the five client profiles: electricity generators, consumers, distributors, market agents/traders and representatives. For each service, they will find indications on how to access them, references to the regulations that apply to each service or how to access the management platforms, as well as documentation that will help guide them in their relationship with the Company.

- **Client services portal for the digital management of services [currently only available in Spanish].** This is a single point of access that centralises the procedures necessary to provide the services assigned to Red Eléctrica de España, as system operator and manager of the transmission grid. The website allows registered users to access the different services through a unique, standardised point of access. The portal contains modules that provide cross-cutting services that will be fully digitalised over the next few years, allowing them access to all services. At present, customers can already use the portal to register as a company, submit enquiries, propose new ideas and participate in consultations regarding regulatory aspects, all via the new portal.

Progress in the implementation of the Internal Energy Market [IEM]

- **The Internal Energy Market roadmap for the adaptation of the ancillary services managed by the System Operator.** The initial version of the roadmap, focused on the balancing markets, was drafted in collaboration with stakeholders through various forums and a public information and consultation process. The initiative was well received, and subsequent updates carried out during 2020 included other services and developments necessary for the implementation of the IEM, such as the implementation of quarter-hourly scheduling, non-frequency ancillary services and dispatches, the 15-minute deviation settlement period and the implementation of the figure of the independent aggregator. To this end, Red Eléctrica de España has set up several working groups with the main actors in the electricity system not only to address technical aspects but also the management of the scheduling and the updating of the roadmap.

- **Evolution of the operation of the system in coordination with the managers of the electricity distribution networks.** Red Eléctrica de España has continued with the two working groups to define a national, transparent and efficient framework to implement at a national level the requirements established in the European regulations on system operation.

- Working group for the implementation of the requirements set out in the European regulations on the management of the electricity transmission grid and the grid code relating to the emergency and restoration service [EU 2017/1485 and EU 2017/2196].
- Working group for the analysis of voltage control in the system.

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Main initiatives in 2020 / continued

Incorporating renewable energy power capacity

*In order to continue with the incorporation of renewable energy power capacity and within the framework of the new grid access and connection regulations, Red Eléctrica carried out joint work with customers during 2020 to define, in advance, the more detailed aspects that will form part of the new framework defined by the regulations. This has been done **to facilitate processes and streamline** the management of the grid access*

and connection procedure to make the process as quick and agile as possible. Within this scope, noteworthy has been the work carried out in the coordination of the working groups with distribution managers and generators to draft detailed specifications for the calculation of grid access capacity that will be developed in CNMC Circular 1/2021, and which will be approved by the National Commission on Markets and Competition in the near future.

System operation monitoring groups

*During 2020, dialogue was maintained with agents through **monitoring groups** of the different system operation activities [Planning Monitoring Group, Monitoring Committee of the Iberian Electricity System Operation (CTSIOSEI) and the Energy Metering Monitoring Group], in which information*

has been provided on the main new developments and the expectations of agents have been collated for each of the activities that form part of electricity system operation.

In addition, Red Eléctrica de España is working on drawing up an action plan to consolidate the SERCLIENTE initiative over the next few years, 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.

redOS

all the information you need to follow the energy transition at your fingertips

*redOS is the System Operator's app, which provides real-time information on the situation of the Spanish electricity system through key indicators that can be consulted via one of the two user profiles available: **consumer and professional**.*

The redOS application offers information both at a national level and for the mainland, Balearic Islands, Canary Islands, Ceuta and Melilla systems, so that the most detailed information possible can be obtained on the behaviour of the electricity system at any given moment, through the following categories: electricity demand, generation, CO₂ emissions, installed power capacity, energy exchanges, wholesale and retail electricity prices.

redOS provides new information such as electricity exchanges through island interconnections, the price of balancing energy in the harmonised energy markets at a European level and also the price of the energy evacuated by self-consumers under the PVPC framework (Voluntary Price for the Small Consumer) that helps offset their electricity bill.

During 2021, redOS will continue to evolve and expand in order to continue to offer all users the information that allows them to follow and participate in the energy transition, with all the information available to them at their fingertips.

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Perception surveys and the management of incidents and grievances

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 the principles 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



On the e-sios website for market agents, it is possible for them to process grievances directly.

grievances and obtain information on how they are being dealt with.

Red Eléctrica de España also publishes, on said website, periodic reports on incidents identified, the handling of grievances received, and the solutions adopted.

In addition, every two years Red Eléctrica de España conducts a perception survey aimed at its customers and market agents. The results of the latest study 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 perception survey.

Key indicators

	2018	2019	2020
Number of estimated grievances relating to the ancillary services markets and the scheduling of international exchanges	1	1	0
Estimated grievances per TWh for each of the types of energy managed in the system's ancillary services markets	0.05	0.07	0
Average response time to grievances related to ancillary services markets and international exchange scheduling (working days) ⁽¹⁾	2.01	2.01	2.88
Percentage of grievances resolved [%] ⁽¹⁾	100	100	100

⁽¹⁾ Includes all grievances (justified and unjustified).



The latest

REE CUSTOMER PERCEPTION SURVEY

OBTAINED AN OVERALL
AVERAGE RATING OF

8.7

OUT OF 10

The next edition of the customer perception study will be conducted in 2021 and will incorporate both the new methodology established for the studies and the advances developed in the field of customer management within the framework of the SERCLIENTE project.

REINTEL: solutions in a flexible and creative environment

The experience of the Red Eléctrica Group in the telecommunications market began in 1997, when the sector was liberalised in Spain. REINTEL offers a meshed and redundant optical fibre network with connection to insular and international access systems. In this regard, the Company provides **tailor-made solutions to its customers** through the operation and management of an extensive fibre optic



REINTEL offers **tailor-made solutions to its customers** seeking to build long-term relationships with them.

backbone network and telecommunications sites and technical spaces for the housing of electronic equipment. REINTEL is committed to innovation and continuous investment, constantly financing the deployment of new infrastructure, as well as the renovation and improvement of existing installations.

Since the beginning of its activities, REINTEL's priority has always been to guarantee high levels of service quality and availability for its clients, consolidating its position as a benchmark supplier for the main players in the sector. At present, REINTEL has a solid customer base that includes the **main telecommunications operators** present in Spain.

REE customer and market agent satisfaction survey indicators [0-10]

	2014	2016	2018
Level of overall satisfaction	8.1	8.3	8.7
Level of satisfaction in terms of quality	7.9	8.0	8.3
Level of satisfaction with the services provided	7.7	8.1	8.2
Customer service	7.7	7.9	8.0
Evaluation of the improvement actions undertaken as a result of the previous satisfaction survey	6.6	7.1	7.4

-	-	-	-	1	2	3	4	5	6	7	8	-
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Solutions in a flexible and creative environment

The combination of the unique characteristics of the electricity grid and railway network environment, through their interconnection and their management by REINTEL as if they were a single network, makes it possible to provide customers with a more extensive network with national coverage, redundant routes, which is secure, efficient and easy to operate.

Key factors for REINTEL

Customer orientation

Working with customers to provide them with the best solution possible in a flexible and creative environment.

Excellence

Prioritising operational excellence to ensure high levels of service quality and availability for clients.

Neutrality

Guaranteeing customers transparent and neutral access to the company's optical fibre network.

Expertise

Offering clients all the experience gained by the company in operating critical infrastructure.

Through its dark fibre optic commercial offering, REINTEL provides **tailor-made solutions to its**

customers and accompanies them in their growth and development, building long-term relationships.

REINTEL Services

Backbone network

Features

- **Interconnection** with other customers as well as with external national or international networks (France, Portugal, Morocco and Andorra).
- **Providing exactly the same level of security and reliability** to telecommunications as those that are offered to electricity and rail services.
- **Meshed network with redundancies**, offering highly resilient communication networks.
- **Coverage** that allows customers to achieve the greatest efficiency in the design and deployment of their telecommunications networks.

Telecommunications sites

- **Communication hubs.** Sites located in the railway environment that allow signal regeneration for clients, as well as the insertion or extraction of traffic flowing through the network.
- **Telecommunications shelters.** Sites located next to electricity substations and high voltage towers whose main function is signal regeneration.


Comprehensive turnkey solutions

Comprehensive dark fibre projects are adapted to the customer's needs. These can be multi-site projects, connectivity with neutral points, network integration and redundant rings, among others.

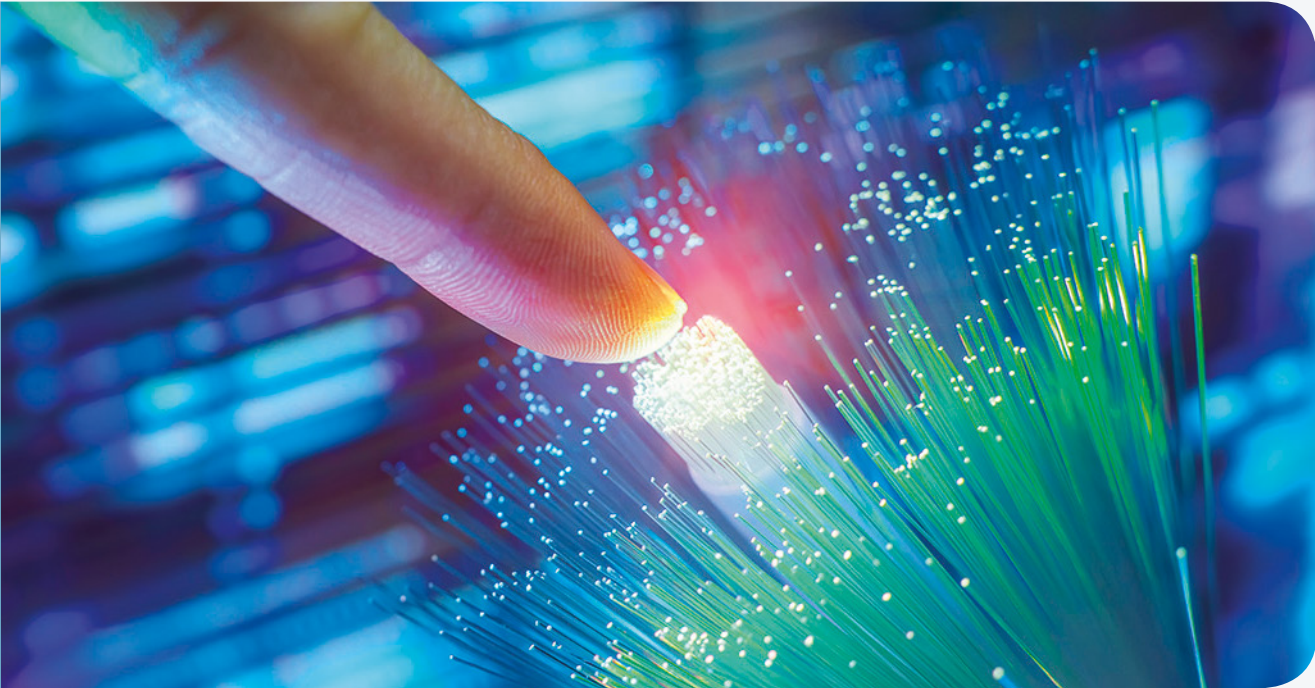
Dedicated cable

Features

- Increased **capillarity** in provincial capitals and their outlying areas via dedicated cable and its extensions and through metropolitan telecommunication ring networks.
- Guarantee of the **highest levels of service** necessary for the management of the communications network.
- **Customised deployment**, including the provision of new interconnection points to link up with existing ones.
- **Interconnections** between different customers.

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More than 52,222 km of network in Spanish territory, 11,404 km of dedicated dual fibre optic cable and 845 km of metropolitan ring dual fibre optic cable contracted and there are 45 provinces with dedicated cable.



REINTEL also has its **own permanent service and supervision centre** [24/7] that controls and monitors the status of the network and deals with incidents and scheduled customer work, in order to offer a reliable service of the highest quality. In 2020, a total of 533 incidents affecting the network and our customers were dealt with. Of the total number of incidents, 63% were due to power supply failures, works by third parties and natural causes, while the remaining 37% corresponded to scheduled work on the network.

In line with normal operations, the incidents were dealt with and repaired within the time periods established in the contracts client's service level agreement.

During 2020, REINTEL continued on its growth path, through the commercialisation of dark fibre to both existing and new customers, managing to increase and bolster the communications networks that it offers to its end customers.

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HISPASAT: a technology to achieve universal connectivity

With more than 30 years of experience, HISPASAT maintains a strong presence in the Iberian Peninsula and Latin America, where it is already the **fourth satellite operator in terms of revenue and the eighth operator worldwide.**

The services offered by HISPASAT allow telecommunications and audiovisual operators, as well as institutions and companies looking for high communication performance, security and reliability, to count on the only technology to achieve universal connectivity.

This is why satellite plays a fundamental role in the provision of many services as a complement to terrestrial networks that cannot reach all geographical areas, and therefore, it is considered key in the fight against the digital divide.

New mission: Amazonas Nexus

HISPASAT launches the development of a new, more efficient and flexible satellite. The advanced design, HTS capability and versatility of Amazonas Nexus make it the most efficient satellite in the HISPASAT fleet.

With an estimated life span of 15 years, 20 kW of satellite power and a launch mass of 4.5 tonnes, Amazonas Nexus will be launched into orbit in the second half of 2022.

Thales Alenia Space is the Company in charge of its manufacture, which will design and implement the mission based on a Spacebus NEO200 platform with all-electric propulsion in all its phases and will be the first satellite operated by HISPASAT with these characteristics.

Similarly, the Amazonas Nexus will have, as its main innovation, a state-of-the-art Digital

Transparent Processor (DTP), an essential technological breakthrough that substantially increases the geographical flexibility of the satellite allowing it to adapt to eventual changes in the initially planned commercial scenarios. Thanks to this element, the satellite's payload will be digitally processed, offering the possibility of assigning in orbit the capacities required at any given moment, making the satellite highly robust in the face of the evolution of the current communications market, both in the field of connectivity and data as well as in the transmission of content.

The new satellite will cover the entire American continent, the North and South Atlantic corridors (areas of high air and maritime traffic) and Greenland and will provide state-of-the-art Ku-band telecommunications services. Amazonas Nexus inaugurates a new generation of satellites in the HISPASAT fleet with an innovative architecture that also incorporates Ka-band capacity to optimise communications between the gateways



and the satellite, thus multiplying the total payload capacity available for commercial use, thus greatly improving the unit cost of capacity compared to traditional satellites.

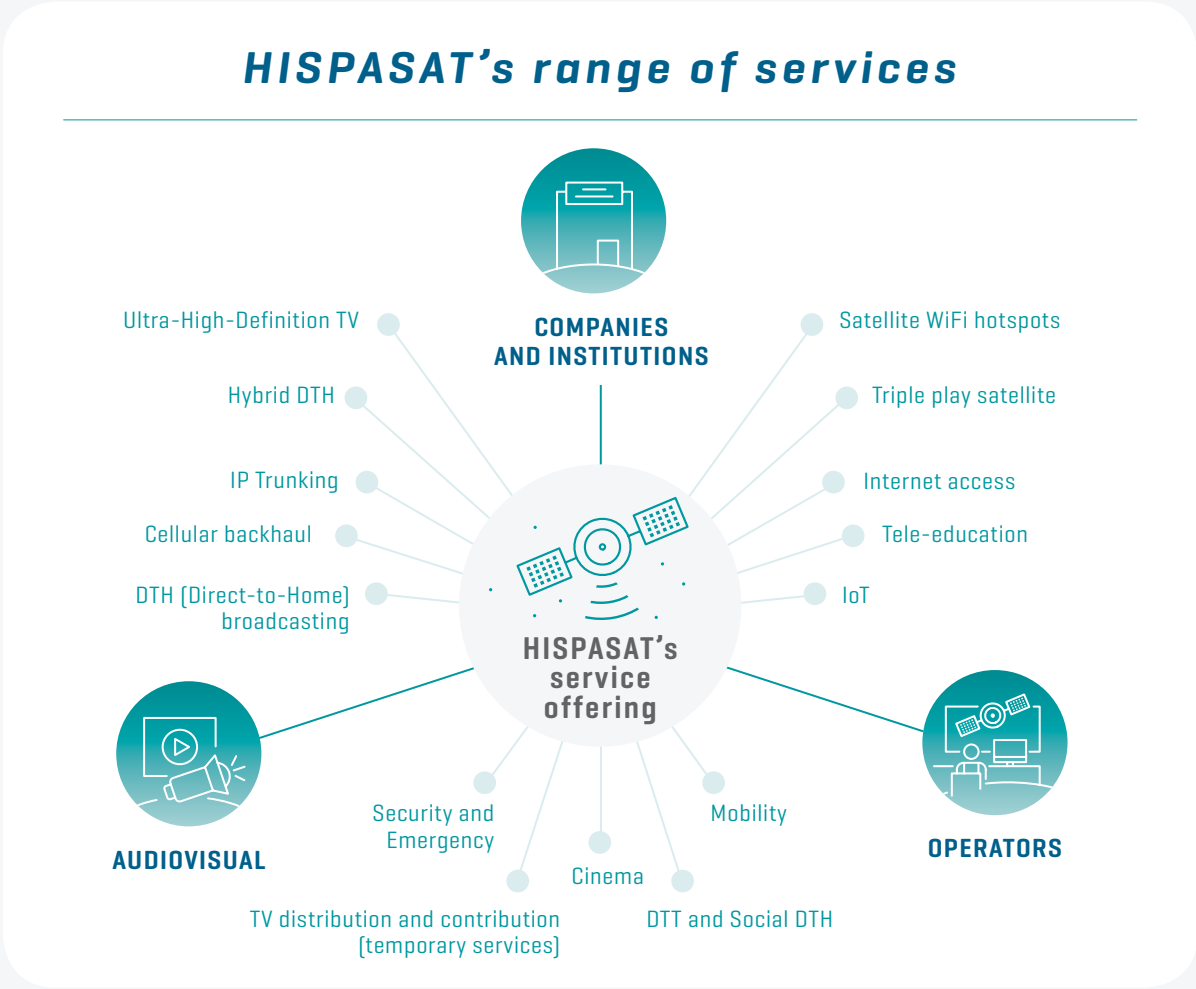
-	VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	-	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	-	OUR RESPONSE TO THE COVID-19	-	A BENCHMARK REPORT AT THE FOREFRONT OF REPORTING STANDARDS	1	RED ELÉCTRICA GROUP	2	STRATEGY	3	CORPORATE GOVERNANCE	4	COMMITMENT TO SUSTAINABILITY	5	ANTICIPATING CHANGE AND TAKING ACTION	6	DECARBONISATION OF THE ECONOMY	7	RESPONSIBLE VALUE CHAIN	8	CONTRIBUTION TO SOCIAL, ECONOMIC, AND ENVIRONMENTAL DEVELOPMENT	-	ANNEXES
																									

HISPASAT’s service offering

HISPASAT offers satellite capacity to its customers, for occasional and permanent use, on both sides of the Atlantic. In this regard, HISPASAT distributes more than 1,250 television and radio channels, through its powerful fleet of satellites, and is a key driver of the Spanish aerospace industry. The main services offered by the company are Direct-to-Home (DTH) broadcasting, TV distribution/ contribution [temporary services], residential broadband, backhaul, telecontrol and IoT, corporate networks, cellular access networks, WiFi access networks, mobility services [aeronautical, ground and maritime], security and emergency services and defence.

HISPASAT has an Integrated Corporate Management Policy and Management System that ratify its firm commitment to excellence and continuous improvement in the provision of its services.

HISPASAT’s service offering has solidly positioned itself in high-growth markets and has a stable base of strategic client base. In 2020, the number of permanent clients was 119, of which 27 are classified as audio-visual, 59 as corporate and 33 as telecommunications operators. On the other hand, there were 54 customers who contracted temporary services, and it is worth noting that some of these clients are also permanent customers. HISPASAT’s



clients include large corporations, major television platforms and some of the main international telecommunications operators,

such as Telefónica, RTVE, Media Networks, Oi, Claro TV, NOS, BT and MEO. With regard to its clients, HISPASAT ensures the confidentiality,

-	-	-	-	1	2	3	4	5	6	7	8	-
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authenticity and traceability of the information and resources used in the provision of services, with the firm commitment to respond to any needs that may arise with quality, efficiency and reliability criteria. To this end, it is essential to know the degree of customer satisfaction regarding the company. Thus, HISPASAT provides them with specific communication channels adapted to each need.

In this regard, the client 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.

- client 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 clients themselves.

HISPASAT offers the following customer relationship tools:

- Call centre [24/7] with high call-handling capacity in three languages [Spanish, Portuguese and English] providing local areas lines in almost all of the countries where HISPASAT provides service.

- Support centre. This is a web portal where HISPASAT clients can open service incidents themselves or request information of any kind.
- HISPASAT website, where they can find useful information as well as request that they are contacted.
- Internal tool [CRM-Customer Relationship Management] to improve how customers and contacts are managed through a protocol that allows an adequate control and handling of business opportunities as well as the evolution of proposals, giving greater coherence to the actions of the sales team.

HISPASAT maintains a continuous dialogue with its clients, which it classifies according to the type of customer service as defined in the table on the left. HISPASAT personnel, in accordance with the provisions of the Customer Service Procedure and the Incident Management Procedure, attend to any type of request received from clients through any of the official channels.

It should be noted that every two years, HISPASAT conducts a client satisfaction survey. In 2017, the overall net satisfaction rate was 83.6%. In 2019, the results were 82.1% for the same category.

Type of customer service in HISPASAT

	2018	2019	2020
Incidents ⁽¹⁾	5,239	2,057	1,558
Complaints ⁽²⁾	10	2	4
Suggestions	0	3	0
Enquiries ⁽³⁾	1,057	1,306	2,207
Total	6,306	3,368	3,769

⁽¹⁾ Includes: operational incidents, general incidents, technical problems, terminal incidents, platform incidents, service provision incidents, alignment issues, service incidents, scheduled work and any changes.

⁽²⁾ Includes: complaints and claims.

⁽³⁾ Includes: operational issues, information requests, non-operational incidents and other incidents.



8

Contribution to social, economic and environmental development

Generate shared value,
promoting actions and
investments aligned with
the business objectives.

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Contribution to social, economic and environmental development

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



Contribution of the Company's activities

325



Relationship with the socio-economic environment

336



Conservation of natural capital

341



Socio-economic development of the territory

346



8.1

Contribution of the Company's activities

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



Key indicators in 2020

- **639 M€** investment in the transmission grid in Spain (Contribution to GDP).
- **78 M USD** investment in the transmission grid in Chile (Contribution to GDP).
- **20 M USD** investment in the transmission grid in Peru (Contribution to GDP).
- **743 M€** Total Tax Contribution in 2020.



Awards and recognition

The Red Eléctrica Group leads the ranking in the Tax Transparency Report regarding Spanish IBEX 35 companies; said report is prepared by the Fundación Compromiso y Transparencia.



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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 and, 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.

For yet another year, the investment effort made by the Red Eléctrica Group in the transmission grid has a beneficial impact on society, given its **stimulating effect on economic activity** as it encourages production and, therefore, generates an increase in wealth [measured through GDP]. Consequently, it promotes employment besides providing 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.

In 2017, the Red Eléctrica Group adopted a benchmark methodology based on the implicit activity multipliers reached, thus allowing the level of overall activity generated as of an initial investment to be estimated. The calculations are made taking into account the direct, indirect and induced impacts.

Impact of 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.



Socio-economic contribution in Spain

In 2020, the Red Eléctrica Group made a **total investment of €383 million in Spain’s transmission grid**, of which it is estimated that €71 million were allocated to importing the necessary products required to carry out the Group’s activity. The remaining amount, approximately €312 million, corresponded to direct investment in Spain, and whose socio-economic impact, after the application of the methodology adopted, is broken down in the table shown below.

Investment in the transmission grid has contributed 266 million euros to Spain’s GDP, around 14% of the total revenue of the Red Eléctrica Group in 2020.

Overall impact of the investment in the transmission grid in Spain

	Direct	Indirect	Induced	Total
Revenues (M€)	312	297	31	639
Income - GDP (M€)	129	126	10	265
Employment (number of jobs)	2,350	2,250	316	4,916
Tax revenue (M€)	50	48	4	102

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.

The investment made generated revenues in the sectors of activity involved totalling 639 million euros, representing over twice the investment (€312M) made in Spain. This has meant a contribution to the country’s GDP of 266 million euros (around 14% of the revenue of

the Red Eléctrica Group in 2020), which in turn led to the generation of activity for an equivalent of 4,916 job positions. Therefore, as a whole, it is estimated that it generated revenues for the state treasury of 102 million euros (which represents approximately 9.2% of the provisional



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revenues obtained from a special tax on electricity in 2020).

Socio-economic contribution in Chile

In 2020, the Red Eléctrica Group, through its subsidiary Red Eléctrica Chile, made a **total investment in Chile’s transmission grid of 42 million US dollars**, this amount corresponds to direct investment in Chile, and whose socio-economic impact, after the application of the methodology adopted, are broken down in the table on the right.

The investment made generated revenues for the sectors of activity involved totalling 78 million US dollars, which represents nearly twice the investment (42 million US dollars) made in Chile. This has meant a contribution to Chile’s GDP of 39 million US dollars, which in turn led to the generation of activity for an equivalent of 1,071 job positions. Therefore, as a whole, it is estimated that it generated revenues for Chile’s State Treasury in the amount of 9 million US dollars.

Socio-economic contribution in Peru

In 2020, the Red Eléctrica Group, through its subsidiary Red Eléctrica Peru, made a **total investment in Peru’s transmission grid of 11 million US dollars**, this amount corresponds

to direct investment in Peru, and whose socio-economic impact, after the application of the methodology adopted, are broken down in the table shown below.

The investment made generated revenues for the sectors of activity involved totalling 20 million US dollars, which represents nearly twice the investment (11 million US dollars) made

in Peru. This has meant a contribution to the country’s GDP of 10 million, which in turn led to the generation of activity for an equivalent of 712 job positions. Therefore, as a whole, it is estimated that it generated revenues for Peru’s State Treasury in the amount of 2 million US dollars.

Overall impact of the investment in the transmission grid in Chile

	Direct	Indirect	Induced	Total
Revenues (M USD)	42	30	6	78
Income - GDP (M USD)	22	14	3	39
Employment (number of jobs)	572	407	92	1,071
Tax revenue (M USD)	6	2	1	9

Overall impact of the investment in the transmission grid in Peru

	Direct	Indirect	Induced	Total
Revenues (M USD)	11	7	2	20
Income - GDP (M USD)	5	4	1	10
Employment (number of jobs)	265	357	90	712
Tax revenue (M USD)	1	1	0	2

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Socio-economic contribution of HISPASAT

Additionally, HISPASAT, the Spanish satellite communications operator of the Red Eléctrica Group, contributes to creating value for society through its activity and the services it offers from two points of view:

- **Acting as a driver of the Spanish aerospace industry;** facilitating access to international telecommunications satellite markets. HISPASAT incorporates components manufactured in Spain in all of its missions and enables Spanish companies to validate the design and operation of their satellite equipment by incorporating it into HISPASAT's satellites. In addition, it promotes an Industrial Return Programme that undertakes a commitment to its manufacturers to continue investing in Spanish technology during the years following the construction of each of its satellites, which in turn has entailed an investment by major international manufacturers that exceeds 1 billion euros in Spain since 2013.

This approach reinforces HISPASAT's driving role as a leading company in the sector and generates indirect multiplier effects of its significant investments throughout the satellite communications value chain, thus representing a significant value to other agents in the form of purchases, innovation or licences, as well as in aspects related to talent and prestige, which are essential elements to continue advancing towards the future.



- **Seeking to bridge the digital divide and facilitate ICT access to society in areas with no connection.** HISPASAT's satellite services make it possible to extend connectivity to rural or remote places where terrestrial networks do not reach or are not able to provide the level of quality required in the 21st century. This goal promotes greater economic and social development in these places which, thanks to a satellite connection, can access the Internet to carry out any form of business educational or cultural activity.

This means that citizens at large can, thanks to the satellite telecommunications offered by HISPASAT, access new opportunities, open new options that enable the interconnection of diverse business and social communities, through the provision of satellite services that help businesses in all sectors develop and expand their businesses efficiently regardless of where they are located, bringing entertainment closer to citizens and supporting innovative projects to ensure universal connectivity. Information on specific projects is detailed in the [Social Innovation](#) section of this report.

Industrial Return Programme

HISPASAT
Incorporation of new equipment manufactured by Spanish companies into HISPASAT's satellite projects in order to facilitate the validation of its design and operation.

Companies
Reinvestment in components manufactured in Spain during a 10-year period following the incorporation of equipment/technology.

*HISPASAT, during its 30 years in the business, has contributed to boosting the development of Spain's aeronautical sector through investment and **funding in excess of 1 billion euros in the Spanish industry.***

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Since 2014, the Red Eléctrica Group has voluntarily published its total tax contribution, highlighting the relevant economic and social function derived from the Group's tax contribution. Continuing with the practice started in 2019, in 2020 the Red Eléctrica Group has published a Tax Transparency Report, promoting knowledge of the Group's tax matters in an increasingly transparent and accessible manner for its stakeholders.



Tax contribution and transparency Tax strategy / 207-1

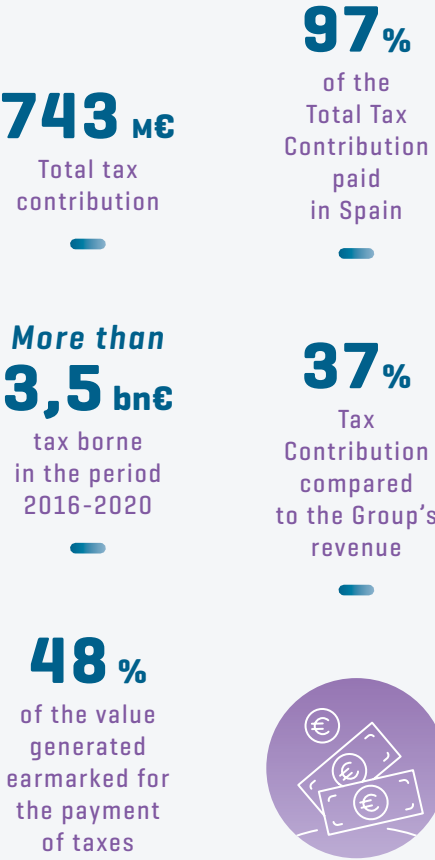
The Tax Strategy of the Red Eléctrica Group, approved by the Board of Directors, is based on three core values: transparency, good governance and accountability.

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](#).

Key data 2020



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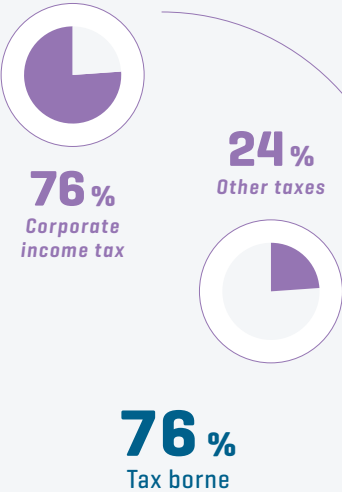
Total Tax Contribution / 207-4

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.

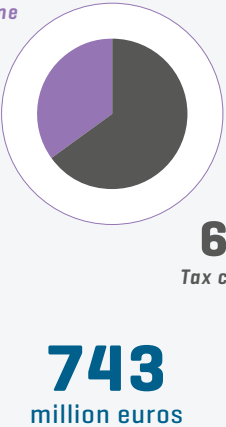
TAXES BORNE

Tax on profits, mainly Corporate Income Tax represents 76% of total taxes borne that have been paid to the various tax authorities, mostly to the Spanish tax authority.



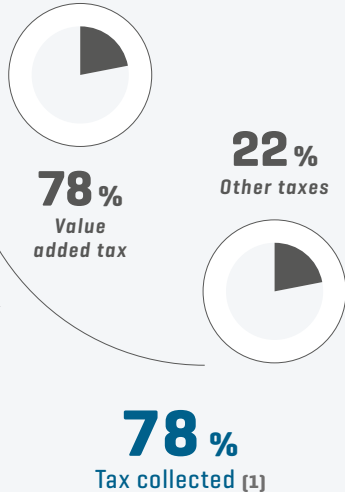
TOTAL TAX CONTRIBUTION 2020

Red Eléctrica's Total Tax Contribution during 2020 amounted to 743 million euros, 259 million euros corresponding to taxes borne and 484 million euros to taxes collected.



TAXES COLLECTED

Of the total taxes collected during 2020, the taxes on goods and services are noteworthy, fundamentally Value Added Tax **[1]** which accounts for 78% of the total.



743 million euros in Total Tax Contribution: of which 259 million represent tax borne and 481 represent tax collected.

[1] Understood as those indirect taxes equivalent to the Spanish VAT that are levied on consumption.

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TOTAL TAX CONTRIBUTION BY TAX CATEGORY

The Total Tax Contribution of the Red Eléctrica Group (€743 M) is distributed according to the following tax categories: taxes on profits [36%], taxes on goods and services [53%], taxes associated with employment [9%] and other taxes [2%].



36%
Tax on
profits

53%
Taxes
on Good and
services



2%
Other
taxes



9%
Taxes
associated with
employment



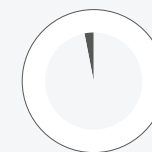
The Total Tax Contribution of the Red Eléctrica Group to public administrations in all the countries in which it operates amounted to 743 million euros in 2020, with Spain being the legal tax authority with the highest tax contribution [97%].

GEOGRAPHICAL DISTRIBUTION OF THE TOTAL TAX CONTRIBUTION

The revenue of the Red Eléctrica Group is mainly in Spain [94%].



97%
Spain



3%
Other

Total Tax Contribution 2020

/ M€ /

	Spain	Peru	Chile	Brazil	Mexico	Other (1)	Total
Tax borne	246	3	1	7	2	-	259
Corporate tax	192	3	-	-	2	-	197
Other tax	54	-	1	7	-	-	62
Tax collected	476	7	-	1	-	-	484
VAT	370	5	-	1	-	-	376
Other tax	106	2	-	-	-	-	108
Total Tax Contribution	722	10	1	8	2	-	743

(1) In Europe it includes France, the Netherlands, Luxembourg and the United Kingdom, and other countries in America, with amounts under 1 M€.

Effective Corporate tax rate

24.16%

Effective Corporate tax rate

The effective corporate tax rate in 2020 is 24.16%. 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 23. Tax situation].

Of every 100 euros of value generated by the Red Eléctrica Group in 2020, 48 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 2020 stood at 1.564 billion euros, a figure which is composed of the sum of the following elements:

- Profit after taxes or shareholder value [611 million euros].
- Taxes [743 million euros]: borne [259 million euros] and collected [484 million euros].
- Net interest [118 million euros].
- Salaries and wages after taxes collected [92 million euros].

Distributed value / % /



48%
Tax Authority



39%
Shareholders



7%
Net interest



6%
Salaries and Wages

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 37%, of which 13% corresponds to taxes borne and 24% to taxes collected.

Tax Contribution compared to revenues / % /



37%



13%
Tax borne



24%
Tax collected

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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 ranking of IBEX 35 companies for 2019 as per the Tax Transparency Report 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 Spanish Tax Authority).
- 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 2019 prior to the annual presentation of the tax report and of the tax policies applied at the close of the 2020 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.
- Early adoption of the **new Global Reporting Initiative (GRI) standard in tax matters**. Such information is externally assessed and verified by an independent third party.
- **Recognition** from the **Commitment and Transparency Foundation** by heading the ranking in the **transparency report on the tax responsibility** of IBEX 35 companies for 2019. The voluntary transparency of content related to tax obligations of IBEX 35 companies is analysed, and the Red Eléctrica Group has obtained the highest score, leading the 'Transparent Company' category.
- Contribution to financing 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 2019 corporate income tax (1.6 million euros) to the Third Sector, reinforcing the social commitment of the Red Eléctrica Group.

-	-	-	-	1	2	3	4	5	6	7	8	-
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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. In May 2020, the new **Code of Ethics and Professional Conduct** of the Red Eléctrica Group was approved, which establishes specific principles and guidelines for business conduct related to Tax Responsibility. This Code, along with the **Supplier Code of Conduct**, the **Compliance Policy**, the **Crime Risk Prevention Manual** and the **Guide for the Prevention of Corruption: zero tolerance**, can be found on the corporate website. Furthermore, the Red Eléctrica

Group continuously carries out awareness-raising and training activities to ensure that all stakeholders are familiar with the aforementioned documents.

- The **Compliance System regarding crime prevention and anti-bribery** is certified in accordance with UNE 19601 standard on crime prevention compliance management systems and ISO 37001 standard on anti-bribery management systems.
- 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.

Non-cooperative tax jurisdictions / Tax havens

The Code of Ethics and Professional Conduct and the Tax Strategy of the Red Eléctrica Group include the commitment not to create companies in tax havens or non-cooperative tax jurisdictions to evade taxes. In this regard, **the Red Eléctrica Group neither has a presence nor carries out any activity in those territories deemed as tax havens in accordance with current regulations.**

- Spanish legislation set out in Royal Decree 1080/91 of 5 July, subsequently amended by Royal Decree 116/2003, of 31 January.

- 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.



8.2

Relationship with the socio-economic environment



Key indicators in 2020

- **87%** of agreements signed with landowners in Spain in 2020, who were affected by new investment projects, were amicable.
- **113 Red Eléctrica employees** from 38 organisational units actively participate in various international organisations.
- **4 public information** and consultation events conducted in municipalities affected by TESUR 2 grid infrastructure and holding of 5 events held in the localities affected by REDENOR projects.



2020 milestones

- Signing of 89 collaboration agreements with public and social entities associated with the execution of projects.
- Social baseline study and stakeholder mapping related to the REDENOR project.
- Pilot project to quantify the consideration of externalities associated with the execution of pan-European projects, which will contribute to the post-pandemic economic recovery.



Challenges for 2021

- Reinforcement of agreements, pursuant to the Strategic Plan, and the promotion of the social innovation strategy.
- Drawing up actions related to the Group's plan aimed at improving relations with communities in Latin America, in accordance with its courses of action for the development of the socio-economic environment, biodiversity and/or natural capital.
- Strengthening of the Company's engagement in the development of the 2050 vision of the interconnected European energy system.



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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 2020, Red Eléctrica de España signed 89 agreements 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 and in relation to the construction of new infrastructure, the Company fosters engagement to disseminate information and raise awareness regarding the need for facilities and their role within the transmission grid, as well as to promote dialogue with stakeholders in order to facilitate the sustainable development of projects.



In this regard, the third round of participatory workshops and public hearings (with a total of 45 scheduled public events with the direct participation of rural communities), which had been agreed on and planned with the goal of furthering better relations with the local communities in the area of influence of the activities of the Red Eléctrica Group in Peru and Chile, had to be cancelled due to the national health emergency declared by the government of Peru due to COVID-19.

As a result of this, the public consultation process, which is encompassed within the framework for the development of the Citizen Participation Plan for the TESUR 4 Environmental Impact Assessment processed by the Peru's National Environmental Certification Service (SENACE), was adapted and coordinated with the National Environmental Impact Assessment System pursuant to the special regulations related to the mitigation of COVID-19. This resulted in the definition of 4 participatory events to be carried out through radio broadcasting for the communities in the area of direct influence of the project. The radio broadcasting of the 4 events, 2 participatory workshops and 2 public hearings, was highly successful. This initiative, being the first time radio broadcasting was used in this scenario, has laid down the course of action regarding citizen participation processes in electrical energy activities in Peru. In the case of Chile, five participatory workshops were held in the localities affected by REDENOR projects, with said workshops being 100 % successful in their goals.

In relation to the agreements signed with the owners of the land affected by projects in Peru, nearly 90 % of these were amicable and are in line with that established by CCNCM (power transmission company in Peru). In relation to Chile, progress was made in reaching amicable agreements with 45% of landowners regarding the REDENOR project. REDENOR 2 is currently in the initial phase of the voluntary negotiation process.

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In 2020, the Red Eléctrica Group participated in 83 organisations, associations and professional bodies, noteworthy among which is ENTSO-E. This has represented a total contribution by the Company to this commitment that exceeds €2.5 million.



During 2020, a **social baseline and stakeholder mapping study** of the actors involved in the REDENOR project in Chile was carried out, with the objective of identifying the needs of the local communities in order to implement local sustainable relationship strategies over time through participatory roundtables with the different communities [5 municipalities and 16 towns] in the area of direct influence of the electricity transmission line.

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 2020, Red Eléctrica de España participated in 62 organisations, associations and professional entities, with a total contribution of 2,559,310 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 15 organisations, associations and professional entities, among which the following are noteworthy: International Telecommunications Union (ITU), the Inter-American Telecommunication Commission

[CITEL], National Telecommunications Agency [ANATEL] and the Inter-American Association of Telecommunications Companies [ASITET].

Furthermore, the Red Eléctrica Internacional collaborated in 6 organisations, associations and professional entities through the contribution of €36,677, among which its participation in CIGRE-Peru and the Gremio de Transmisores Eléctricos in Chile are noteworthy.

Active participation in ENTSO-E

ENTSO-E [European Network of Transmission System Operators for Electricity], an association comprised of 42 members and 35 countries, is a key tool for the coordination between European TSOs in the design, development and implementation of the Internal Energy Market

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as well as in the deployment of European regulations. Furthermore, it acts as a technical advisor of reference for European institutions in the development of a sustainable, reliable and competitive electricity system.

In 2020, Red Eléctrica de España dedicated 67 employees from 27 business units for a total of 15,875 hours and consolidated its representation in the association by being represented in the meetings of the **Assembly** [the main governance

body], the Board [the body that sets the orientation of the association at a technical level], the **Resources Committee** [responsible for conducting the financial monitoring of the association], and it also **chairs the Legal and Regulatory Group**. The Company also participates in the five technical committees and has taken an active part in more than 40 working groups.

It should be noted that in 2020, Red Eléctrica has spearheaded three of the 18 actions of the ENTSO-E Active 2020+ strategy that sets the association's operating guidelines.

Main achievements of ENTSO-E in 2020

Implementation of the European energy regulation

System development. Publication of the Ten-Year Network Development Plan [TYNDP] and needs of the European system.

Operation of the electricity system. Coordination of the European operation.

Energy policies towards a decarbonised system. Roadmap of the European Green Deal.

Activities resulting from cooperation between various TSOs

Development of the European electricity system vision for 2050.

Cooperation of electricity transmission agents and distributors.

Research and development plan 2020-2030. Research towards a decarbonised European system.

In 2020, Red Eléctrica spearheaded three of the 18 actions of ENTSO-E's Active 2020+ strategy that sets the association's operating guidelines.



Other organisations and associations

The Red Eléctrica Group also participates in numerous organisations and associations with the goal of sharing and extending best practices, among which the following are noteworthy:

Best practices in corporate management

- International Corporate Governance Network [ICGN].
- Club de Excelencia en Sostenibilidad.
- Transparency International España [Integrity Forum].
- Forética.
- The Green Growth Group.
- The Spanish Compliance Association [ASCOM].

Best sectorial practices

- CIGRE.
- 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.
- Madrid aerospace cluster.
- Spanish Association of Defence, Aeronautical and Space Technologies [TEDAE].
- Spanish Aerospace Technology Platform.

The [corporate website](#) provides more information on the participation of the Red Eléctrica Group in organisations and associations as well as the Group's transparency in its institutional relations.



8.3

Conservation of natural capital

304-3



Key indicators in 2020

- **14 birdlife** collaboration projects in force.
- **12 forest fire prevention** agreements in force.
- **864 ha** recovered as part of the 'Red Eléctrica Forest' project.
- **2 ha** of *Posidonia oceanica* seagrass meadows planted as part of the 'Red Eléctrica Marine Forest' project.



Awards and recognition

- Signing of a collaboration agreement with the Government of Navarra for reforestation works in public utility forests.
- Completion of the planting works of the 'Red Eléctrica Marine Forest'.
- Training programme for the State security forces and law enforcement agencies: 5 workshops, with 170 participants.



Challenges for 2021

- Complete the reforestation of the Salamanca Forest with a which when finished will cover a total of 96 ha.
- Hold the exhibition regarding *Posidonia oceanica* and the 'Red Eléctrica Marine Forest' project.
- Continue the training of the State security forces and law enforcement agencies, forestry experts and forest rangers associated with the fire prevention agreements.

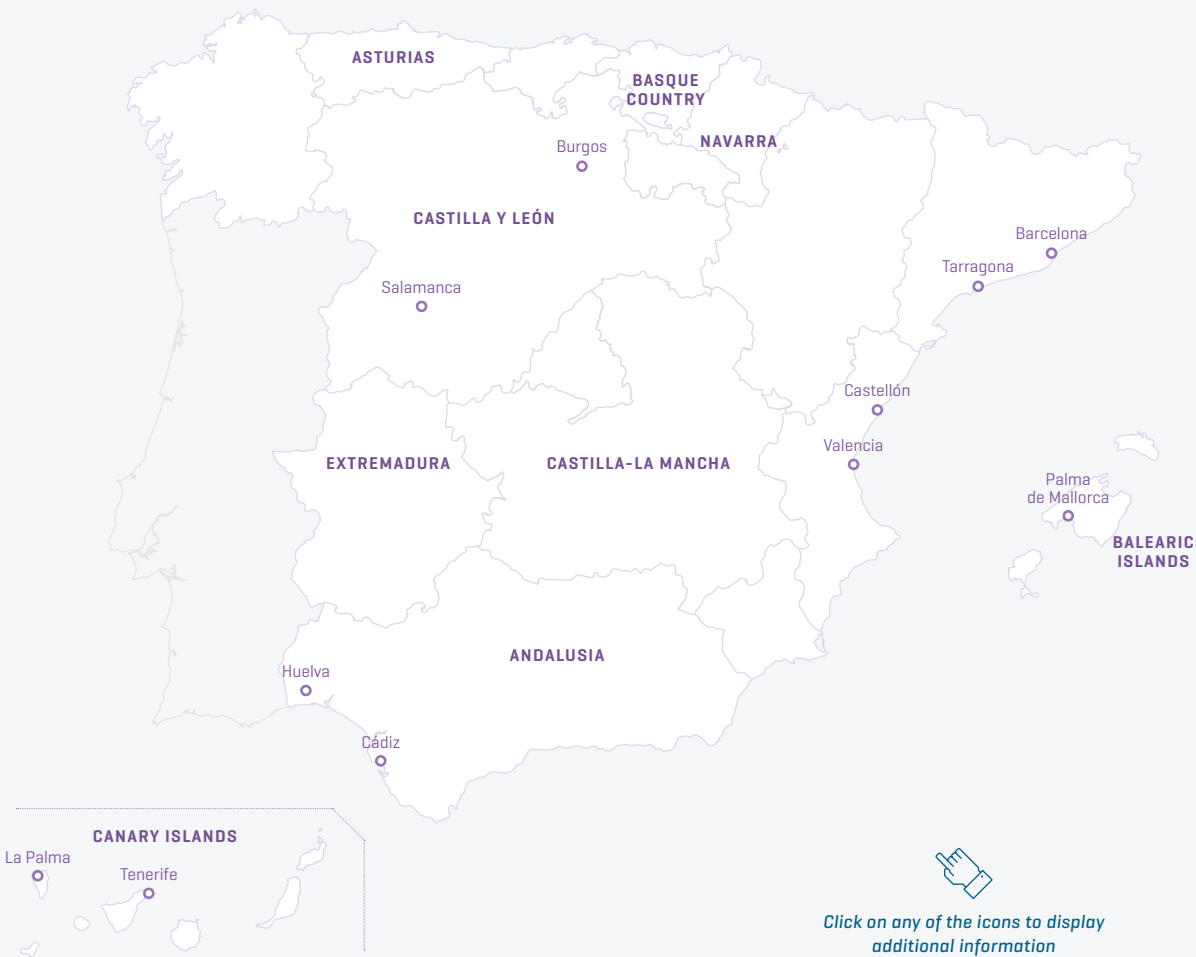



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One of the challenges that the Red Eléctrica Group undertakes in accordance with its new **commitment to biodiversity** is that of generating a net **positive impact on biodiversity** in those territories in which it operates or its facilities are located. With this goal in mind, the Group participates and collaborates with state and local administrations, NGOs and other stakeholders in various projects that promote the development of the environment in which it carries out projects aimed at promoting the development of the social and natural environment, focusing mainly on the aspects most closely related to the Company's activities: birdlife conservation, habitat restoration and the fight against forest fires.

Information on biodiversity projects is detailed in the Biodiversity subsection of the [Responsible Environmental Management](#) section of this report. The present section describes in more detail some of the actions considered relevant.

Map of Biodiversity projects



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Birdlife conservation

The main objective of birdlife conservation projects is to collaborate in the conservation or reintroduction of endangered species. It should be noted that electricity transmission grid infrastructure actually does play a role in the birdlife ecosystem, as in some cases towers can serve as vantage points for birds to protect themselves from predators or can be used as nesting sites by some species.

The ‘Red Eléctrica Forest’

Since the inception of the Red Eléctrica Forest in 2009, the Company has contributed to the recovery of 16 forests in Spain. In 2020, a total of 22,785 trees were planted (pines, holm oaks, oaks, strawberry trees and yews) in Red Eléctrica’s Salamanca Forest, which has allowed the recovery of 21 ha in the municipality of Agallas (Salamanca). The Company has also signed a collaboration agreement with the Regional Government of Navarra for the reforestation of several public utility forests.

Birdlife conservation projects of note in 2020

Egyptian vulture (*Neophron percnopterus*) nesting platform in Extremadura

In 2020, the birth of an Egyptian Vulture chick was recorded on a 400 kV line (the first registered in Europe). The chick, named ‘Berto’, was fitted with a radio transmitter and additionally, a camera was installed in the nest to continuously monitor its evolution. ‘Berto’ has migrated south to Africa and is expected to return to Extremadura during the breeding season. The work was carried out in collaboration with the Regional Government of Extremadura and with MITERD.

Osprey (*Pandion haliaetus*) nesting platforms in Cádiz

Since 2010, 4 nesting platforms have been installed on electricity line towers in the vicinity of the Barbate reservoir (Cádiz) and chicks born have been ringed. The Osprey, which has not reproduced in Andalusia since the 1980s, has gone back to nesting and breeding in the region. Specifically, in 2020, three breeding pairs [30% of the pairs detected in Andalusia] reared 5 chicks in nests located on Red Eléctrica towers. The project is carried out in collaboration with the MIGRES Foundation and the Regional Government of Andalusia.

The ‘Red Eléctrica Forest’ in figures 2009-2020



Trees and shrubs
planted
704,878



Investment
2,190,582
€



Surface
area recovered
864
ha



Emissions
offset
201,626
tCO₂ eq.

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The ‘Red Eléctrica Marine Forest’

The Marine Forest is a worldwide pioneering innovation project. Between 2012 and 2016, the Company developed an R&D+i project in collaboration with the Mediterranean Institute of Advanced Studies (CSIC-IMEDEA) on the use of seeds or fragments of *Posidonia oceanica* in the restoration of degraded areas of its natural habitat.

As a continuation of this project, an agreement was signed in 2017 with CSIC-IMEDEA and the Balearic Islands Government for the **restoration of 2 ha of *Posidonia oceanica* seagrass meadows** in the Bay of Pollensa. Replanting works associated with this restoration project were completed in 2020. The recovered area has been monitored to date, and the results of the project have shown a survival rate of the fragments exceeds 90%.

Noteworthy is Red Eléctrica’s contribution to the conservation of the coastal seabed thanks to the use of **14 unmanned underwater remotely operated vehicles (ROVs)**, provided in 2019 within the framework of an agreement with the Government of the Balearic Islands; said ROVs were mainly used to monitor the state of the *Posidonia* seagrass meadows.

In 2020, the restoration of 2 ha of *Posidonia oceanica* seagrass meadows was completed. Based on the periodic monitoring of the recovered area, it shows that the survival rate of the fragments exceeds 90%.



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To further raise **awareness of the conservation of marine environments**, the Group 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] to carry out informative sessions and field visits for students in the region.
- Collaboration with the Marine Interpretation Centre ‘Aula de la Mar’ in Majorca in a programme of workshops for schoolchildren. In the 2020 academic year, 38 workshops were conducted for a total of 950 students.
- Preparation of materials for the exhibition on Posidonia oceanica and the ‘Red Eléctrica Marine Forest’ project scheduled to be held by the Company in 2021.

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 involve the carrying out of various actions aimed at the prevention and fight against forest fires.

In addition, the Red Eléctrica Group cooperates with other entities in raising awareness and providing training in this field. In 2020, the Company collaborated with the Pau Costa Foundation in the

development of four individual animated videos in which children learn how to prevent and protect themselves from forest fires.

Noteworthy actions in 2020 linked to collaboration agreements for preventing and fighting of forest fires

Measures for the prevention of forest fires

- Study and design of preventive actions in particularly vulnerable areas of Extremadura.
- Acquisition of fire prevention and extinguishing equipment for the emergency services of the Provincial Councils of Alava, Gipuzkoa and Navarra.
- Meteorological information service, simulations and alerts to support intervention teams and civil protection groups [fire brigades] of the Provincial Council of Alava, Gipuzkoa and Navarra.
- Preventive clearing of scrubland in areas at risk of forest fires: elimination of scrubland ground cover in the mountain range of Navarra and removal of high density and tall scrub, mainly gorse (*Ulex* spp.) and dry heather (*Erica* spp.) in Vizcaya.

Training on fire fighting

- Training programme for State security forces and law enforcement agencies in Spain through 5 fire prevention training days in 2 autonomous communities, with the participation of 170 attendees.
- Training for 170 experts, forestry agents, forepersons and operators from the Department of Sustainability and Natural Environment of the Provincial Council of Vizcaya participated. The assistants acquired skills regarding human factors and safety, evaluation and forecasting of fire behaviour, initial attack strategies and practical examples of decision making.
- Citizen awareness campaign ‘Yo me enchufa a la prevención’ [I am plugged into prevention] in Castilla y León. Production of informative audiovisual material for the general public, as well as educational material for fire-fighting crews (videos) and the publication of the ‘Manual de organización de incendios forestales en Castilla y León’ [Forest firefighting organisation manual for Castilla y León] as supplementary documentation for the reinforcement of training activities of the Castilla y León Fire Control Centre.

Execution of relevant projects

- Agreement with the Technical Engineering University of Valencia [Universidad Politécnica de Valencia] for the modelling and mapping of live fuel moisture content in the Region of Valencia. During 2020, Phase 1 of the project was carried out, which consisted of the analysis of field data and zoning of the province of the city of Valencia and the definition of the models.

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8.4

Socio-economic development of the territory

103-1 / 103-2 / 103-3



Key indicators in 2020

- **9,010,770 euros** in 377 social initiatives.
- **135,300 food rations** from 70 local producers distributed in the #Alimentos_solidarios project (solidarity foodstuffs).
- **30 entrepreneurs** received advice about developing their business ideas through the Holapueblo project.
- **33.6%** participation level of the Group's individual volunteers.



2020 milestones

- Support for the most vulnerable groups during the COVID-19 pandemic and the related economic and social crisis.
- Deployment of the first 50 satellite based WiFi hotspots in remote regions of Brazil.
- Pastoreo enRED (livestock grazing project). Controlling the growth of vegetation by allowing livestock to graze in the electricity line safety corridors therefore incorporating technology into the animal husbandry sector.



Challenges for 2021

- Strengthen existing networks of social agents and entrepreneurs for innovation in rural areas.
- Continue with the identification of projects that contribute to digitalisation and the reduction of the digital divide in rural environments.
- Strengthen the processes of participation in the co-creation of projects and initiatives of social content, which respond to rural depopulation.



Awards and recognition

- SERES 2020 Award for Corporate Innovation and Social Commitment to the #Alimentos_solidarios project (solidarity foodstuffs).
- 2020 INNOVATION + SUSTAINABILITY + NETWORK Award, in the Large Company category for the Holapueblo project, awarded by Expansión, Bankinter, Viesgo and the IE University.



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Red Eléctrica promotes actions and makes investments aligned with its business objectives that foster socio-economic development, territorial cohesion and social inclusion.

The 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 actions defined in cooperation with various institutions and public and private entities to respond to the demands for collaboration put forth by stakeholders.



Type of action / % /



Areas of action / % /



28%
Health



28%
Socio-economic
development



23%
Natural
environment



16%
Education



4%
Social
well-being



1%
Art and Culture

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In 2020, the Company contributed 9,010,770 euros [1.5% of its net profit] to the development or promotion of social initiative, in accordance with LBG methodology [London Benchmarking Group].

Among the 377 social initiatives carried out, special attention was paid to those focused on providing a rapid and effective response to the needs arising from COVID-19, the fight against rural depopulation and the conservation of biodiversity.

The COVID-19 pandemic and the related economic and social crisis have required the efforts of the Group this year, which has launched initiatives to reduce the impact of the health crisis, especially among the most vulnerable groups. This information is detailed in the *Our response to COVID-19* [↗](#) section in this report.

Company's contributions to social initiatives by type / % /



30%
Cooperation and
volunteering (*)



15%
Dissemination,
education and
training



13%
Climate
change



12%
Biodiversity



11%
Local
development



7%
General
costs



5%
Presence in sectoral
bodies and
institutions



4%
Institutional



3%
Reputational



1%
Heritage
and culture

(*) Includes extraordinary actions for contributions related to COVID-19.

Social innovation is part of the **cross-cutting axis for the acceptance of new investment projects** in the transmission grid.

Social innovation
103-1 / 103-2 / 103-3

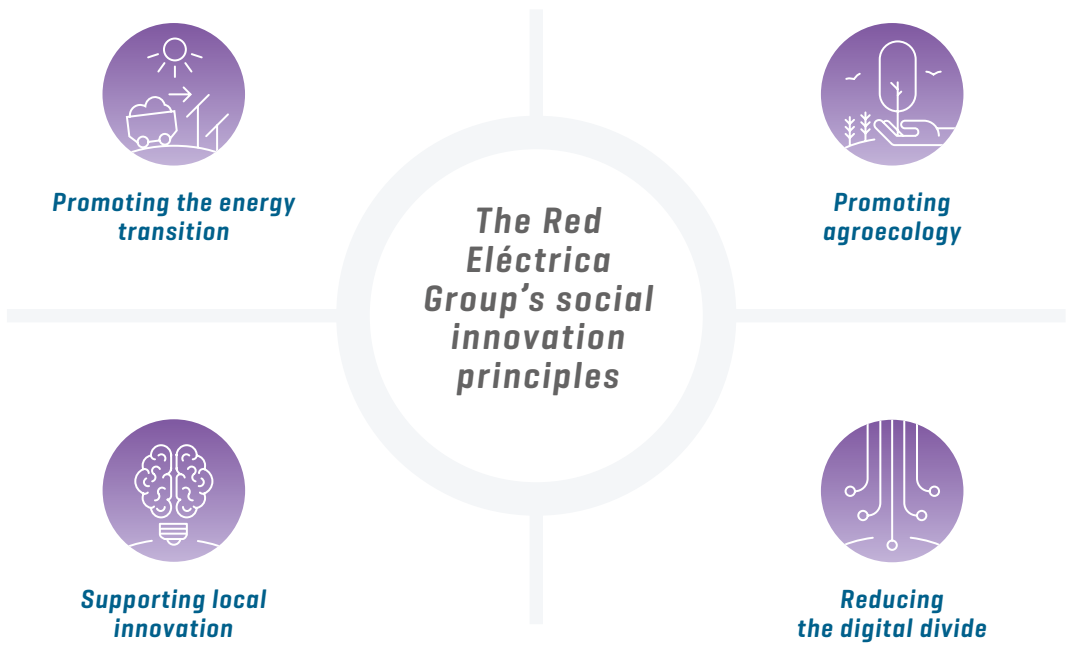
In order to strengthen the commitment of the Red Eléctrica Group with the territories in which its facilities are located and to continue to promote the creation of shared value, in 2018, the Company formalised its commitment to the social innovation area through the definition of the **Group's social innovation plan**. This plan, aligned

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with the Company's Strategic Plan and the 2030 Sustainability Commitment, establishes an open and collaborative model with external players, with the aim of positioning the Red Eléctrica Group as

a benchmark company in the fight against the rural depopulation in Spain.

Social innovation principles and vectors of the Red Eléctrica Group



The Social Innovation Plan aims to position the Group as a benchmark company in the fight against rural depopulation.

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‘HOLAPUEBLO’

Received the
2020 INNOVATION +
SUSTAINABILITY +
NETWORK AWARD

IN THE LARGE COMPANY CATEGORY
AWARDED BY EXPANSIÓN,
BANKINTER, VIESGO AND
THE IE UNIVERSITY

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 makes it possible to design a new approach to join forces through the power of co-creation and collective impact, favouring the repopulation of sparsely populated areas.

The Group promotes agreements and alliances with other local 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.

Noteworthy projects aimed at supporting local innovation

Holapueblo

Actions carried out in 2020

- Signing of collaboration protocols with the provincial councils of Burgos, Palencia, Soria, Guadalajara, Cuenca, Huesca and Teruel and selecting the 52 villages among these 5 provinces with high levels of depopulation.
- Analysis of 428 applications from entrepreneurs with business projects for this initiative.
- Signing of an agreement with Correos (Spanish postal service) and AlmaNatura to launch the 2nd edition of Holapueblo.

Results

- 30 entrepreneurs received advice about developing their business ideas.
- 25 entrepreneurs were provided with individual mentoring sessions aimed at developing business plans.
- 7 of the people and their families who received mentoring sessions moved to one of these villages and are implementing their business idea.

Creation of entrepreneurship and social innovation ecosystems in Paredes de Nava (Zamora)

Actions carried out in 2020

- Signing of an agreement with the El Hueco association and support from the Local Council of Paredes de Nava.
- Workshops on repopulation and the new rural culture for young people in secondary education.
- Colloquium on social innovation with local entrepreneurs and businesspeople.
- ‘Started Paredes de Nava’ contest for business ideas.

Presura 20: 4th National Fair for the repopulation of rural Spain

Actions carried out in 2020

- Signing of an Agreement with the El Hueco association.
- Presentation of PRESURA 20 at the Reina Sofia Museum.
- Support for the tour of the Repopulation Bus under the slogan ‘Rural is the vanguard’.
- Broadcast of the tour with the support of the Spanish communications satellite operator of the Red Eléctrica Group, HISPASAT.
- Publication of articles in PRESURA 20 magazine on the active role of the Red Eléctrica Group in the rural world.
- Expansion of the collaboration network among those involved in the fight against rural depopulation.

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Promoting agroecology

Agroecology applies the concepts and principles of ecology to the design, development and management of sustainable agrosilvopastoral systems, with the aim of obtaining healthier food and improving biodiversity.

The Red Eléctrica Group, through the formalisation of alliances, collaborates with rural territories in their economic development, participating in the creation of new opportunities based on the promotion of services generated by ecosystems for human well-being and safeguarding natural

resources, as well as cultural diversity and the exchange of knowledge through participatory processes, without losing sight of the social component, from which special attention is paid to the role of women and young people in rural environments.

Noteworthy projects aimed at boosting agroecology

Pastoreo enRED

Actions carried out in 2020

- Approval of the 'Pasture Plan' and 'Livestock Guides' by the Government of La Rioja and Calahorra Local Council.
- Use of technology, through geographic information systems and remote sensing with drones and GPS collars to monitor livestock movements.
- Publication of a guide to facilitate the replicability of the project.

Results

- 700 head of sheep have cleared 13 ha of safety corridors through natural grazing, and this process to clear plants and foliage complies with vegetation clearance standards. This initiative enhances ecosystem services such as the provision of food, regulating disease and climate and providing cultural benefits. This favours biodiversity and, ultimately, society's well-being.

Shepherd's school

Actions carried out in 2020

- Signing of an agreement with the Campo Adentro association, with the support of the State Federation of Shepherds' Associations, and the town councils of El Boalo-Cerceda and Mataelpino (Madrid), for collaboration with the Madrid Shepherd's School in the 2020 edition.

Results

- 50 students were selected out of the 130 applications received to take the theoretical module; 30 of them did the practical training in the field.

Solidarity foodstuffs (Alimentos solidarios)

Actions carried out in 2020

- Signing of an agreement with the Federation of Rural Women's Associations (FADEMUR).
- Purchase of fresh and seasonal food and its donation to nearby social institutions that assist vulnerable families and groups at risk of exclusion.

Results

- Distribution of 135,300 food rations of fresh and seasonal produce over a five-week period.
- 70 local producers have provided an outlet for their perishable products.
- 71 social organisations participated in the distribution of foodstuffs in 24 provinces in 13 autonomous communities.

#Alimentos_solidarios [solidarity foodstuffs] has been awarded the SERES 2020 award for Corporate Innovation and Social Commitment.

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Bridging the digital divide

In Spain, there are more than 2,600 villages that do not have internet access at a minimum speed of 10 Mbps and more than 300,000 people who have to navigate the Internet at speeds of less than 2 Mbps. 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 attract and establish population.

The Red Eléctrica Group seeks solutions that reduce the digital divide in isolated rural environments through technology. In this regard, it carries out the increased deployment of broadband using REINTEL's fibre optic network, so that all people in the areas surrounding Red

Noteworthy projects aimed at bridging the digital divide

Improving connectivity in rural areas

Actions carried out in 2020

- Signing of an agreement with Nordesnet.
- Granting access to the dark optical fibre owned by the Red Eléctrica Group to improve connectivity in rural areas.

Results

- 12 households in three municipalities in Segovia (Navares de las Cuevas, Cerezo de Abajo and Castroserracín) now have high-quality connectivity.

Natural disasters or emergency situations

Actions carried out in 2020

- Restoration of communications on the islands of Providencia and Santa Catalina (Colombia) after the impact of hurricane Iota.

Results

- Provision of satellite capacity and VSAT terminals for the deployment of 5 WiFi hotspots. Two of them have provided free Internet access to the inhabitants of Providencia, one to the citizens of Santa Catalina, and two for the command and operations posts of the Colombian Civil Defence, which led the early recovery operation.

Satellite connection projects in isolated environments in Latin America

Actions carried out in 2020

- Agreement signed with Altán (Red Compartida de Telecomunicaciones) in Mexico, to provide Ka-band satellite links to extend Altán's Red Compartida (shared network) in remote areas of Mexico via the Amazonas 5 satellite through 65 base stations, in order to provide 4G LTE mobile voice and data broadband in areas where terrestrial infrastructure deployment is not feasible.
- Collaboration with EasyTV to bring internet to remote regions of Brazil that lack connectivity through the Facebook Connectivity's Express WiFi platform and with the Ka-band coverage of HISPASAT's Amazonas 5 satellite.
- Agreement signed with Claro to bring 3G and 4G connectivity to 250 rural communities in Argentina.

Results

- Deployment of the first 50 satellite WiFi hotspots in Brazil.

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Eléctrica's facilities can access information and communication technologies. For their part, the HISPASAT satellites allow access to the Internet at any point on the planet and has become a unique tool that enables widespread access to quality telecommunications services.

Boosting the energy transition

The Red Eléctrica Group plays an active role in the new energy transition model; carrying out actions that bolster and promote a society that is better informed and has a greater capacity



to develop and maintain a sustainable energy model that effectively meets the energy needs of citizens.

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 primary courses of action.

The Corporate Volunteering Model has a **strategic and transformational approach**, so that the actions deployed aim, on the one hand, to channel internal talent to the corporate volunteering service and, on the other, to provide innovative solutions to social and environmental problems. In this regard, the actions carried out in 2020 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.

Noteworthy projects aimed at boosting the energy transition

Guide to the Energy Transition in Local Entities

Actions carried out in 2020

- Drafting of the Guide to the Energy Transition in Local Entities in collaboration with the Spanish Federation of Municipalities and Provinces (FEMP).

Results

- Dissemination of the Guide in the 8,131 municipalities of Spain through FEMP's 'Carta Local' website.

Solar power installations in Castilfrío de la Sierra [Soria]

Actions carried out in 2020

- Design of the first rural community self-consumption model.
- Signing of the Articles of Association and Founding Charter of the Energy Community, and an online broadcast of the event.
- Installation and commissioning of two solar photovoltaic installations of 9 and 6 kWp.

Results

- Coverage of 60% of the municipality's electricity demand.
- Reduction of the carbon footprint by 6.98 t CO₂eq per year.

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As in other areas of the Company, the COVID-19 pandemic has had a major impact on the development of actions, as most of those that were initially planned in the annual programme, which required face-to-face participation, were replaced by other actions carried out via remote means. This change has not prevented the volunteering actions carried out in 2020 from reaching a level of participation of 33.6% of individual volunteers, significantly exceeding the target set at the beginning of the year (20%).

Key corporate volunteering actions in 2020

Social volunteering

Donation campaign with the Food Bank

- Online collection campaign for the purchase of basic necessities (foodstuffs) to help alleviate the effects of the pandemic.
- 59 volunteers took part.
- 2,670 euros collected by volunteers, equivalent to 2,518.87 kg of foodstuffs.

CREATICA Day

Promotion of higher education among teenage girls from vulnerable groups, with a special focus on STEM careers.

- Practical workshop on computer programming in which 6 volunteers from the Company took part during the 2nd Women's Week in RED.

Letters Against Loneliness

Production of letters and drawings addressed to elderly people in old people's homes in collaboration in collaboration with HandOn Spain.

- 25 volunteers took part.
- 25 letters were written.

Red Cross Donation campaign

Online collection campaign for the purchase of basic necessities (foodstuffs, hygiene products and school supplies) to help alleviate the effects of the pandemic.

- 106 volunteers took part.
- 5,000 euros raised.

Christmas activity with the Red Cross

Collection of a total of 175 new books for children aged 0 to 9 years old in all territories nationwide with the collaboration of the Red Cross.

- 175 volunteers took part.

Christmas activity

Production of Christmas greeting cards for elderly people in old people's homes in collaboration with the Desarrollo e Integración Foundation.

- 9 volunteers took part.
- 13 cards made.

Environmental volunteering

#plant a new world from home

Environmental and social project consisting of receiving a kit of seeds, sustainable and compostable materials, (prepared by people with disabilities) to plant in home environments in collaboration with the Juan XXIII Foundation.

- 368 volunteers took part.

#stay in the nest

Knowledge of city birds, to highlight their importance in biodiversity in collaboration with SEO/BirdLife. With a virtual training workshop and use of the e-bird app.

- 6 volunteers took part.

Nesting boxes

Raising awareness in society about the importance of caring for urban biodiversity and involving the different stakeholders (citizens, administrations, companies, associations) in its conservation in collaboration with SEO/BirdLife.

- 8 volunteers took part.

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Annexes





Executive Report on the Management of the Code of Ethics and Professional Conduct in 2020

The Annual Report on the Management of the Code of Ethics and Professional Conduct sets out the circumstances arising in relation to the corporate system for the management of ethics of the Red Eléctrica Group in 2020.

The **Code of Ethics and Professional Conduct** seeks to provide an ethical guide for all the people

of the companies that make up the Red Eléctrica Group, establishing the ethical values and the principles and standards that shall govern their business conduct when carrying out any of the Groups' activities.

The current edition of the Code of Ethics and Professional Conduct of the Red Eléctrica Group

was approved by the Board of Directors of its parent company on 26 May 2020, undertaking the requirements demanded by stakeholders and the recommendations of organisations of repute with influence in this area.

The Code of Ethics and Professional Conduct is incumbent on the Group's entire workforce as well



The **Code of Ethics and Professional Conduct** aims to provide an ethical guide for all the people of the companies of the Red Eléctrica Group, determining the ethical **values and the principles and standards of conduct** that shall govern their business activity.

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The **Ethics Manager** is responsible for ensuring the understanding, implementation and enforcement of the Code of Ethics and Professional Conduct of the Red Eléctrica Group, resolving enquiries, advising stakeholders and ensuring the institution of proceedings regarding grievances submitted.

as on the members of the administrative bodies of the companies that make up the Red Eléctrica Group, in the performance of their duties and responsibilities, and is applied in all the companies in which the Group has a majority shareholding, regardless of their geographical location or business activity.

Ethics Manager and Stakeholder Ombudsman

To ensure understanding, implementation and enforcement of the Code of Ethics and Professional Conduct, the Red Eléctrica Group appointed Carlos Méndez-Trelles García, 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 regarding the Code of Ethics and Professional Conduct.
- Institute proceedings regarding grievances submitted that are related with the application of the Code.
- Draft action plans to resolve grievances reported and submit them for approval by the Chairperson of the Red Eléctrica Group. If the grievance is related to a member of the Executive Committee or the Board of Directors, it will be submitted to the

Chair of the Audit Committee or, where appropriate, to the Chair of the Sustainability Committee, depending on the nature of the grievance.

- Prepare a periodic review report on the ethics management system and propose actions to improve it.

Whistle-blowing Channel

A compliance and whistle-blowing channel is available through the **corporate website** to promote the Code of Ethics and Professional Conduct application, through which inquiries, grievances, or suggestions can be submitted and conveyed to the Ethics Manager.

Regarding the whistle-blowing channel made available for the detection and handling of possible non-compliances, grievances, enquiries and suggestions, in 2020, 10 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 ethical principles:

- Prevention of corruption.
- Conservation and improvement of the natural environment.
- Respect for people and rights at work.

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- Management of conflicts of interest.
- Protection of the confidentiality of information and personal data.

In 2020, three grievances were received regarding compliance with the Code of Ethics and Professional Conduct. The details of each grievance are shown below:

- Grievance regarding the ethical value 'sustainability', filed by a private individual, in relation to an alleged situation of power outages. The grievance/file was closed due to the fact that the incident was caused by an electricity company unaffiliated with the Red Eléctrica Group. The Ethics Manager does not have the legitimacy to act in this case, as his sphere of competence is limited to possible non-compliances with the Code of Ethics and Professional Conduct of the Red Eléctrica Group that may have been committed by one of the Group's companies or its employees.
- Grievance regarding the ethical value 'sustainability', filed by a private individual, in relation to the state of a transformer and its possible impact on the environment and people. The grievance/file was closed due to the fact that detailed information regarding the events reported and the location where they occurred was not received. Without said information, the necessary steps to design the solution that can respond to and resolve the situation or event reported cannot be initiated.

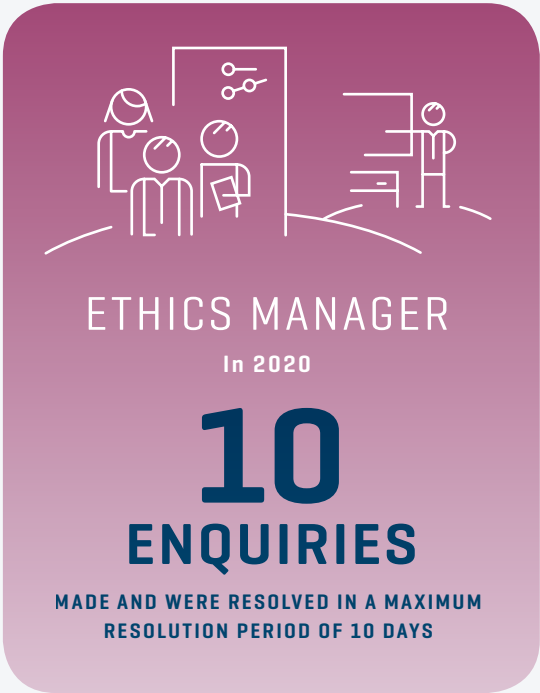


- Grievance regarding the ethical value 'integrity', filed by a private individual who allegedly would represent a series of entities with interests linked to the request for a service. Said representation could not be accredited by the claimant. The Ethics Manager proceeded to close the grievance/file as it did not entail or might lead to any business conduct contrary to the Code of Ethics and Professional Conduct by any member of the Red Eléctrica Group in relation to the facts described.

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

In 2020, 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 court of law for infringements related to criminal risks.

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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 2020, 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 court of law for infringements related to criminal risks of the organisation.

Revision of the performance standard of the compliance and whistle-blowing channel

On 1 December, 2020, the Executive Committee of the Red Eléctrica Group approved the ‘Action Guide for the Management of the Compliance and Whistle-blowing Channel’, which is the internal standard that regulates the management of such ethical channels. The new guide has been approved to adapt the performance standard of the Channel to: the criteria established by the Code of Ethics and Professional Conduct; the Organic Law on Data Protection and Guarantee of Digital Rights, whose article 24 regulates the information systems regarding the reporting of internal grievances; and the European Directive 2019/1937, of October 23, 2019, on the protection of people who report breaches of Union law.

The Red Eléctrica Group has had the collaboration of Transparency International for the revision of the standard that regulates the Compliance and Whistle-blowing Channel.

During 2020, work has been done on the implementation of a new IT tool that includes updates to the Compliance and Whistle-blowing Channel. It is expected to be operational in early

2021 and therefore members of the organisation, as well as its stakeholders, may access this channel to submit enquiries and grievances through this new IT application.

Integrity and Transparency

The Code of Ethics and Professional Conduct, 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 and Professional Conduct. 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

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action criteria, thereto, that should govern their professional activities within the same. Its purpose is to provide members of the Red Eléctrica Group with an analysis of the circumstances and the risks they face regarding corruption and to increase awareness of the criteria and knowledge of the instruments available to the Company so that corruption can be eradicated.

Over the last year, no grievance has been registered through the compliance and whistle-blowing channel regarding possible corruption cases. 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 corruption cases, in line with previous years.

Recognitions

In the field of external recognition, noteworthy is Red Eléctrica's leadership in the 'Code of Business Conduct' criterion of the S&P Global assessment conducted by the Dow Jones Sustainability Index [DJSI]. Red Eléctrica has obtained the maximum score (100 out of 100 points) in this criterion, 11 points above the average of the companies in its sector who form part of this index. Furthermore, it also reached the maximum percentile (100) in the assessment and achieved the leadership position in its sector.

Alliances

Among the initiatives in which Red Eléctrica Group has participated in 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.

Similarly, the Red Eléctrica Group is a member of the **Spanish Compliance Association** [ASCOM] and forms part of the group of large companies that are part of the **Forética Transparency, Good Governance and Integrity Cluster**.

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Green Bond Report

After releasing its [Green Finance Framework](#) in September 2019, Red Eléctrica de España S.A.U. has issued its first Green Bond in January 2020, a €700 million green bond under the Euro Medium-Term Notes Program (EMTN).

As set out in Red Eléctrica’s Green Finance Framework, the net proceeds of Green Finance Instruments will be exclusively used to finance and/or refinance in whole or in part eligible projects (‘Eligible Green Projects’) in the eligible categories, together forming the ‘**Eligible Green Project Portfolio**’:

The Green Finance Framework sets the basis for the identification, selection, verification and reporting of the Eligible Green Projects as well as the management of the proceeds from Green Finance Instruments.

Within the framework, the categories relating to Eligible Green Assets are aligned with the Sustainable Development Goals of the United Nations (UN SDG) Goals 7, 11 and 13 in particular.

Red Eléctrica’s Green Finance Framework is verified against the International Capital Market Association’s (ICMA) Green Bond Principles

[GBPs] and the Green Loan Principles [GLPs]. This information can be found in the corresponding Second Party Opinion (SPO) prepared by Sustainalytics which is available on the [corporate website](#).

Ernst and Young has provided limited assurance on specific elements of the allocation of the Green Bond proceeds. The assurance report is included in the [Annex](#) section of this document.

With this report, Red Eléctrica fulfils its commitment as stated in its Green Finance Framework to report on the allocation of net proceeds and associated environmental impacts annually until the proceeds of each Green Finance Instruments have been fully allocated.

Category	Eligible green projects
Renewable Energy	<ul style="list-style-type: none">• Projects aimed at directly increasing the production of renewable energies.• Projects aimed at integrating renewable energies.
Clean Transportation	<ul style="list-style-type: none">• Projects aimed at improving the efficiency of the rail system.



GREEN FINANCING FRAMEWORK

First green bond issuance
carried out in January 2020

€700_M

UNDER THE EURO MEDIUM-TERM
NOTES PROGRAMME (EMTN)

This report contains information on:

- the use of proceeds, allocation and impact reporting of the inaugural Green Bond issued, the only Green Finance Instrument issued to date.
- background information on the assets financed by the green bond issued in 2020.
- case studies on Canary and Balearic Islands projects both projects aimed at directly increase the production of renewable energies.

Allocation report

Allocation report

Portfolio date: 31 December 2019

USE OF PROCEEDS ALLOCATION TABLE

Eligible Green Project Portfolio per 31 December 2019

Green Funding

Green Eligible Category	Eligible investments volumes (mEUR)	Instrument (ISIN)	Issuance Date	Maturity Date	Amount (mEUR)
Renewable Energy - Increasing the production of renewable energies (Category A)	709	XS2103013210	24/01/2020	24/07/2028	700
Renewable Energy - Integration of renewables (category B)	1,716				
Clean Transportation	70				
Total Eligible Green Project	2,496	Total Green Funding			700

Percentage of Green Project Portfolio allocated to Green Finance Instruments: 28%

Percentage of Net Proceeds of Green Funding allocated to Eligible Green Project Portfolio: 100%

Percentage of Eligible Green Project Portfolio - Unallocated: 72%

Percentage of Eligible Projects in the last 3 years (since 1 January 2017) 23%

- Renewable Energy - Category A 4.50%

- Renewable Energy - Category B 17.83%

- Clean Transport 0.65%

Notes

All proceeds from the 2020 Green Bond have been fully allocated to the Eligible Green Projects categories and have been fully used for refinancing purposes.

Investments included in Category A and in Clean Transportation only represent 50 % of the total amount invested on each project as the other 50 % was financed by the European Investment Bank

-	-	-	-	1	2	3	4	5	6	7	8	-
VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	OUR RESPONSE TO THE COVID-19	A BENCHMARK REPORT AT THE FOREFRONT OF REPORTING STANDARDS	RED ELÉCTRICA GROUP	STRATEGY	CORPORATE GOVERNANCE	COMMITMENT TO SUSTAINABILITY	ANTICIPATING CHANGE AND TAKING ACTION	DECARBONISATION OF THE ECONOMY	RESPONSIBLE VALUE CHAIN	CONTRIBUTION TO SOCIAL, ECONOMIC, AND ENVIRONMENTAL DEVELOPMENT	ANNEXES
												

and therefore is not being refinanced with the proceeds of the Green Instruments.

Investments included in Category B corresponds to a percentage of the total investment value. The percentage is the renewable power generation capacity ratio in each respective investment year.

The renewable power generation capacity ratio is defined as the renewables installed capacity

/ all sources electricity capacity in the Spanish Transmission grid. The evolution of this ratio in the period 2010-2019 is described in the table below:

The investment period considered in this portfolio is 2010-2019. All the investments included in the portfolio have been carried out in Spain.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Reratio / % /	41.0	42.8	44.8	45.2	45.4	45.4	46.0	46.3	46.7	50.2

Impact report

Impact Report

Portfolio date: 31 December 2019

ICMA / LMA Green Eligible category	Eligible investments volumes (mEUR)	Share of Total Portfolio Financing	Eligibility for Green Financing Instruments	Renewable energy installed capacity (in MW)	Estimated Renewable energy production (in MW per year)	Installed capacity (in MVA)	Estimated avoided CO ₂ emissions (in tCO ₂ e per year) ⁽¹⁾	Contribution to specific UN SDG	Contribution to EU Environmental Objective
a/	b/	c/	d/	e/	e/	e/	e/		
Renewable Energy - Increasing the production of renewable energies [Category A]	709.4	28%	100%		6,000,133		5,264,215	SDG 7.13	Climate change mitigation
Renewable Energy - Integration of renewables [Category B]	1,716.4	69%	100%	15,502				SDG 7.13	
Clean Transport	70.1	3%	100%			1,498		SDG 11	
Total	2,496.0	100%	100%	15,502	6,000,133	1,498	5,264,215		

⁽¹⁾ All of them are indirect emissions.

a/ Eligible category. b/ Eligible Investments represents the amount legally committed by the issuer for the portfolio or portfolio components eligible for Green Finance Instruments. c/ This is the share of the total portfolio per Eligible category. d/ This is the share of the total portfolio costs that is eligible for Green Finance Instruments. e/ Impact reporting indicators per Eligible category.

-	VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	-	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	-	OUR RESPONSE TO THE COVID-19	-	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	-	ANNEXES
																									

Notes to the impact report

Projects aimed at directly increasing the production of renewable energies

- Capital investments aimed at directly integrating renewable energy generation to the grid.

These projects enable the connection of new renewable capacity [MW] to the transmission grid.

The expected amount of increased production of renewable energy [MWh/year] is calculated by multiplying the installed power capacity by technology [MW], identified for each project, per the average annual production [hours/year].

It is considered an average annual production of 2,310 hours for wind generation and 1,684 hours for photovoltaic generation based in a mid-term horizon forecast analysis.

The estimated amount of CO₂ tons emissions avoided is calculated considering that the new production of renewable energy will replace mainly combined cycle production, that have an emission of 0.355 tCO₂ equivalent/MWh.

The funding obtained through green financial instruments are used to finance and/or refinance projects related to renewable energy or clean transportation.



- Capital investments aimed at integrating and enhancing the transmission capacity for renewable energy in the grid.

The impact of these projects is calculated through a cost-benefit analysis based on complex methodology. The main indicators are based on the methodology CBA 2.0 of ENTSO-E approved by the European Commission in 2018.

Projects aimed at integrating renewable energies

Impact of this category is calculated considering the increase in the Renewable energy installed capacity along the period of the investments included in the Green Project Portfolio.

Clean Transportation

Projects aimed at improving the efficiency of the rail system.

Impact of these projects is calculated considering the increase in the installed capacity for the rail system along the period of the investments included in the Green Project Portfolio.

-	VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	-	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	-	OUR RESPONSE TO THE COVID-19	-	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	-	ANNEXES
																									

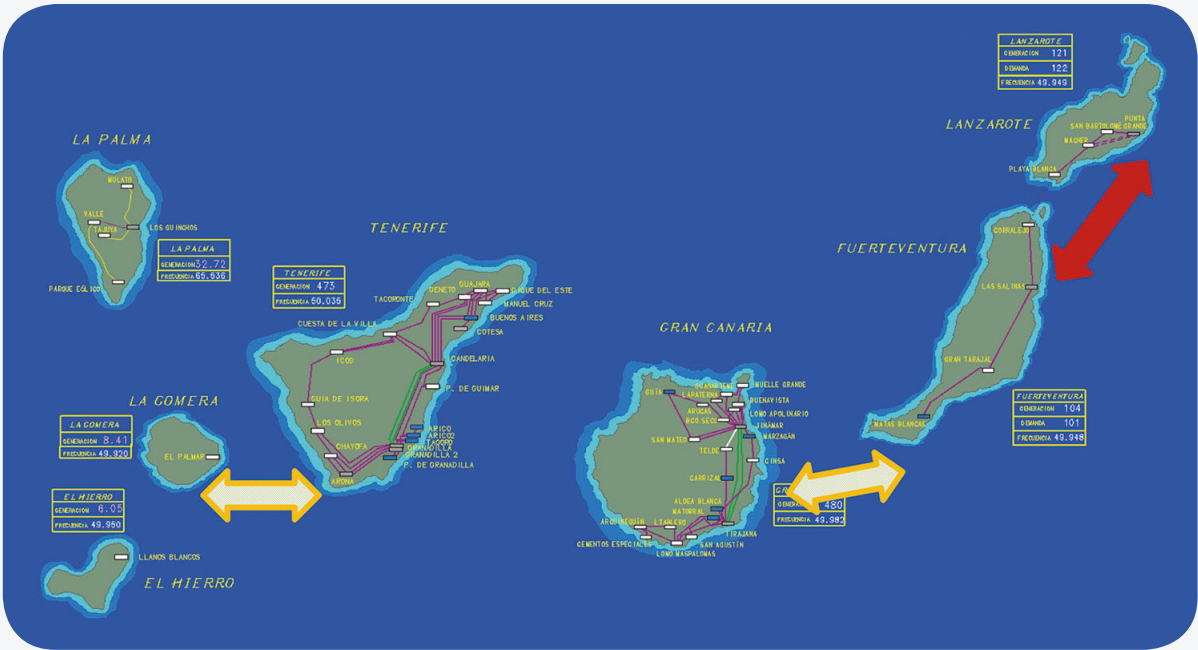


Projects aimed at directly increase the production of renewable energy

Canary Islands

The Canary Islands is an isolated system that faces several structural problems:

- Low tension levels: 66 kV simple circuit axis
- Low meshing
- Grid incidents
- Difficult for repairs
- Difficult for Renewable energy sources integration



Gran Tarajal-Matas Blancas: This Project allows the connection and evacuation of wind installed capacity in the substation of Matas Blancas that will produce a significant amount of renewable energy and CO₂ reduction by substituting diesel and fuel oil consumption in the thermal energy plants by replacing it with wind energy in the islands of Lanzarote and Fuerteventura.

Tias-Playa Blanca – La Oliva – Puerto del Rosario: This Project, further interconnecting the islands of Lanzarote and Fuerteventura, allows further use of

the renewable energy sources generation allowing the possibility of this generation to supply the Lanzarote and Fuerteventura consumers and substituting fuel-oil and fuel oil consumption in the thermal energy plants. It also decreases the needs for thermal reserves due to the support of the system from the other island in the event of contingencies.

In 2019, the Playa Blanca substation and the La Oliva-Puerto del Rosario line were commissioned.

-	VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	-	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	-	OUR RESPONSE TO THE COVID-19	-	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	-	ANNEXES
																									



The second phase of the Majorca-Ibiza link reinforces the process of interconnecting the Balearic Islands' electricity systems and enables their integration within the Iberian and European markets.

**Case Study Interconnection
Mallorca- Ibiza /Rómulo II**

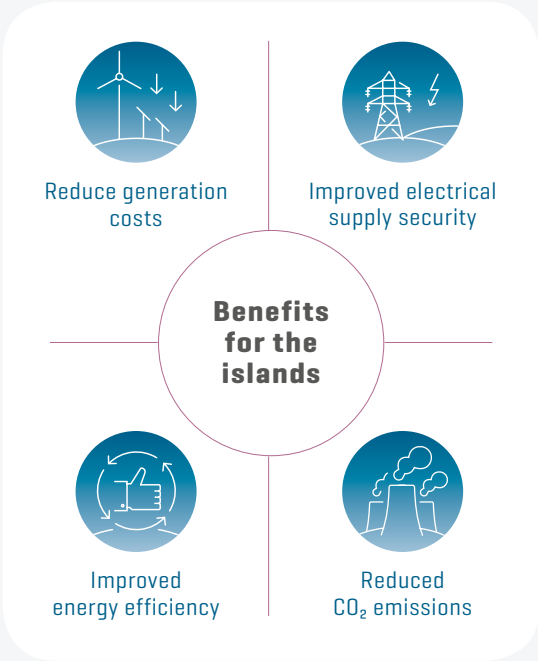
The Majorca- Ibiza submarine electricity interconnection is one of the most important investments made by Red Eléctrica from the point of view of security of supply and the structuring of the territory as it connects the two existing electricity sub-systems in the Balearic Islands and connects them to the Iberian and the European electricity market. It should be noted that this new link bolsters the interconnection between the islands and increases the value of the submarine interconnection between the Spanish mainland and the Balearic Islands, which began with the Rómulo project.

The main objective of this second phase of the Rómulo project, which amounts to 215 million euros, was to with the isolation of Ibiza's electricity system prior to the commissioning of this

interconnection, in addition to saving costs for the system and promoting competition in energy generation.

The Majorca-Ibiza submarine double-link is the world's longest in alternating current and the deepest of its kind to run along the sea bed at depths of up to 800 meters.

Additional information related to this project is included in the [corporate website of the Red Eléctrica Group website](#).



Global Reporting Initiative (GRI) content index / 102-55

GRI STANDARD	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER
GRI 101: Foundation 2016			
GRI 102: General disclosures 2016			
Organisational profile 2016			
102-1	Name of the organisation.	33	
102-2	Activities, brands, products, and services.	31, 33	
102-3	Location of headquarters.	-	
102-4	Location of operations.	31	
102-5	Ownerships and legal form.	33	
102-6	Markets served.	31	
102-7	Scale of the organisation.	2	
102-8	Information on employees and other workers.	2, 253	
102-9	Supply chain.	294	
102-10	Significant changes to the organisation and its supply chain.	14, 33	
102-11	Precautionary Principle or approach.	101, 260	
102-12	External initiatives.	92	
102-13	Membership of associations.	338	
EU1	Installed capacity, broken down by primary energy source and by regulatory regime.	-	Not applicable
EU2	Net energy output, broken down by primary energy source and by regulatory regime.	-	Not applicable
EU3	Number of residential, industrial, institutional and commercial customer accounts.	309	
EU4	Length of above and underground transmission and distribution lines by regulatory regime.	158	
EU5	Allocation CO ₂ emissions allowances or equivalent, broken down by carbon trading framework.	-	Not applicable



Global Reporting Initiative (GRI) content index / 102-55

GRI STANDARD	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER
Strategy 2016			
102-14	Statement from senior decision-maker.	3	
102-15	Key impacts, risks, and opportunities.	97, 104, 110	
Ethics and Integrity 2016			
102-16	Values, principles, standards, and norms of behaviour.	200	
102-17	Mechanisms for advice and concerns about ethics.	200, 204	
Governance 2016			
102-18	Governance structure.	51, 58	
102-19	Delegating authority.	66	
102-20	Executive-level responsibility for economic, environmental and social topics.	66	
102-21	Consulting stakeholders on economic, environmental, and social topics.	67	
102-22	Composition of the highest governance body and its committees.	58	
102-23	Chair of the highest governance body.	61	
102-24	Nominating and selecting the highest governance body.	68	
102-25	Conflicts of interest.	70	
102-26	Role of the highest governance body in setting purpose, values, and strategy.	58	
102-27	Collective knowledge of the highest governance body.	70	
102-28	Evaluating the highest governance body's performance.	70	
102-29	Identifying and managing economic, environmental, and social impacts.	110	
102-30	Effectiveness of risk management processes.	103	
102-31	Review of economic, environmental, and social topics.	103	
102-32	Highest governance body's role in sustainability reporting.		

Global Reporting Initiative (GRI) content index / 102-55

GRI STANDARD	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER
102-33	Communicating critical concerns.	67	
102-34	Nature and total number of critical concerns.	67	
102-35	Remuneration policies.	71	
102-36	Process for determining remuneration.	71	
102-37	Stakeholders' involvement in remuneration.	71	
102-38	Annual total compensation ratio.		
102-39	Percentage increase in annual total compensation ratio.		
Stakeholder engagement 2016			
102-40	List of stakeholder groups.	85	
102-41	Collective bargaining agreements.	242, 257	
102-42	Identifying and selecting stakeholders.	85	
102-43	Approach to stakeholder engagement.	15, 87, 90	
102-44	Key topics and concerns raised.	15, 87, 90	
Reporting practice 2016			
102-45	Entities included in the consolidated financial statements.	14, 33	
102-46	Defining report content and topic Boundaries.	15	
102-47	List of material topics.	15	
102-48	Restatements of information.	14	
102-49	Changes in reporting.	15	
102-50	Reporting period.	12	
102-51	Date of the most recent report.	13	
102-52	Reporting cycle.	13	
102-53	Contact point for questions regarding the report.	14	
102-54	Claims of reporting in accordance with the GRI Standards.	13	
102-55	GRI content index.	367	
102-56	External assurance.	14, 382	

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Global Reporting Initiative (GRI) content index / 102-55

GRI STANDARD	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER
GRI 201: Economic performance 2016			
103-1	Explanation of the material topic and its boundary.	217	
103-2	The management approach and its components.	217	
103-3	The evaluation of the management approach.	217	
201-1	Direct economic value generated and distributed.	217	
201-2	Financial implications and other risks and opportunities for the organisation due to climate change.	99, 116	
201-3	Obligations of the organisation for employee benefit programmes and other pension plans.	-	
201-4	Financial assistance received from governments.	-	
GRI 203: Indirect economic impacts 2016			
203-1	Infrastructure investments and services supported.	153	
203-2	Significant indirect economic impacts.	325	
GRI 204: Procurement practices 2016			
103-1	Explanation of the material topic and its boundary.	290	
103-2	The management approach and its components.	290	
103-3	The evaluation of the management approach.	290	
204-1	Proportion of spending on local suppliers.	294	
GRI 205: Anti-corruption 2016			
103-1	Explanation of the material topic and its boundary.	200	
103-2	The management approach and its components.	200	
103-3	The evaluation of the management approach.	200	
205-1	Operations assessed for risks related to corruption.	209	
205-2	Communication and training about anti-corruption policies and procedures.	209	
205-3	Confirmed incidents of corruption and actions taken.	209	

Global Reporting Initiative (GRI) content index / 102-55

GRI STANDARD	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER
GRI 206: Anti-competitive behaviour 2016			
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices.	-	
GRI 207: Tax 2018			
103-1	Explanation of the material topic and its boundary.	325	
103-2	The management approach and its components.	325	
103-3	The evaluation of the management approach.	325	
207-1	Approach to tax.	330, 334	
207-2	Tax governance, control and risk management.	334	
207-3	Stakeholder engagement and management concerns related to tax.	334	
207-4	Country-by-country reporting.	331	
Availability and reliability 2016			
EU10	Planned capacity against projected electricity demand over the long term, broken down by energy source and regulatory regime.	154	
System efficiency 2016			
EU11	Average generation efficiency of thermal plants by energy source and by regulatory regime.	-	Not applicable
EU12	Transmission and distribution losses as a percentage of total energy.	189	

Global Reporting Initiative (GRI) content index / 102-55

GRI STANDARD	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER
GRI 302: Energy 2016			
103-1	Explanation of the material topic and its boundary.	178	
103-2	The management approach and its components.	178	
103-3	The evaluation of the management approach.	178	
302-1	Energy consumption within the organisation.	192, 193	
302-2	Energy consumption outside of the organisation.	194	
302-3	Energy intensity.	194	
302-4	Reduction of energy consumption.	194	
302-5	Reductions in energy requirements of products and services.	-	Not applicable
GRI 303: Water and effluents 2018			
303-1	Interactions with water as a shared resource.	-	
303-2	Management of water discharge related impacts.	-	Not applicable
303-3	Water withdrawal.	-	
303-4	Water discharge.	-	Not applicable
303-5	Water consumption.	285	

Global Reporting Initiative (GRI) content index / 102-55

GRI STANDARD	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER
GRI 304: Biodiversity 2016			
103-1	Explanation of the material topic and its boundary.	270	
103-2	The management approach and its components.	270	
103-3	The evaluation of the management approach.	270	
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	284	
304-2	Significant impacts of activities, products, and services on biodiversity.	275, 276, 277, 285	
304-3	Habitats protected or restored.	275, 278, 341	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations.	278, 285, 286, 287	
EU13	Biodiversity of offset habitats compared to the biodiversity of the affected areas.	-	
GRI 305. Emisiones, 2016			
103-1	Explanation of the material topic and its boundary.	178	
103-2	The management approach and its components.	178	
103-3	The evaluation of the management approach.	178	
305-1	Direct GHG emissions [Scope 1].	180, 195	
305-2	Energy indirect GHG emissions [Scope 2].	181, 195	
305-3	Other indirect GHG emissions [Scope 3].	182, 196	
305-4	GHG emissions intensity.	197	
305-5	Reduction of GHG emissions.	197	
305-6	Emissions of ozone-depleting substances [ODS].	-	Not applicable
305-7	Nitrogen oxides [NOx], sulfur oxides [SOx], and other significant air emissions.	-	Not applicable

Global Reporting Initiative (GRI) content index / 102-55

GRI STANDARD	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER
GRI 306: Water and effluents 2016			
306-1	Water discharge by quality and destination. -	-	Not applicable
306-2	Waste by type and disposal method.	288	
306-3	Significant spills.	288	
306-4	Transport of hazardous waste.	288	
306-5	Water bodies affected by water discharges and/or runoff.	-	Not applicable
GRI 307: Environmental compliance 2016			
307-1	Non-compliance with environmental laws and regulations.	289	
GRI 307: Supplier environmental assessment 2016			
103-1	Explanation of the material topic and its boundary.	290	
103-2	The management approach and its components.	290	
103-3	The evaluation of the management approach.	290	
308-1	New suppliers that were screened using environmental criteria.	261, 299	
308-2	Negative environmental impacts in the supply chain and actions taken.	261, 295	
GRI 308: Employment 2016			
401-1	New employees hires and employee turnover.	225, 254	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees.	251	
401-3	Parental leave.	256	
EU15	Percentage of employees eligible to retire in the next 5 and 10 years broken down by job category and by region.	255	
EU17	Days worked by contractor and subcontractor employees involved in construction, operation and maintenance activities.	258	
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training.	250	

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ANNEXES



Global Reporting Initiative (GRI) content index / 102-55

GRI STANDARD	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER
GRI 402: Labour/Management Relations 2016			
402-1	Minimum notice periods regarding operational changes.	242	
GRI 403: Occupational Health and Safety 2018			
103-1	Explanation of the material topic and its boundary.	244	
103-2	The management approach and its components.	244	
103-3	The evaluation of the management approach.	244	
403-1	Occupational health and safety management system	244	
403-2	Hazard identification, risk assessment, and incident investigation.	244	
403-3	Occupational health services.	244	
403-4	Worker participation, consultation, and communication on occupational health and safety.	244	
403-5	Worker training on occupational health and safety	249	
403-6	Promotion of worker health.	247	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships.	245	
403-8	Workers covered by an occupational health and safety management system.	244	
403-9	Work-related injuries.	-	See answer for indicator 403-10
403-10	Work-related ill health.	-	

Global Reporting Initiative (GRI) content index / 102-55

GRI STANDARD	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER
GRI 404: Training and education 2016			
103-1	Explanation of the material topic and its boundary.	232	
103-2	The management approach and its components.	232	
103-3	The evaluation of the management approach.	232	
404-1	Average hours of training per year per employee.	235, 236, 256	
404-2	Programs for upgrading employee skills and transition assistance programs.	232, 240	
404-3	Percentage of employees receiving regular performance and career development reviews.	238, 257	
GRI 405: Diversity and equal opportunity 2016			
103-1	Explanation of the material topic and its boundary.	229	
103-2	The management approach and its components.	229	
103-3	The evaluation of the management approach.	229	
405-1	Diversity of governance bodies and employees.	59, 253, 254	
405-2	Ratio of basic salary and remuneration of women to men.	255	
GRI 406: Non-discrimination 2016			
103-1	Explanation of the material topic and its boundary.	200	
103-2	The management approach and its components.	200	
103-3	The evaluation of the management approach.	200	
406-1	Incidents of discrimination and corrective actions taken.	205, 357	
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.	213	

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GRI STANDARD	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER
GRI 408: Child labour 2016			
408-1	Operations and suppliers at significant risk for incidents of child labour.	213	
GRI 409 Forced or compulsory labour 2016			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour.	213	
GRI 410 Security practices 2016			
410-1	Security personnel trained in human rights policies or procedures.	215	
GRI 411 Rights of indigenous peoples 2016			
411-1	Incidents of violations involving rights of indigenous peoples.	214	
GRI 412: Human rights assessment 2016			
412-1	Operations that have been subject to human rights reviews or impact assessments.	214	
412-2	Employee training on human rights policies or procedures.	215	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	214	
GRI 413: Local communities 2016			
103-1	Explanation of the material topic and its boundary.	337	
103-2	The management approach and its components.	337	
103-3	The evaluation of the management approach.	337	
413-1	Operations with local community engagement, impact assessments, and development programs.	337	
413-2	Operations with significant actual and potential negative impacts on local communities.	265	
EU22	Number of people physically or economically displaced and compensation by type of project.	-	Not applicable

Global Reporting Initiative (GRI) content index / 102-55

GRI STANDARD	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER
GRI 414. Supplier social assessment 2016			
103-1	Explanation of the material topic and its boundary.	290	
103-2	The management approach and its components.	290	
103-3	The evaluation of the management approach.	290	
414-1	New suppliers that were screened using social criteria.	299	
414-2	Negative social impacts in the supply chain and actions taken.	295	
GRI 416. Customer Health and Safety 2016			
416-1	Assessment of the health and safety impacts of product and service categories.	268	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services.	-	
EU25	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases.	-	
Energy access 2016			
EU26	Percentage of population unserved in licensed distribution or service areas.	-	Not applicable
EU27	Number of residential disconnections for non-payment, broken down by duration of disconnection and by regulatory regime.	-	Not applicable
EU28	Power outage frequency.	162	
EU29	Average power outage duration.	162	
EU30	Average plant availability factor by energy source and by regulatory regime.	-	Not applicable

Global Reporting Initiative (GRI) content index / 102-55

GRI STANDARD	DESCRIPTION	PAGE NUMBER	DIRECT ANSWER
GRI 418: Customer Privacy 2016			
103-1	<i>Explanation of the material topic and its boundary.</i>	-	
103-2	<i>The management approach and its components.</i>	308	
103-3	<i>The evaluation of the management approach.</i>	308	
418-1	<i>Substantiated complaints concerning breaches of customer privacy and losses of customer data.</i>	-	
GRI 419: Socioeconomic Compliance 2016			
419-1	<i>Non-compliance with laws and regulations in the social and economic area.</i>	-	

-	VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	-	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	-	OUR RESPONSE TO THE COVID-19	-	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	-	ANNEXES
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Table of contents Sustainability Accounting Standard Board (SASB)

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

TOPIC	ACCOUNTING METRIC	PAGE
Infrastructure Sector: Electric Utilities and Power Generators		
Greenhouse Gas Emissions & Energy Resource Planning	• Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations, and percentage covered under emissions-reporting regulations.	180, 192 and following pages
Workforce Health & Safety	- Total recordable injury rate (TRIR). - Fatality rate.	246, 250, 257, 258
Activity Metric	- Length of power transmission and distribution lines.	160
Technology and Telecommunications Sector: Telecommunications services		
Environmental Footprint of Operations	• Total energy consumed. • Percentage of grid electricity. • Percentage of renewable energy.	192 and following pages
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.	210 and following pages
Data security	• Number of data security breaches and percentage involving customers' personally identifiable information (PII) and number of customers affected. • Description of approach to identifying and addressing data security risks, including use of third-party cybersecurity standards.	210 and following pages
Competitive behaviour & Open Internet	• Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations.	371

Note. The above only includes the issues set out in the reporting framework defined by the Sustainability Accounting Standards Board which are material issues and/or apply to the Red Eléctrica Group considering the type of activity it carries out.

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VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	OUR RESPONSE TO THE COVID-19	A BENCHMARK REPORT AT THE FOREFRONT OF REPORTING STANDARDS	RED ELÉCTRICA GROUP	STRATEGY	CORPORATE GOVERNANCE	COMMITMENT TO SUSTAINABILITY	ANTICIPATING CHANGE AND TAKING ACTION	DECARBONISATION OF THE ECONOMY	RESPONSIBLE VALUE CHAIN	CONTRIBUTION TO SOCIAL, ECONOMIC, AND ENVIRONMENTAL DEVELOPMENT	ANNEXES
												

Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

GOVERNANCE

- a- Describe the **Board's governance** and supervision of climate-related risks and opportunities
- b- Describe **management's role** in assessing and managing climate-related risks and opportunities.

Risks:

- The management of climate-related risks is integrated into the Company's risk management. The organisational structure regarding risk management and control is included on pg. 103.
- Particular issues regarding the governance of climate-related risks are specified on pg. 118.

Opportunities:

- The Board's management role is described on pg. 99.
- The governance scheme is similar to that of corporate risks [pg. 103], with the particularity that the Corporate Sustainability Management Area carries out the support functions to the organizational units in the identification, assessment, management, monitoring and information on opportunities.

STRATEGY

- a- Describe the **climate-related risks and opportunities** the organization has identified over the short, medium, and long term.
- b- Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

Risks:

- Climate-related risks are identified over the short, medium and long term. The description of the risks and their impact, including their financial impact, is included on pages 117-118.
- The climate-related risks identified over the short term are also included in the corporate risk map [specifically on pages 110-111].

Opportunities:

- Description of climate-related opportunities and their impact is described on pg. 100.

- b- Describe the **resilience of the organization's strategy**, taking into consideration different climate-related scenarios, including a 2°C or lower global warming scenario.

The organization's resilience [adaptation capacity] is considered in the climate risk assessment process, which is carried out taking into consideration different climate-related scenarios, including a 2°C or lower global warming scenario - pg. 116.

The application of risk mitigation measures [described on pages 117-118] increase the organization's resilience to climate risks. This is reflected in the result of the monetisation of the relevant risks - pg. 118.

-	VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	-	LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	-	OUR RESPONSE TO THE COVID-19	-	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	-	ANNEXES
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Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

RISK MANAGEMENT

a- Describe processes for identifying and assessing climate-related risks.	· The process for identifying and assessing climate-related risks is summarized on pg. 116.
b- Describe processes for managing climate-related risks.	· The management of climate-related risks is integrated into the Company's risk management (pg. 102-109).
b- Describe how processes for identifying, assessing, and managing climate-related risks are integrated into overall risk management.	· The particularities of the management of climate-related risks are specified on pg. 118.

METRICS AND TARGETS

a- Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Numerous metrics are used in the assessment process of climate-related risks and opportunities, some of them specific to each of the assessed risks/opportunities. Some of the most relevant are those related to the quality of supply (pg. 162), the development of the transmission grid (pg. 156, 160), the integration of renewables (pg. 164-167) and the development of energy storage systems (pp. 168-170).
b- Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	The GHG emissions inventory (Scopes 1, 2 and 3) is detailed on pg. 195-196. No specific relevant risks associated with the emissions have been identified.
c- Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Due to the characteristics of the Red Eléctrica Group, the climate-related risks and opportunities are completely linked to the Company's activities. For this reason, the description of objectives to manage climate-related risks and opportunities, as well as how it is carried out, is developed throughout the report: Strategic plan (pg. 42-45); Climate Change Action Plan (pg. 151-152); Sustainable development of the grid (pg. 153-160); Maintenance of facilities (pg.161); Integration of renewables (pg. 163-167); Energy storage (pg. 168-172); Flexibility of the system and smart grids (pg. 174-177); Reduction of the carbon footprint (pg. 178-191); Green financing (pg. 218-219) and Fire prevention (pg. 277-345).

Table of contents regarding the reporting requirements of the Climate Disclosure Standards Board (CDSB) framework

REQUIREMENTS	DESCRIPTION	PAGE
REQ-01	Governance. Disclosures shall describe the governance of environmental policies, strategy and information.	81, 260
REQ-02	Management’s environmental policies, strategy and targets. Disclosures shall report management’s environmental policies, strategy and targets, including the indicators, plans and timelines used to assess performance.	178 and following pages, 259 and following pages
REQ-03	Risks and opportunities. Disclosures shall explain the material current and anticipated environmental risks and opportunities affecting the organisation.	99, 110 and following pages, 116 and following pages
REQ-04	Sources of environmental impacts. Quantitative and qualitative results, together with the methodologies used to prepare them, shall be reported to reflect material sources of environmental impact.	178 and following pages, 259 and following pages
REQ-05	Performance and comparative analysis. Disclosures shall include an analysis of the information disclosed in REQ-04 (‘Sources of environmental impact’) compared with any performance targets set and with results reported in a previous periods.	178 and following pages, 259 and following pages
REQ-06	Outlook Management. Disclosures shall summarise their conclusions about the effect of environmental impacts, risks and opportunities on the organisation’s future performance and position.	99, 110 and following pages
REQ-07	Organisational boundary. Environmental information shall be prepared for the entities within the boundary of the organisation or group for which the mainstream report is prepared and, where appropriate, shall distinguish information reported for entities and activities outside that boundary. The basis on which the organisational reporting boundary has been determined shall be described.	14
REQ-08	Reporting policies. Disclosures shall cite the reporting provisions used for preparing environmental information and shall confirm that they have been used consistently from one reporting period to the next.	13, 180
REQ-09	Reporting period. Disclosures shall be provided on an annual basis.	14
REQ-10	Restatements. Disclosures shall report and explain any prior year restatements.	14
REQ-11	Conformance. Disclosures shall include a statement of conformance with the CDSB Framework.	14
REQ-12	Assurance. If assurance has been provided over whether reported environmental information is in conformance with the principles and requirements of the CDSB Framework, this shall be included or cross-referenced in the statement of conformance (REQ-11).	14

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External
Assurance
Report

/ 102-56



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INDEPENDENT REVIEW REPORT OF THE SUSTAINABILITY INDICATORS OF CORPORATE RESPONSIBILITY OF RED ELÉCTRICA GROUP

To the Management of Red Eléctrica Corporación, S.A.

Scope

As commissioned by the Management of Red Eléctrica Corporación, S.A. and subsidiaries (hereinafter, the Group), we have carried out the review of the sustainability indicators in the Annex to the Sustainability Report 2020 of the Group "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 the Group for the preparation of the Report is defined in the section "Red Eléctrica Group".

The preparation of the attached report, as well as its content, is the responsibility of the Management of the Group, 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 the Group global strategy.
- Reviewing the processes for the compilation and validation of the sustainability indicators of corporate responsibility.
- Checking the processes held by the Group 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.

Ernst & Young, S.L.

(Free translation from the Original Report on Independent Review in Spanish dated 7 April 2021. In case of any discrepancy, the Spanish version always prevails.)

Domicilio Social: Calle de Raimundo Fernández Villaverde, 65. 28003 Madrid - inscrita en el Registro Mercantil de Madrid, tomo 9.364 general, 8.130 de la sección 3ª del Libro de Sociedades, folio 68, hoja nº87.690-1, inscripción 1ª. C.I.F. B-78970906.
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VALUE CREATION OF THE RED ELÉCTRICA GROUP BUSINESS MODEL	- LETTER FROM THE CHAIRWOMAN AND FROM THE CEO	- OUR RESPONSE TO THE COVID-19	- 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	- ANNEXES	
													

Report on Independent Limited Assurance of Greenhouse Gas Emissions Inventory



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REPORT ON INDEPENDENT LIMITED ASSURANCE OF GREENHOUSE GAS EMISSIONS INVENTORY 2020 OF RED ELECTRICA GROUP

To the Management of Red Eléctrica Corporación, S.A.

Scope

We have undertaken a limited assurance engagement on the Green Gas Emissions Inventory (hereinafter referred to as the GHG Inventory) of Red Eléctrica Group, which includes the GHG emissions associated to the main company, Red Eléctrica Corporación, and the subsidiaries: Red Eléctrica de España, S.A.U. (REE), Red Eléctrica Internacional (REI), Red Eléctrica Infraestructuras en Canarias, S.A.U. (REINCAN2), Red Eléctrica Sistemas de Telecomunicaciones, S.A.U. (REINTEL), Red Eléctrica Internacional, S.A.U. (REI) y Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A. (REITIT), Red Eléctrica Andina (REA), Red Eléctrica de Chile (RECH), HISPASAT, (hereinafter referred to as the Group) for the financial year ended in 31st December 2020, 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

Group's management is responsible for preparation and update of the 2020 GHG Inventory in accordance with their internal procedure, "Methodology for de Calculation of the Greenhouse Gas Emissions (GHG) Inventory of Red Eléctrica Group" 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 2020 GHG Inventory of the Group 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 2020 GHG Inventory of the group is free from material misstatement.

A limited assurance engagement undertaken in accordance with ISAE 3410 involves assessing the suitability in the circumstances of the Group 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 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 the Group various departments who have been involved in the preparation of the GHG Inventory, obtained an understanding of the Group 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 the Group 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 the Group estimates.



- Verification, through random sampling tests, internal control rests and the development of substantive rests of the information (activity data, calculations and information generated) used to determine the Group 2020 GHG Inventory with the internal procedure. We have also verified the correct compilation of information based on the data provided.

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 the Group 2020 GHG Inventory for the financial year ended in 31st December 2020 contains any material misstatement or is not prepared, in all material respects, in accordance with the "Methodology for de Calculation of the Greenhouse Gas Emissions (GHG) Inventory of Red Eléctrica Group".

Use and distribution

Our report is only issued to Red Eléctrica Corporación S.A. and the subsidiaries in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than Red Eléctrica Corporación, S.A. Management.

ERNST & YOUNG, S.L.
(Free translation from the Original Report on Independent Review in Spanish dated 7th April 2021. In case of any discrepancy, the Spanish version always prevails.)


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Report on
Independent
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Assurance of
Greenhouse
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Inventory

ANEXO

GREENHOUSE GAS (GHG) 2020 INVENTORY OF RED ELÉCTRICA GROUP

GHG Inventory 2019	tCO _{2eq}
Scope 1	25 557.29
SF ₆	22 214.15
Air conditioning	1 185.52
Fleet vehicles	1 528.74
Diesel generating sets	484.57
Heating	144.31
Scope 2	600 823.97
Electricity consumption	649.37
Transmission grid losses	600 174.60
Scope 3	380 326.13
Purchase of goods and services	202 819.33
Capital goods	162 834.03
Energy production (not included in scope 1 and 2)	709.14
Waste	217.27
Transportation and distribution	1 178.40
Business travel	648.68
Commuting	1 113.68
Leased assets	183.75
Investments	10 621.85

Organizational boundaries

The emission calculation is performed under operational control criteria. The inventory applies to the activities that take place in **Red Eléctrica Corporación, S.A.** and the subsidiaries: **Red Eléctrica de España, S.A.U. (REE)**; **Red Eléctrica Internacional (REI)**¹; **Red Eléctrica Infraestructuras en Canarias, S.A.U. (REINCAN)**²; **Red Eléctrica Sistemas de Telecomunicaciones, S.A.U. (REINTEL)**; **Red Eléctrica Internacional, S.A.U.(REI)** y **Red Eléctrica y de Telecomunicaciones, Innovación y Tecnología, S.A. (RETIT)**.

¹ Staff in Spain

² For the moment, only management activities (the work centres where the staff and general services are located, are common to the subsidiaries in Spain).

The subsidiaries **Red Eléctrica Andina (REA)**, **Red Eléctrica de Chile (RECH)** (including concessionaires societies) and **HISPASAT** have been included in 2020.
Transmisora Eléctrica del Norte S.A (TEN), **Argo Energia Empreendimentos e participações S.A. (ARGO)** e **Hisedat Servicios estratégicos, S.A** are investees societies and considered as investments. Therefore, the emissions corresponding to these companies are included in scope 3.

Operational scope

The following scopes are considered:

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 and heating.

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 (upstream & downstream).
- Investments.

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Independent
Limited
Assurance
Report on
the Green
Bonds Report

<p>INDEPENDENT LIMITED ASSURANCE REPORT ON THE GREEN BONDS REPORT</p> <p>To the Board of Directors of RED ELÉCTRICA CORPORACIÓN, S.A.</p> <p>Scope of our work</p> <p>We have carried out a limited assurance engagement on the Green Bonds Report of Red Eléctrica de España, S.A. ("Red Eléctrica") for the year ended December 31, 2020, prepared in accordance with the "Green Finance Framework" published by the group and available on its website (https://www.ree.es/es/accionistas-e-inversores/bonos/marco-verde).</p> <p>Specifically, we have reviewed the following related to the Green Bonds Report:</p> <ul style="list-style-type: none">Compliance with the eligibility criteria established in the "Green Finance Framework of Red Eléctrica de España" of the projects portfolio included in the "Allocation Report" section of the Green Bonds Report.The key environmental performance indicators included in the "Impact Report" section of the Green Bonds Report.The traceability of funds allocated to the refinancing of projects included in the "Allocation Report" section of the Green Bonds Report. <p>The directors of Red Eléctrica are responsible for preparing the content included in the Green Bonds Report in accordance with the criteria established in the "Green Finance Framework of Red Eléctrica de España."</p> <p>This responsibility likewise includes the design, implementation, and maintenance of the internal control considered necessary to ensure that the information included in the Green Bonds Report is free of material misstatement, due to fraud or error. In addition, the directors of RED ELÉCTRICA CORPORACIÓN, S.A. are also responsible for defining, implementing, adapting, and maintaining the management systems from which the necessary information is obtained for preparing the Green Bonds Report.</p> <p>Criteria</p> <p>Our responsibility is to express our conclusions on the Independent Assurance Report with limited assurance based on the work performed. We conducted our engagement in accordance with the requirements established in the International Standard on Assurance Engagements (ISAE) 3000 (revised), "Assurance Engagements Other than Audits and Review of Historical Financial Information" issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).</p>	<p>2</p> <p>Procedures performed:</p> <p>In a limited assurance engagement, the procedures carried out vary in their nature and timing, and are less in extent than those carried out for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is also substantially lower.</p> <p>Our work consisted in making inquiries of management, reviewing the processes for compiling and validating the information presented the Green Finance Report, and applying certain analytical procedures and sample review tests as described in general terms below. These procedures included:</p> <ul style="list-style-type: none">Meetings with personnel of the various Red Eléctrica units involved in preparing the Green Bonds Report.Analyzing the procedures used to collect and validate data and information presented in the Green Bonds Report.Analyzing the methodology applied to assess the project portfolio included in the Green Bonds Report.Checking that Red Eléctrica's investments in the project portfolio have been made in accordance with the criteria of the "Green Finance Framework of Red Eléctrica de España."Verifying, through review tests based on a selected sample as well as analytical and substantive tests, the quantitative and qualitative information included in the Green Bonds Report.Obtaining a representation letter from the directors and management. <p>Independence and quality control</p> <p>We have complied with the independence and other Code of Ethics requirements for accounting professionals issued by the International Ethics Standards Board for Accountants (IESBA), which are based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behavior.</p> <p>Our firm applies International Standard on Quality Control 1 (ISQC 1), and consequently maintains a global quality control system which includes documented policies and procedures relating to compliance with ethical requirements, professional standards, and the legal and applicable regulatory provisions.</p>
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Independent
Limited
Assurance
Report on
the Green
Bonds Report

3

Conclusions

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the information included in the "Allocation report " and "Impact report " sections of Red Eléctrica for the year ended December 31, 2020 relating to the matters included in the scope of our work contains material misstatements or has not been prepared, in all material respects, in accordance with the criteria established by Red Eléctrica in accordance with the "Green Finance Framework of Red Eléctrica de España".

Use and distribution

This report has been prepared solely for the directors of Red Eléctrica, in accordance with the terms set out in our engagement letter. We will not assume any liability to parties other than the addressees of this report.

ERNST & YOUNG

(Free translation from the Original Report on Independent Review in Spanish dated 7 April 2021. In case of any discrepancy, the Spanish version always prevails.)

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GRUPO RED
ELÉCTRICA

