



# Methodology for assessing and prioritising nature-related impacts, dependencies, risks and opportunities.

Project #IDRO

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## Glossary of terms

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- **Nature:** The natural world, with emphasis on the diversity of living organisms (including people) and their interactions with each other and with their environment<sup>1</sup>.
- **Biodiversity:** The variability among living organisms from all sources, including, among others, terrestrial marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems<sup>2</sup>.
- **Impact:** changes in the state of nature that may result in changes in the capacity of nature to provide social or economic functions<sup>3</sup>.
- **Dependency:** aspects of environmental assets and ecosystem services on which an organisation depends to operate, or which may affect the performance of its activities<sup>3</sup>.
- **Direct impact:** change in the state of nature caused by the activity of an organisation with a direct connection to nature<sup>3</sup>.
- **Negative impact:** changes in the state of nature (quality or quantity) that impair or compromise its ability to provide social or economic functions<sup>3</sup>.
- **Positive impact:** changes in the state of nature (quality or quantity) that improve or favour its capacity to provide social or economic functions<sup>3</sup>. This refers to actions linked to the normal functioning of the activity and not to the generation of compensatory actions or voluntary projects.
- **Actual impact:** impacts that are occurring or have already occurred due to an organisation's activity<sup>4</sup>.
- **Potential impact:** impacts that could occur but have not yet done so<sup>4</sup>.
- **Biodiversity and ecosystem loss impact driver:** drivers that unequivocally contribute to biodiversity loss and ecosystem functioning<sup>5</sup>. The impact drivers are:
  - *Land use change of terrestrial, marine and aquatic ecosystems:* refers to terrestrial ecosystem management or use change that may result in a change in land cover (in terrestrial ecosystems) or a change in use category (in terrestrial and marine ecosystems).
  - *Climate change:* refers to the effects of extreme weather events and greenhouse gas emissions.
  - *Use and exploitation of natural resources:* refers to the loss of resource provision as a consequence of an activity.
  - *Pollution:* refers to the contamination or loss of soil, water, or air quality (excluding greenhouse gases) due to discharges or emissions from an activity.
  - *Alterations to biodiversity and invasive species:* alterations to biodiversity directly as a result of an activity or caused by the intentional or unintentional introduction of invasive species.

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<sup>1</sup> Adapted from Díaz, S et al. (2015) The IPBES Conceptual Framework - Connecting Nature and People.

<sup>2</sup> Convention on Biological Diversity (1992) Article 2

<sup>3</sup> Taskforce on Nature-related Financial Disclosures. Glossary. Version 1.0 September 2023.

<sup>4</sup> ESRS 1 General Principles. April 2022. EFRAG.

<sup>5</sup> IPBES. Models of drivers of biodiversity and ecosystem change.

- **Magnitude of impact or dependency:** how severe the impact is<sup>6</sup>.
- **Extent of impact or dependency:** how widespread the impact is<sup>6</sup>.
- **Irremediability of impact or dependency:** how difficult it is to repair or counteract the damage generated by the impact<sup>6</sup>.
- **Risk/opportunity magnitude:** a measure of the impact of a risk on a company's business, financial and reputational operations<sup>1</sup>.
- **Risk likelihood/opportunity:** a measure of the likelihood of a risk materialising in a given period of time<sup>1</sup>.
- **Nature-related risk:** the potential threats (effects of uncertainty) to an organisation arising from its dependence on nature and society at large, as well as its impact on nature<sup>1</sup>.
- **Nature-related opportunity:** activities that create positive outcomes for organisations and nature through positive impacts or mitigation of negative impacts on nature<sup>1</sup>.
- **LEAP:** an integrated approach to the assessment of nature-related issues. It is called the "LEAP approach" (Locate, Evaluate, Assess, and Prepare)<sup>1</sup>.
- **Ecosystem services:** refers to the contributions of ecosystems to the benefits that are used in economic and other human activities, respectively the benefits that people derive from ecosystems<sup>6</sup>.

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<sup>6</sup> EFRAG Appendix VI-Acronyms and glossary of terms

## 1 About Redeia

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Redeia is a global operator of essential infrastructures that operates the Spanish electricity system and manages electricity transmission networks in Spain, Peru, Chile and Brazil, and telecommunications networks (fibre optics and satellites), with a focus on innovation and sustainability.

Since its creation in 1985, as the world's first TSO<sup>7</sup>, the company has evolved to become a reference group in the fields of electricity and telecommunications.

Redeia's main activity is as the sole transmission agent and operator of the Spanish electricity system through its subsidiary Red Eléctrica. Its main objective is to guarantee the security and continuity of the electricity supply at all times and to manage the transmission of high-voltage energy from generation centres to consumption areas throughout the country. As operator of the electricity system through the electricity control centres, it carries out operating functions, thus guaranteeing the correct functioning of the electricity supply process in both the mainland and non-mainland systems.

In addition to Spain, Redeia is also active in electricity transmission in Latin America, with subsidiaries located in Peru, Chile, and Brazil under the Redinter brand.

In the telecommunications sector, Redeia, through its subsidiary Reintel, operates and manages an extensive fibre optic backbone network and has sites and technical spaces for housing electronic equipment. The fibre optic network of around 52,000 km of cables is deployed over the transmission network of the electricity system and the railway network. In addition, it provides maintenance services for fibre optic cables and Red Eléctrica's telecommunications equipment.

Hispasat, a satellite service provider and operator that offers broadband and connectivity solutions for Internet access, mobility, and the extension of cellular networks in America, Europe and North Africa, is another subsidiary company of Redeia.

Redeia has a real commitment to sustainability that is reflected in its strategies and policies, as well as in the information it shares with stakeholders and therefore Redeia's transparency and efforts have been recognised by the main sustainability agencies, being included in the main sustainability indexes<sup>8</sup>.

As part of its process of constant improvement, Redeia deepens its knowledge of its impacts, dependencies, risks, and opportunities related to nature arising from the interaction of its activities with the natural environment. The company also seeks to respond to the requirements demanded by the reporting frameworks and sustainability indexes such as: DJSI<sup>9</sup>, CSRD<sup>10</sup>, CDP<sup>11</sup>, GRI<sup>12</sup> or SBTN<sup>13</sup>.

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<sup>7</sup> Transmission system operator of the Spanish system.

<sup>8</sup> DJSI, FTSE 4 Good, Euronext Vigeo Index Eurozone 120 and Euronext Vigeo Europe 120, MSCI (Morgan Stanley Capital International), Ethibel Sustainability Index Excellence Europe, Ethibel PIONEER and Ethibel EXCELLENCE Investment Registers, Sustainabilitytics.

<sup>9</sup> DJSI. Dow Jones Sustainability Index.

<sup>10</sup> CSRD. Corporate Sustainability Reporting Directive. 2022/2464/EU.

<sup>11</sup> CDP. Carbon Disclosure Project.

<sup>12</sup> GRI. Global Reporting Initiative.

<sup>13</sup> SBTN. Science Based Target Network. Global Commons Alliance.

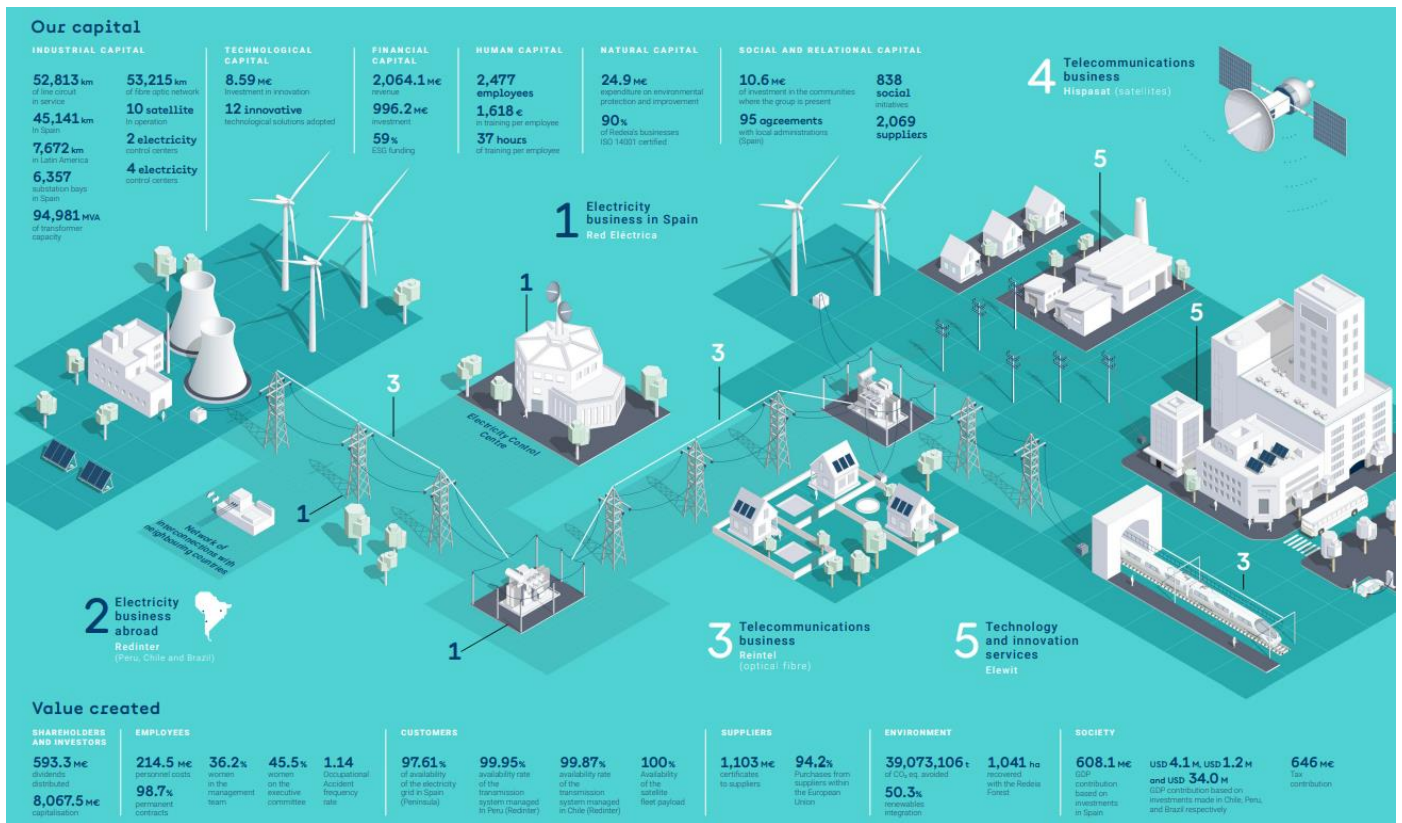


Figure 1. Redeia's business structure and activities.

## 2 Object of the #IDRO project

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The **#IDRO** (**#Impacts, Dependencies, Risks, Opportunities**) project arose from Redeia's need to identify and assess the impacts, dependencies, risks, and opportunities related to nature of the direct operations of the companies in the company. This project serves to advance the integration of nature in business decision-making.

In addition, the information obtained from the project will allow Redeia to comply with the different reporting requirements and sustainability indexes on aspects related to nature. This project takes as a reference the methodology proposed by TNFD<sup>14</sup> for the identification, evaluation and management of impacts, dependence, risks, and opportunities related to nature.

The main objectives of the project are:

- Analysis of Redeia's initial situation regarding the new management and reporting needs in the field of biodiversity/natural capital.
- Relevance analysis of all Redeia's businesses in the field of biodiversity with regard to stakeholders.
- Identification and assessment of Redeia's material impacts, dependencies, risks, and opportunities related to biodiversity and ecosystems.
- Establishment of corporate metrics that enable the company to assess and monitor the material impacts and ecosystem changes generated by its activity.
- Update of the list of ecosystem services that are key to Redeia.
- Update of Redeia's Biodiversity Action Plan, ensuring the alignment of its objectives and metrics with the results of this project.

## 3 Object of the document

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The purpose of this document is to set out a methodology for:

- Identify Redeia's facilities located in areas that could be categorised as sensitive -from a point of view of biodiversity and ecosystem conservation.
- Assess and prioritize Redeia's nature-related impacts and dependencies.
- Assess and prioritize Redeia's nature-related risks and opportunities.

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<sup>14</sup> TNFD: Taskforce on Nature-related Financial Disclosures.

## 4 Regulatory context

The methodology designed is based on the following normative documents and standards:

- **The Taskforce on Nature-related Financial Disclosures (TNFD)** is the framework enabling companies to identify, assess and disclose nature-related risks and opportunities. For this purpose, the TNFD sets out a detailed conceptual framework based on several issues.

TNFD proposes a four-step approach called **LEAP**<sup>15</sup>:

- › **Locate** key activities and identify their interaction with nature.
- › **Evaluate** their dependencies and impacts.
- › **Assess** their risks and opportunities.
- › **Prepare** to respond to nature-related risks and opportunities and inform investors.

TNFD recommends some general guidelines to follow for disclosing nature-related issues and to ensure that the whole process of assessing impacts, dependencies, risks, and opportunities is useful for informing the company at its highest decision-making levels. Thus, the recommendations for disclosure of nature-related risks and opportunities are structured in the following four pillars:

- › **Governance:** the way in which the oversight and decision-making functions of the organisation consider nature-related risks and opportunities.
  - › **Strategy:** the integration of the actual and potential effects of nature-related risks and opportunities into the organisation's business model, strategy, and financial planning.
  - › **Risk management:** how the organisation integrates nature-related risks into its overall risk management approach.
  - › **Metrics and targets:** quantitative and qualitative performance indicators and targets related to nature-related risks and opportunities, based on nature dependencies and impacts.
- **Corporate Sustainability Reporting Directive (CSRD):** European legislation that seeks to strengthen the disclosure of information on corporate sustainability. This initiative extends the requirements established in Directive 2014/95/EU on the disclosure of non-financial information by increasing the requirements, mainly for the largest listed companies in the European Union.

One of the key aspects of the CSRD is the inclusion of Environmental and Social Reporting Standards (ESRS), to address different aspects of sustainability.

Specifically, ESRS E4 focuses specifically on biodiversity, and sets out clear guidelines for companies to assess, manage and disclose their impact on nature. This includes measures to identify and assess biodiversity-related risks and opportunities in company operations, as well as actions to minimise negative impacts and promote positive outcomes. The inclusion of ESRS E4 in the CSRD reflects the recognition of biodiversity as a fundamental aspect of business sustainability. Biodiversity is not only vital to the health of ecosystems and the

<sup>15</sup> *Locate, Evaluate, Assess, Prepare.*



conservation of life on Earth, but also provides a range of economic, social and cultural benefits.

By integrating ESRS E4 into the disclosure requirements of the CSRD, European businesses are expected to increase their awareness of the importance of biodiversity and take concrete steps to protect and conserve it. This would include implementing sustainable business practices that minimise negative impacts on biodiversity and contribute to its restoration and conservation.

Priority is given to what is established by the reporting systems that Redeia must respond to, being CSRD alignment the main priority and following a hierarchical order with respect to GRI reporting requirements.

For data collection, TNFD and its LEAP approach have served as a methodological framework. Throughout this document, references will be made to when this methodology is aligned with one of these two normative bases, when it is aligned with both or when it is adapted to respond to one of other reporting systems.

## 5 Methodology

### 5.1 Scope of analysis

The following criteria are taken into consideration in determining the scope of the analysis:

- Redeia's businesses, activities and technologies that have a relevant interaction with nature are previously selected<sup>16</sup> either because they generate an impact or because they are dependent on the ecosystem services. The analysis conducted to determine business relevance includes a high-level identification of upstream operations.
- The analysis is performed on the businesses/activities in which the company has full operational control.
- For each technology, the activities that could be applied are evaluated: construction, operation, or maintenance of the installations.
- The analysis is limited to all those infrastructures located in non-urban areas that meet the above criteria. The exclusion of facilities in urban areas will be carried out using different sources of information depending on the country (see Table 1).
- Energy transport technologies related to storage systems - pumped storage and batteries - are excluded from this analysis.

Table 1. Sources of information for determining urban areas in the countries covered by the scope of the methodology.

Country	Layer of urban spaces used
<b>Brazil</b>	Instituto Brasileiro de Geografia e Estatística. Urbanised areas of Brazil (2019) Available at: <a href="https://www.ibge.gov.br/geociencias/organizacao-do-territorio/tipologias-do-territorio.html">https://www.ibge.gov.br/geociencias/organizacao-do-territorio/tipologias-do-territorio.html</a>
<b>Chile</b>	Biblioteca del Congreso Nacional de Chile. Áreas urbanas de todo el territorio chileno (2018) Available at: <a href="https://www.bcn.cl/siit/mapas_vectoriales/index.html">https://www.bcn.cl/siit/mapas_vectoriales/index.html</a>
<b>Spain</b>	Centro Nacional de Información Geográfica (2020) Available at: <a href="https://centrodedescargas.cnig.es/CentroDescargas/index.jsp#">https://centrodedescargas.cnig.es/CentroDescargas/index.jsp#</a>
<b>Peru</b>	Instituto Geográfico de Perú (Ministerio de Defensa). Centros poblados de Perú (undated). Available at: <a href="https://www.idep.gob.pe/geovisor/VisorDeMapas/">https://www.idep.gob.pe/geovisor/VisorDeMapas/</a>

Following the application of these criteria, the scope of the methodology is limited to activities related to the electricity transmission and distribution business in Spain, Peru, Chile, and Brazil, which currently account for 80-90% of Redeia's turnover.

<sup>16</sup> For this selection, Redeia carries out a prior relevance study in the field of biodiversity based on internal company information and expert criteria, complemented by information from external sources such as ENCORE or SBTN Materiality Tool.

## 5.2 Impact and dependency screening

An initial identification of impacts and dependencies is carried out using general information tools, oriented to the sector (ENCORE; SBTN<sup>17</sup>) and with the information available from Redeia's expert knowledge, always in accordance with CSRD<sup>18</sup>, TNFD and GRI<sup>19,20</sup>.

In particular, the relationship between technologies and impact factors is identified, which allows defining the potential relationship with nature.

The impact drivers (see Table 2) used are as follows:

- Land use change, aquatic ecosystems, and marine ecosystems.
- Climate change.
- Resource use, and exploitation.
- Water, air, and soil pollution, as well as solid waste generation.
- Affecting biodiversity through direct impacts or through the introduction or spread of invasive alien species.

Table 2. Definition of impact drivers<sup>21</sup>

Driver	Impact
<b>Land use</b>	Irreversible impacts on land surface, aquatic ecosystems and oceans. Permanent loss of vegetation cover, earth movements, activities that can lead to high erosion, loss of species habitat, etc. in terrestrial and marine ecosystems.
<b>Climate change</b>	Negative impact through removal of vegetation, alteration of soils or marine ecosystems, which may function as a carbon sink or other impacts or dependencies arising from extreme events or weather conditions.
<b>Resource use and exploitation</b>	Negative impacts on natural resources due to direct exploitation. The impact of installations on areas where other economic activities dependent on natural resources are carried out (livestock areas, agricultural areas, fishing areas, forestry areas with exploitation, etc.) is also considered.
<b>Pollution</b>	Negative impact on soil, water, or air (chemical, noise, light pollution) during new developments and the operation phase of installations.
<b>Biodiversity</b>	Direct impact on biodiversity (bird collisions or electrocutions), impacts on the vital functions of biodiversity (impact on migratory routes, fragmentation of the territory, or effects on connectivity), etc. Impact because the activity may involve the spread of invasive species.

The dependencies are considered based on Redeia's need for environmental goods and services provided by nature to operate.

<sup>17</sup> Sectoral-Materiality-Tool\_UNEP-WCMC\_January-2022

<sup>18</sup> ESRS E4 AR 4

<sup>19</sup> Guidance on the identification and assessment of nature-related Issues: The LEAP approach V1.1

<sup>20</sup> 101-6

<sup>21</sup> Own elaboration based on IPBES. Models of drivers of biodiversity and ecosystem change

The identification of ecosystem services is based on those defined by CICES<sup>22</sup>, by SEEA EA <sup>23</sup> and the groups of ecosystem services indicated by TNFD<sup>24</sup>, in accordance with ESRS E4<sup>25</sup>.

The result of this preliminary identification phase is a set of pre-materiality matrices where impacts are classified by technology and impact driver and dependencies by technology and ecosystem service.

These pre-materiality matrices do not define the specific impacts and/or dependencies between technologies and impact drivers or ecosystem services. This is defined in the identification of impacts described in section 5.5.1 of this document.

### 5.3 Analysis of Redeia's interface with nature

To determine the interface of Redeia's energy transmission and distribution business with nature, the area of occupation of the facilities is specifically defined, as well as the area of influence, carrying out a geospatial analysis of both types of zones.

- **Definition of area of occupancy:**
  - » For overhead transmission and distribution lines: 20 metres on each side of the circuit is considered.
  - » For submarine transmission and distribution lines: 1 metre on each side of the circuit; for underground transmission and distribution lines: 2 metres on each side of the circuit.
  - » For substations: the area of the fence is considered.
  
- **Definition of area of influence:**
  - » For overhead lines: 100 metres on each side of the area of occupancy are considered.
  - » For substations: 50 metres from the area of occupancy is considered.
  - » For submarine and underground lines: an area of influence is not considered.

This information is cross-checked with geographical information provided by the IUCN Global Ecosystem Typology<sup>26</sup>, determining which ecosystems the company's activity takes place in.

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<sup>22</sup> Common International Classification of Ecosystem Services

<sup>23</sup> SEEA Ecosystem Accounting

<sup>24</sup> LEAP V1.1. Figure 19: Fundamental concepts for understanding nature (Page 52)

<sup>25</sup> AR 8 (d)

<sup>26</sup> International Union for Conservation of Nature (2023). IUCN Global Ecosystem Typology and United Nations et al. (2021). System of environmental-economic accounting - Ecosystem accounting; Keith, D. et al. (2020) IUCN Global Ecosystem Typology (GET) 2.0.

## 5.4 Interface of the activity with ecologically sensitive locations

The sensitivity of the geographic location where Redeia is placed is analysed based on the following environmental vectors indicated in TNFD<sup>27</sup>:

- **Biodiversity importance:** if the ecosystem is identified as part of a biodiversity *hotspot*, protected area or other internationally recognised biodiversity hotspot, the risks associated with loss or deterioration of nature are higher.
- **Water stress:** if the location is an area experiencing water stress where the quantity and/or quality of available water is deteriorating, the risks will be greater in areas where there is a higher water demand.
- **Provision of ecosystem services:** if the area is important for the provision of ecosystem services, including the presence of areas managed by local communities or indigenous peoples, the risks arising from their deterioration will be more relevant.

For the analysis, geographic information layers are selected to make a map of the ecological sensitive locations by interfacing with them:

- **UNEP-WCMC and IUCN. The World Database on Protected Areas (WDPA)**<sup>28</sup>: provides information on protected areas on a global scale. Additional sources of information on protected areas at regional and/or national scale are used to complete the information.
- **Key Biodiversity Areas (KBA)**<sup>29</sup>: provides information on areas of high biodiversity importance. In addition, and as useful contextual information for the analysis, this cartographic package includes IUCN information on species and their threat category, screening those species that have been detected in the pre-materiality phase as having some type of material interaction with the technologies.
- **World Resources Institute. Aqueduct Water Risk Atlas. Water Stress**<sup>30</sup>: provides information on water stress in terms of physical quantity of the resource.
- **UNEP-WCMC. Territories and areas conserved by Indigenous Peoples and communities (ICCAs)**<sup>31</sup>: provides information on territories conserved by indigenous peoples and local communities.
- **Food and Agriculture Organization of the United Nations (FAO). Globally Important Agricultural Heritage Systems (GIAHS)**<sup>32</sup>: provides information on the existence of areas of special interest to agriculture either because of the provision of key agricultural resources or because of their existence value.

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<sup>27</sup> LEAP V1.1

<sup>28</sup> UNEP-WCMC and IUCN. The World Database on Protected Areas (WDPA) (2024). Available at: <https://www.protectedplanet.net/en/thematic-areas/wdpa?tab=WDPA>

<sup>29</sup> Key Biodiversity Areas (KBA) (2023). Available at: <https://www.keybiodiversityareas.org/>

<sup>30</sup> World Resources Institute. Aqueduct Water Risk Atlas. Water Stress<sup>30</sup> (2019). Available at: <https://www.wri.org/applications/aqueduct/water-risk-atlas/>

<sup>31</sup> UNEP-WCMC. Territories and areas conserved by Indigenous Peoples and communities (ICCAs) (2023). Available at: <https://www.iccaregistry.org/>

<sup>32</sup> Food and Agriculture Organization of the United Nations (FAO). Globally Important Agricultural Heritage Systems (GIAHS) (2023). Available at: <https://www.fao.org/giahs/giahsaroundtheworld/en/>

To subsequently prioritise installations according to the sensitivity of the territory, the following criteria are established:

- The environmental and spatial information layers are evaluated with values from 1 to 5 <sup>33</sup>
- The layers are weighted<sup>34</sup> with respect to each other as follows:
  - KBAs = **30 %**
  - WDPA= **30 %**
  - Water Stress = **10%** <sup>35</sup>
  - Joint layer of ICCAs and GIAHs = **20%**

The locations are classified based on its sensitivity with scores between 1 and 5, with those areas reaching values of 3, 4 and 5 being considered ecologically sensitive.

As an additional criterion all WDPA areas where installations are located are considered ecologically sensitive.

The information on the sensitivity of the locations is then cross-checked with the information on the installations, and the results are classified according to four levels of priority:

- **High priority installations:** those where both the area of occupancy and the area of influence are in ecologically sensitive areas.
- **Priority installations:** those where only the area of occupancy is in an ecologically sensitive area.
- **Potentially priority installations:** those where only the area of influence is in an ecologically sensitive area.
- **Non-priority installations:** those that are not located in ecologically sensitive areas neither in their area of occupancy nor in their area of influence.

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<sup>33</sup> With values of 1 and 5 for those indicating presence/absence (KBA, WDPA) and 1-2-3-4-5 for those indicating values for the territory (Water Stress, ICCA's, GIAHS).

<sup>34</sup> Out of a total of 100.

<sup>35</sup> The environmental variable related to water stress will count as 0 when applying the prioritisation criteria for the facilities. This is because there is no water consumption or potential impact on water resources during the production process, as identified in the pre-materiality phase.

## 5.5 Methodology for the identification, measurement and assessment of impacts and dependencies

### 5.5.1 Identification of impacts and dependencies

Based on the preliminary identification of impacts and dependencies<sup>36</sup> defined in section 5.2 of this document, an exhaustive and expert analysis of the relationship between Redeia's technologies and activities and each of the drivers of impacts and/or ecosystem services has been carried out<sup>37</sup>.

Based on this analysis, the impacts and/or dependencies are specifically defined, and there may be more than one impact or dependency for each impact driver and/or ecosystem service.

The result of this phase is an impact identification and dependency matrix.

### 5.5.2 Impacts measurement

From the matrix defined in section 5.5.1 of this document, the scale of the impacts is measured qualitatively by assigning values from 1 to 5 (see Table 3). The scope and irremediable character of the impacts are also measured.

Following the recommendations of GRI-101<sup>38</sup>, the EFRAG Materiality Assessment Implementation Guide<sup>39</sup> and ESRS E4<sup>40</sup>, severity is used to measure impacts according to the following formula:

$$\textit{Severity} = \textit{scale} \cdot \textit{scope} \cdot \textit{irremediable character}$$

### 5.5.3 Dependencies measurement

Based on the materiality matrix defined in section 5.5.1 of this document, dependencies are assessed based on their scale (see Table 3) following the CSRD requirements<sup>41</sup>:

$$\textit{Significance} = \textit{severity}$$

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<sup>36</sup> Pre-materiality matrices

<sup>37</sup> Working group formed by Redeia's Sustainability Department and Red Eléctrica's Environment Department.

<sup>38</sup> Paragraph 4a

<sup>39</sup> Paragraph 3.6

<sup>40</sup> Section AR 8

<sup>41</sup> ESRS E4, AR 8 (d)

Table 3. Description of variables for impact and dependency measurement

Variable	Description of valuation for impacts	Description of valuation for the units
<b>Scale</b>	<p>1 = the impact of the activity has a very low intensity on biodiversity and ecosystems.</p> <p>2 = the impact of the activity has a low impact on biodiversity and ecosystems.</p> <p>3 = the impact of the activity has a medium intensity on biodiversity and ecosystems.</p> <p>4 = the impact of the activity has a high intensity on biodiversity and ecosystems.</p> <p>5 = the impact of the activity has a very high intensity on biodiversity and ecosystems.</p>	<p>1 = the dependency affects the operation in a very low way (the operation can continue without problem).</p> <p>2 = the dependency affects the operation in a low way (may involve changes in the operation of effort and low consequences).</p> <p>3 = the dependency affects the operation in a medium way (may lead to changes in the operation involving average costs and effort).</p> <p>4 = the dependency affects the operation in a medium way (may involve changes in the operation involving high costs and effort).</p> <p>5 = the dependency affects the operation to a medium extent (may even lead to a cessation of activity).</p>
<b>Scope</b>	<p>1 = very low reach (the impact is on a very small area of the technology and/or the technology has a very low reach relative to other technologies).</p> <p>2 = low reach (the impact is on a small area of the technology and/or the technology has a low reach relative to others).</p> <p>3 = medium reach (the impact is on a medium area of the technology and/or the technology has a medium reach relative to others).</p> <p>4 = high reach (the impact is on a large area of the technology and/or the technology has a high reach relative to other technologies).</p> <p>5 = very high reach (the impact is over the entire surface of the technology and/or the technology has the highest reach relative to the others).</p>	Not applicable
<b>Irremediable character</b>	<p>1 = The consequences of the impact are minor, repairable, and temporary.</p> <p>2 = The consequences of the impact are minor, repairable, and long-lasting.</p> <p>3 = The consequences of the impact are significant, temporary, and repairable and complex to repair.</p> <p>4 = The consequences of the impact are significant, repairable, complex to repair and permanent for the life cycle of the installation over which the company has operational control.</p> <p>5 = The consequences of the impact are very serious, irreparable, and permanent during the life cycle of the installation over which the company has operational control.</p>	Not applicable



### 5.5.4 Assessment and prioritisation of impacts

The assessment and prioritisation of impacts is carried out based on their significance in accordance with GRI-101<sup>42</sup> and ESRS E4<sup>43</sup>. In this sense, significance implies a reclassification of severity values into 5 ranges:

$$\text{Significance} = \text{severity}$$

- Severity values of 1-24 = **Very low** significance
- Severity values of 25-49 = **Low** Significance
- Severity values of 50-74 = **Mean** Significance
- Severity values of 75-99 = **High** Significance
- Severity values of 100-125 = **Very High** Significance

Priority impacts are those with medium, high, or very high significance.

### 5.5.5 Assessment and prioritisation of dependencies

Similarly, the dependencies are prioritised according to the significance classified in 5 ranks:

- Severity value equal to 1 = **Very Low** Significance
- Severity value equal to 2 = **Low** Significance
- Severity value equal to 3 = **Mean** Significance
- Severity value equal to 4 = **High** Significance
- Severity value equal to 5 = **Very High** Significance

The priority units are those with medium, high or very high significance.

## 5.6 Methodology for identifying, assessing and prioritising risks and opportunities

### 5.6.1 Risks and opportunities identification

Redeia's Integrated Risk Management System establishes a methodology for determining the level of risk by combining two variables: the likelihood and the impact that the materialisation of this risk would have on the company on four key elements of the business:

- Economic loss
- Achieving Redeia's Strategic Plan
- Reputation
- Electricity supply

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<sup>42</sup> Paragraph 4a

<sup>43</sup> Section AR 8

Based on the likelihood and the level of impact of each risk, it is placed in the matrix that automatically determines the level of risk, so that all identified risks are individually classified.

Biodiversity risk assessment and management is integrated into the company's integrated risk management system in accordance with the ISO 31000 standard on risk management principles and guidelines. In addition, the biodiversity risk assessment is aligned with the guidelines established by TNFD and SBTN<sup>44</sup>.

Nature-related risks are identified based on priority impacts and dependencies. In line with CSRD<sup>45</sup> and TNFD<sup>46</sup>, three groups of risks are distinguished:

- **Physical risks** are defined as those related to the degradation of nature, changes in ecosystem balance, soil quality or species composition, and the consequent loss of ecosystem services. These risks can be **chronic**, (e.g., a gradual decline in pollinator species diversity resulting in reduced crop yields or water scarcity); or **acute**, (e.g., natural disasters). Nature-related physical hazards arise because of changes in the biotic and abiotic conditions that support healthy and functional ecosystems.
- **Transitional risks** are defined as those arising from changes in policies, regulations, technologies, markets, and behaviors that seek to restore or reduce negative impacts on nature. These risks can be **regulatory**, related to changes in policies aimed at protecting biodiversity or **reputational** (e.g., loss of confidence of investors and/or other stakeholders), **market** risks arising from the changing dynamics of markets in general, including changes in consumer preferences, arising from other risk categories as a result of changing physical, regulatory, technological, reputational and stakeholder dynamics or **technological risks** related to risks arising from the substitution of products or services with reduced impact on and/or dependence on nature (e.g., substitution of products or services by products or services with reduced biodiversity impact or dependence on ecosystem services, lack of access to data or access to poor quality data hindering biodiversity-related assessments, transition to more efficient and cleaner technologies).
- **Systemic risks**: risks related to system-wide failures. They are characterised by tipping points that combine indirectly to produce large failures that prevent the system from returning to its previous equilibrium. They may be due to ecosystem collapse, aggregate risks from biodiversity loss, or risks of contagion between companies.

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<sup>44</sup> Based on location criteria.

<sup>45</sup> ESRS E4 AR 9

<sup>46</sup> LEAP v1.0

### 5.6.2 Risk and opportunity assessment

For risks and opportunities related to nature, both the magnitude<sup>47</sup> and the likelihood<sup>48</sup> are assessed in accordance with the CSRD<sup>49</sup> and TNFD<sup>50</sup>. Both risk components are assessed qualitatively (values from 1 to 4) on the basis of the following ranking:

Variable	Description of valuation for risks and opportunities
Financial magnitude	1 = Low 2 = Medium-Low 3 = Medium-High 4 = High
Likelihood	1 = Low 2 = Medium-Low 3 = Medium-High 4 = High

To assess the financial magnitude of the risk, different quantitative, qualitative and semi-quantitative parameters are used, such as the impact or effect on the electricity supply or service, the economic loss, the effect on reputation and the effect on the company's Strategic Plan.

In terms of probability, the severity of a potential risk is higher if the event is likely to materialise.

### 5.6.3 Risks and opportunities measurement and prioritisation

The measurement and prioritisation of risks and opportunities is carried out according to their significance in accordance with ESRS E4<sup>51</sup>.

In this sense, significance implies a reclassification of the result obtained in the multiplication between financial size and probability of occurrence of the risk and of the opportunities based on the following criterion:

$$\textit{Significance} = \textit{financial magnitude} \cdot \textit{likelihood}$$

- Values 1-4 = **low** significance
- Values of 5-9 = **medium-low** significance
- Values of 10 -14 = **medium-high** significance
- Values of 15 -25 = **high** significance

Priority risks and opportunities are those with **medium-high or high** significance.

<sup>47</sup> Qualitative measure of the assessment of the financial impact of risk.

<sup>48</sup> Probability of the risk occurring in a given period of time.

<sup>49</sup> ESRS 1-3.5 p.51

<sup>50</sup> TNFD also recommends the inclusion in the assessment of risks and opportunities of additional criteria to those set out here that can be expected to affect (positively or negatively) the company's financial situation. These criteria relate to the severity of the impacts on nature and/or the severity of the implications for society of these impacts on nature. In the case of positive impacts, this refers to those related to scale and scope. The inclusion of these additional criteria will be considered in future developments of this methodology.

<sup>51</sup> Section AR 8

## 6 REFERENCES

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